Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and twelve months ended December 31, 2020 and 2019

The following Management's Discussion and Analysis ("MD&A") is dated March 22, 2021, and is a discussion of the consolidated financial position and results of Vertex Resource Group Ltd. ("Vertex" or the "Company") for the three and twelve months ended December 31, 2020 and 2019, and should be read together with Vertex's annual audited consolidated financial statements and accompanying notes (the "Annual Financial Statements") for the year ended December 31, 2020, and the Annual Information Form ("AIF") for the same year filed on the Company's SEDAR profile at www.sedar.com. All dollar amounts in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.

This MD&A, the Annual Financial Statements and 2019 comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which are also Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A contains forward looking information and reference should be made to Section 8.0 Forward-Looking Information.

1.0 Executive Overview

Vertex is a TSX Venture Exchange publicly traded environmental services company providing industry leading solutions to a diverse range of clients across Canada and within select regions of the United States. Vertex helps its clients achieve their developmental and operational goals through a versatile suite of integrated services. From initial site selection, consultation, and regulatory approval, through the construction, operation and maintenance phases, to conclusion and environmental cleanup, Vertex offers services throughout the life cycle of its clients' projects. The Company services a wide array of high-quality customers operating in numerous industries, and Vertex trades under the symbol "VTX".

The Company provides services in 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 advisory services related to new capital expenditure and asset development, environmental consulting and monitoring on existing assets, emission management solutions, sub-surface engineering, facility engineering, asset retirement and land reclamation services.

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 management and logistics, waste and recycling, industrial cleaning and maintenance, hydro-excavating, and site services for various industries including energy, telecommunications, public sector, utilities, mining, and agriculture.

2.0 Fourth Quarter Operational and Financial Highlights

Early in the fourth quarter of 2020, the global economy began to recover due to the easing of the government-imposed lockdowns. However, Canada saw a second wave of COVID-19 restrictions imposed halfway through the quarter which dampened activity. The quarter also saw the approval of several COVID-19 vaccines across the world, stabilization of commodity prices and increased global demand for oil from previous lows in 2020.

Vertex had a strong finish to an otherwise challenging year, recovering quarter over quarter both through increased revenues and operating profits excluding CEWS.

From an environmental consulting perspective, the expected increase in abandonment and reclamation ("A&R") projects from major government funding has been delayed as contracting and funding mechanisms were being developed during Q2 and Q3 resulting in delayed project awards. Vertex expects significant revenue opportunities in this area through 2022, having already won various projects which are expected to kick off in the near to medium term, and significant remaining unallocated funding.

Fourth quarter highlights:

The Company generated $37.3 million in revenues compared to $40.7 million in Q4 2019, a decrease of 8%. Revenues from Q4 2020 increased $5.3 million over Q3 2020 or 16%.

Gross margin increased to 24.2% during the quarter from 22.3% in Q4 2019. This increased gross margin allowed gross profit in Q4 2020 to be consistent with the gross profit achieved in Q4 2019.

Adjusted EBITDA during the fourth quarter amounted to $5.6 million compared to $4.5 million in Q4 2019, with adjusted EBITDA as a percentage of revenue increasing to 15.0% up from 11.0% in Q4 2019.

Net loss for the period was $0.9 million compared to a loss of $8.9 million in Q4 2019.

Free cash flow amounted to $4.4 million compared to $3.6 million in Q4 2019 (free cash flow is defined as adjusted EBITDA less maintenance capital expenditures net of disposal proceeds).

Senior credit facility was amended to extend the maturity date to May 31, 2022.

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	Three months ended December 31, 2020	Three months ended December 31, 2019
Revenue	**37,331**	40,664
Direct costs	**28,287**	31,607
Gross profit	**9,044**	9,057
General and administrative expenses	**3,427**	4,585
Share-based compensation	**53**	46
Depreciation and amortization	**3,843**	6,300
Finance costs	**1,497**	1,497
Impairment	**-**	6,749
Restructuring costs	**124**	-
Income (loss) before income taxes	**100**	(10,120)
Income tax expense (recovery)	**959**	(1,249)
Net loss and comprehensive loss for the period	**(859)**	(8,871)

	Three months ended December 31, 2020	Three months ended December 31, 2019
Net loss and comprehensive loss for the period	**(859)**	(8,871)
Add:		
Share-based compensation	**53**	46
Depreciation and amortization	**3,843**	6,300
Finance costs	**1,497**	1,497
Impairment	**-**	6,749
Restructuring costs	**124**	-
Income tax expense (recovery)	**959**	(1,249)
ADJUSTED EBITDA (1)	**5,617**	4,472
Environmental Consulting	**2,802**	2,089
Environmental Services	**2,674**	3,874
Other	**141**	(1,491)
	5,617	4,472

(1) See Adjusted EBITDA Non-IFRS measure definition Section 3.2.

Further highlights, in addition to the above, for the fourth quarter by segment are as follows:

Revenue decreased by $3.4 million to $37.3 million, down 8.2% in the fourth quarter of 2020 from $40.7 million for the same quarter in 2019. In the Environmental Consulting segment, revenue in the fourth quarter of 2020 increased by $2.1 million to $14.7 million, up by 16.4%, from $12.6 million in fourth quarter of 2019, due to growth in methane emissions work in Canada and growth of consulting services in the United States. The Environmental Services segment's revenue decreased by 17.9% or $4.7 million to $21.6 million in the fourth quarter of 2020 from $26.3 million in the fourth quarter of 2019. This was the result of customers continuing to postpone projects due to COVID-19 uncertainties, as well as cautious customer maintenance spending in the quarter and very competitive pricing.

Adjusted EBITDA for the fourth quarter increased by 25.6% or $1.1 million to $5.6 million in fourth quarter of 2020 from $4.5 million in fourth quarter of 2019. Adjusted EBITDA for the Environmental Consulting segment in the fourth quarter increased by 34.1% or $0.7 million, to $2.8 million in the fourth quarter of 2020 from $2.1 million in the fourth quarter of 2019, due to increased revenue in the segment. Adjusted EBITDA for the Environmental Services segment in the fourth quarter of 2020 decreased by 31.0% or $1.2 million, to $2.7 million in the fourth quarter of 2020 from $3.9 million in the fourth quarter of 2019 due to reduced revenue in this segment.

Adjusted EBITDA for the fourth quarter, as a percentage of revenue, increased to 15.0% in the fourth quarter of 2020 compared to 11.0% in the fourth quarter of 2019, as the company aggressively managed costs despite lower utilization due to economic uncertainty. Adjusted EBITDA includes wage subsidy during the quarter of $1.1 million.

3.0 Annual Operational and Financial Highlights

The economic uncertainty and contraction which commenced with the emergence of COVID-19 as a major threat in late Q1 has continued throughout 2020. This has been evidenced by government lockdown related restrictions and COVID-19 mitigation strategies which have impacted the demand for energy products and services and for all other industries which Vertex serves. This has resulted in reduced revenues and operating gross margins. However, the impact has been mitigated by prudent cost cutting measures, recurring and stable revenue streams, and the fact that Vertex's business has been deemed essential in Canada and the United States given the importance of its services.

Vertex's diversification efforts with continued expansion in the utilities and telecommunications sectors and growth in its US operations have also helped to mitigate the revenue declines. Vertex remains in a strong financial position and continues to reduce outstanding debt. The Company is maintaining its focus on cost containment, operating efficiencies, geographic diversification, and sector diversification.

Twelve month highlights:

Revenue decreased from $168.1 million in 2019 to $136.1 million for the same period in 2020, while reported gross margin improved to 28.3% from 23.4%.

Adjusted EBITDA amounted to $24.5 million for the full year 2020 compared to $22.3 million in the same period of 2019.

Impairment expense of $3.7 million was recorded in the first quarter of 2020 based on the result of a goodwill impairment test that was performed in response to COVID-19 uncertainty and restructuring expenses for the year were $1.9 million.

Reported net loss and comprehensive loss was $5.7 million in 2020 compared to a loss of $11.3 million the prior year.

Free cash flow amounted to $22.8 million compared to $20.1 million in the year ended December 31, 2019.

Including the wage subsidy, G&A costs reported in the year ended December 31, 2020 were $14.1 million, a decrease of $2.9 million from $17.0 million in 2019.

Reported borrowings was reduced by $18.2 million during the year.

3.1 Annual Select Financial Information

	2020	2019	2018
Revenue	**136,125**	168,070	150,385
Direct costs	**97,590**	128,778	109,892
Gross profit	**38,535**	39,292	40,493
General and administrative expenses	**14,071**	16,986	19,884
Share-based compensation	**187**	188	194
Depreciation and amortization	**17,937**	22,846	17,882
Finance costs	**6,063**	5,988	9,181
Impairment	**3,665**	6,749	-
Restructuring costs	**1,896**	-	-
Gain on bargain purchase	**-**	-	(7,862)
(Loss) income before income taxes	**(5,284)**	(13,465)	1,214
Income tax expense (recovery)	**414**	(2,151)	(1,077)
Net (loss) income and comprehensive (loss) income for the year	**(5,698)**	(11,314)	2,291
Net (loss) income per share			
Basic and diluted	**(0.06)**	(0.12)	0.03
Weighted average number of shares outstanding for the purpose of calculating earnings per share			
Basic and diluted	**91,253,115**	91,253,115	89,837,995

	December 31,		
	2020	2019	2018
Total assets	**151,201**	171,918	184,821
Total loans and borrowings and secured lease liabilities, less cash	**66,787**	78,461	85,258

3.2 Adjusted EBITDA

	Years ended December 31, 2020	2019
Net loss and comprehensive loss for the year	**(5,698)**	(11,314)
Add:		
Share-based compensation	**187**	188
Depreciation and amortization	**17,937**	22,846
Finance costs	**6,063**	5,988
Impairment	**3,665**	6,749
Restructuring costs	**1,896**	-
Income tax expense (recovery)	**414**	(2,151)
ADJUSTED EBITDA (1)	**24,464**	22,306
Environmental Consulting	**9,599**	6,995
Environmental Services	**20,951**	20,618
Other	**(6,086)**	(5,307)
	24,464	22,306

(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 an 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.

4.0 Outlook

The economic uncertainty and contraction which commenced with the advent of COVID-19 in late Q1 has continued throughout 2020, evidenced by delays in construction projects, government-imposed restrictions limiting access to work sites, significantly reduced demand and volume for energy products, ongoing price competition, and reductions in capital spending. Vertex's growing reputation, strong presence in various geographic areas, relationships with clients, and diversified complement of services have allowed it to withstand the economic pressures better than other service providers offering a single service or those that have operations in only one geographic region. Strong client relationships, effective safety programs, strong quality control, a reputation for meeting commitments, and various government support and stimulus programs mitigated the potential for material reductions in gross margins. Vertex demonstrated the strength and resiliency of our business model in 2020 and we are in an enviable position to facilitate growth as the economy continues to recover.

Demand for Vertex's services is expected to improve in 2021 above the levels experienced in 2020 due to various government programs for reclamation and abandonment of environmental liabilities, improved capital spending across multiple industries, unfettered access to work sites, recovery of energy production, elimination of Alberta government production curtailments, increased natural gas developments and prices, reinstatement of major customer maintenance programs, and continued diversification. Federal, provincial, and state governments across North America have identified investment in infrastructure as a key component of their economic recovery plans. Additionally, new opportunities in the telecommunications, utilities and renewable energy sectors are expected to grow based on increased capital investment plans by several of our key customers.

A strong resurgence in commodity prices, an increase in energy demand, coupled with OPEC's short-term production cuts should result in customers in the energy industry continuing to increase activity levels throughout the year. Consolidation of customers in the oil and gas sector is expected to continue. Conservative capital deployment and continued focus on debt reductions will likely delay the return to pre-COVID activity until 2022, but activity in 2021 is expected to rebound from 2020. Additionally, we are anticipating competitor consolidations and business failures will provide further opportunities for Vertex to grow our market share. The new administration in the United States has pledged to enhance environmental and air quality regulations which should create further opportunities for our services.

These expectations may change from period to period if economic activity is further dampened, new government safety measures are enacted, existing government mandated restrictions are prolonged, or supply/demand conditions remain unsettled. However, global economic recovery from this Pandemic will continue to strengthen throughout 2021 and into 2022. The CEWS program has been extended until June 2021 and Vertex will continue to participate in all periods for which we meet the eligibility requirements.

Vertex resumed its acquisition activity in early 2021, acquiring an environmental services business providing industrial cleaning, waste management and hydro-excavating. This business is very complementary, strengthens Vertex's industrial cleaning asset base and has a strong backlog of contracted maintenance work for the next three to five years. The structure of this acquisition allows Vertex to grow its revenues and earnings while also strengthening our balance sheet. Vertex will continue to pursue other acquisitions throughout 2021 should they meet its strict financial and strategic requirements.

Vertex intends to be nimble and agile as an organization, with continued focus on operational efficiencies, process efficiencies, enhanced technology developments and implementation; combined with bundling of its services and solutions for its customers. While strong competition for projects and contracts, along with competitive pricing, is expected to persist for the near to medium term; Vertex expects to continually generate strong, free cashflows from operations, further strengthen its healthy financial position, and ready itself for the increased demand that is expected to occur when Western Canada's energy market recovers with the completion of major pipelines over the next three years. Vertex also expects to continue benefitting from the ongoing demand for NGL's, such as butane and propane, and the increasing demand for cleanup of environmental liabilities. In addition, the Company expects to realize the full year of benefits in 2021 from the cost savings and organizational changes made in 2020.

Vertex is very well positioned to work closely with our Indigenous partners, customers and the provincial governments of Alberta, Saskatchewan, and British Columbia and the Canadian federal government to participate in the various environmental liability clean up programs in 2021 and 2022. In addition, Vertex is a prime contractor for the Alberta Orphan Well Association, the Saskatchewan Orphan Well Association and the BC Oil & Gas Commission. Vertex anticipates an increased level of activity from all these programs in 2021 as the various government agencies and departments have now been able to develop and refine the funding mechanisms, the absence of which greatly impeded activity in 2020. The Company also plans to continue expanding its services to municipalities, utilities, renewables and the telecommunications sector and will continue its geographic diversification efforts in British Columbia, Ontario, and the U.S. In addition, the natural gas industry in Alberta and British Columbia is expected to grow significantly with the development of LNG Canada's Kitimat, BC plant, the Coastal Gas Link Pipeline, and the Nova Gas Transmission Pipeline over the next two to three years.

Vertex's vision of being a world leading environmental services company has not changed. As an Environmental Service business, we believe we are uniquely positioned for ESG performance. We understand that we have a responsibility to maximize our Internal ESG performance and have made a corporate commitment to do so. More substantially, we understand that our Supply Chain opportunity to support the ESG initiatives of our customers has a significantly broader global impact. As such our ESG system design includes both an internal and supply chain focus. As our ESG journey evolves so too will our measurement and reporting, holding ourselves accountable to internal and supply chain metrics. Ultimately, our intent is to create business resiliency by becoming a primary source of executable ESG supply chain solutions for our customers.

5.0 Results from Operations

5.1 Revenue

The following table sets forth revenue by reportable operating segments for the following periods:

	Years ended December 31,		Variance	
	2020	2019	$	%
Environmental Consulting	**43,549**	45,860	**(2,311)**	-5.0%
Environmental Services	**88,352**	113,885	**(25,533)**	-22.4%
Other	**4,224**	8,325	**(4,101)**	-49.3%
Revenue	**136,125**	168,070	**(31,945)**	-19.0%

Revenue decreased by 19.0% or $32.0 million to $136.1 million during year ended December 31, 2020, from $168.1 million during the year ended December 31, 2019.

Revenue for the Environmental Consulting segment decreased by $2.3 million to $43.6 million in 2020. The decreased revenues were a result of the impact of COVID-19 in the second and third quarters of 2020, offset by growth in methane emissions work and US operations in the fourth quarter of 2020.

Revenue decreased by 22.4% in the Environmental Services segment to $88.4 million in 2020. Revenue in this segment was negatively affected by the ongoing impact of COVID-19 and the suppressed price of oil, which resulted in reduction of construction, drilling and exploration activities, and production, as well as pricing concessions on our services.

5.2 Gross Profit

	Years ended December 31,		Variance	
	2020	2019	$	%
Gross profit	**38,535**	39,292	**(757)**	-1.9%
Gross profit as a % of revenue	**28.3%**	23.4%	**4.9%**	21.1%

In the early part of 2020 weather had a negative impact on results followed by COVID-19 whose impacts lasted the remainder of the year and these factors caused reductions in demand and utilization. Although oil prices rose significantly in the latter part of 2020, the decrease was primarily due to supply curtailments which created a more competitive environment for less work. However, due to aggressive cost management and process efficiencies, the Company was able to maintain consistent gross margin from operating activities compared to 2019. Reported gross margin for the year ended 2020 reflects CEWS of $7.8 million.

5.3 General and Administrative Expenses (G&A)

	Years ended December 31,		Variance	
	2020	2019	$	%
G&A	**14,071**	16,986	**(2,915)**	-17.2%
G&A as a % of revenue	**10.3%**	10.1%	**0.2%**	2.3%

G&A decreased by $2.9 million from 2019 to 2020 which was the result of reduced salaries, CEWS benefit of $2.3 million offset by bad debts expense of $1.9 million and benefits due to continuous efficiency improvements and active management of costs in response to lower revenue levels experienced year to date.

5.4 Adjusted EBITDA

	Years ended December 31,		Variance	
	2020	2019	$	%
Environmental Consulting	**9,599**	6,995	**2,604**	37.2%
Environmental Services	**20,951**	20,618	**333**	1.6%
Other	**(6,086)**	(5,307)	**(779)**	14.7%
Adjusted EBITDA	**24,464**	22,306	**2,158**	9.7%
Adjusted EBITDA(1) as a % of revenue	**18.0%**	13.3%	**4.7%**	35.4%

(1) See Adjusted EBITDA definition Section 3.2.

Adjusted EBITDA finished the year at $24.5 million. Adjusted EBITDA increase result from a combination of proactive management to offset the revenue impact of COVID-19 pressures and the benefits of the CEWS. Environmental Consulting segment's Adjusted EBITDA increased by $2.6 million during the year, while Environmental Services segment's Adjusted EBITDA increased by $0.3 million over the same period.

The "Other" segment is comprised of corporate costs including bad debts expense and other minor operations. Adjusted EBITDA in this segment decreased due to reduced revenues in those minor operations combined with the impact of CEWS, restructuring and bad debts expense discussed above.

5.5 Other Items

	Years ended December 31,		Variance	
	2020	2019	$	%
Share-based compensation	**187**	188	**(1)**	-0.5%
Depreciation and amortization	**17,937**	22,846	**(4,909)**	-21.5%
Finance costs	**6,063**	5,988	**75**	1.3%
Impairment	**3,665**	6,749	**(3,084)**	-45.7%
Restructuring costs	**1,896**	-	**1,896**	0.0%
Total	**29,748**	35,771	**(6,023)**	-16.8%

Depreciation and amortization decreased by $4.9 million to $17.9 million for 2020 from $22.8 million in 2019 as a result of assets acquired during the historical acquisitions reaching their salvage values and/or being fully depreciated during the year.

Impairment has been recorded based on the results of an impairment test of goodwill from Q1 2020. The recoverable amount of the environmental logistics CGU based on the impairment test was below the carrying value of the assets resulting in an impairment charge of $3.3 million in 2020 versus $6.7 million in 2019. Impairment of $0.4 million was recorded for intangible assets where the future economic benefits expected from the use of those assets were no longer expected.

Restructuring costs of $1.9 million were recognized during the year and there are no comparative costs for 2019.

5.6 Net Loss and Comprehensive Loss for the Year

	Years ended			
	December 31,		**Variance**	
	2020	2019	$	%
Net loss and comprehensive loss for the year	**(5,698)**	(11,314)	**5,616**	49.6%

Net loss for the year decreased by $5.6 million to a loss of $5.7 million in 2020 from a loss of $11.3 million in 2019. The 2020 loss includes impairment charges of $3.7 million compared to an impairment charge of $6.7 million and higher depreciation and amortization in 2019.

5.7 Summary of Quarterly Results

($000 except per share amounts)	**2020**				**2019**			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenue	**37,331**	32,067	28,301	38,426	40,664	43,655	41,123	42,628
Net (loss) income	**(859)**	1,471	(711)	(5,599)	(8,871)	(552)	(1,268)	(623)
Basic and diluted (loss) income per share	**(0.01)**	0.02	(0.01)	(0.06)	(0.10)	0.00	(0.01)	(0.01)
Adjusted EBITDA(1)	**5,617**	6,822	6,702	5,323	4,472	6,475	5,333	6,026

(1) See Adjusted EBITDA definition Section 3.2.

Vertex continues to demonstrate the resiliency and stability of our diverse service offerings across diverse industries. 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 recovered in the fourth quarter of 2020 as contraction of opportunities or delays in capital expenditures into 2021 was balanced against increased activity in reclamation and environmental opportunities from the rollout of government led programs. A lower revenue level has continued into the final three quarters of 2020 due to volatility of commodity prices, COVID-19, continued uncertainty for oil demand and unwinding delay in reclamation activities caused by new government funding programs. Second quarter 2020 bore the full impact of COVID-19 due to full economic shutdowns in many jurisdictions and very high uncertainty surrounding energy demand and production which impacted all Company business lines. Third quarter 2020 reflects the beginning of a recovery which was further realized in fourth quarter 2020 as activity levels reached nearer to pre-COVID-19 levels.

Revenue and Adjusted EBITDA remained stable for 2019, and much of first quarter 2020, due to Vertex's service offerings deriving revenues from on-going, repetitive streams in our clients' operations, maintenance and reclamation activities. 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, with an additional $3.7 million in impairment charges during the first quarter of 2020. Adjusted EBITDA has remained at a high level for second and third quarter 2020 because of CEWS and the Company's actions to mitigate the potential drop from severe economic contractions. EBITDA in the fourth quarter of 2020 remained high as the tapering of CEWS was replaced by increased activity and utilization while the Company continued to focus on cost controls to drive higher margins.

6.0 Liquidity and Capital Management

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

	December 31,	
	2020	2019
Cash provided by operating activities	**20,782**	22,174
Cash used in investing activities	**(2,958)**	(6,647)
Cash used in financing activities	**(18,238)**	(17,460)
	(414)	(1,933)

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 it may need to utilize the operating and revolving loans to support future revenue growth as activity rebounds from the COVID related contraction. The Company typically utilizes its available committed operating loans and equipment lease lines. The Company has a healthy liquidity position with access to in excess of $35 million to fund working capital requirements and planned expenditures.

6.1 Cash Provided by Operating Activities

Cash provided by operating activities before non-cash working capital items was $15.8 million during 2020, an increase of $0.2 million from $15.6 million during 2019. This improvement was offset by a reduction in the contribution of non-cash working capital year over year as a result of lower operating activity during the year.

6.2 Cash Used in Investing Activities

Capital expenditures on property and equipment have been reduced to essential purchases in this economic environment. Cash used in investing activities was $3.0 million during 2020, a decrease of $3.7 million from the cash used in investing activities of $6.6 million during 2019

6.3 Cash Used in Financing Activities

Cash used in financing activities was $18.2 million during 2020, an increase of $0.7 million from cash used by financing activities of $17.5 million during 2019. Vertex is focused on reducing its loans and borrowings through scheduled and additional repayments in 2020 and 2021. Loans and borrowings have decreased by $11.4 million since the 2019 year end.

6.4 Working Capital

	December 31, 2020	2019
Current assets	**38,809**	40,366
Current liabilities (excluding current portion of loans and borrowings, other liabilities, and lease liabilities)	**20,328**	16,187
Working Capital	**18,481**	24,179

Working capital at year end 2020 was $18.5 million, a decrease of $5.7 million from $24.2 million at December 31, 2019. Accounts receivable, contract assets, prepaids and inventories decreased by $1.6 million in 2020, as accounts payable and accrued liabilities, contract liabilities and income taxes payable increased by $4.1 million from December 31, 2019 to December 31, 2020.

6.5 Credit Facilities

	December 31, 2020	December 31, 2019
Revolving and operating loans:		
Committed revolving and operating facilities	**35,000**	35,000
Drawn on revolving and operating facilities	**7,153**	21,400
Available revolving and operating facilities	**27,847**	13,600

Debt as of December 31, 2020, consisted of the items noted in Section 6.6 Commitments and Contingencies.

In 2020, the total secured credit facilities were $76.7 million (2019 - $80.5 million) and were comprised of three committed facilities: a $30.0 million (2019 - $30.0 million) syndicated facility ("revolving loan"), a $41.7 million (2019 - $45.5 million) term loan facility ("syndicate term loan"), and a $5.0 million (2019 - $5.0 million) operating facility ("operating loan"). This agreement includes an additional $20.0 million Accordion Facility. The syndicate credit facilities are for a committed term maturing May 31, 2022 and are secured by a General Security Agreement over all assets of the Company.

During the year, the Company amended its secured credit facilities several times due to the ongoing economic environment. Salient features are as follow: a) the maturity date was extended to May 31, 2022 and; b) a new covenant has been added – Net Syndicated Funded Debt to EBITDA; c) ratios were revised for existing covenants. The covenant levels are described below.

In May, 2020 and June, 2020 a Working Capital Loan and Co-lend Term Loan supported by federal programs in the amounts of $2.0 million and $6.25 million respectively to support the Company's liquidity were agreed to and are described below.

At December 31, 2020, the following terms were in effect:

Revolving loan
The revolving loan can be drawn by a mix of account overdraft with interest at rates ranging from HSBC's CAD prime rate or USD base rate plus 2.00%-3.50%, CAD bankers' acceptance rate and USD LIBOR loans plus stamping fees of 3.00%-4.50%. The Company pays a standby fee on any unutilized portion of the revolving

facility on the last day of each fiscal quarter at rates ranging from 0.60%-0.90%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter. As at December 31, 2020, $6.8 million was drawn under CAD bankers' acceptances with a rate of 5.78% and $0.1 million was drawn under prime rate loans with a rate of 6.15%.

Syndicate term loan

The interest rate on the syndicate term loan can be a mix of rates ranging from HSBC's CAD prime rate or USD base rate plus 2.00%-3.50%, CAD bankers' acceptance rate and USD LIBOR loans plus stamping fees of 3.00%-4.50%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter. The syndicate term loan was repayable in one quarterly principal payment of $1,104, followed by four quarterly principal payments of $1,382 commencing June 30, 2021, with a final payment of $35.3 million due on maturity.

In addition to the scheduled principal payments, the syndicate term loan includes an additional principal payment based on an annual excess cash flow calculation. The excess cash flow calculation is applicable if the funded debt to EBITDA ratio as at December 31, 2020 exceeds 2.75:1.00. At year-end the excess cash flow calculation resulted in an additional payment on the term loan of $4.0 million (2019 - $0.9 million), which has been included in the current portion of loans and borrowings on the consolidated statements of financial position. As at December 31, 2020, $41.9 million was drawn under CAD bankers' acceptances with a rate of 5.04% and $0.1 million was drawn under prime rate loans with a rate of 6.15%.

Operating loan

The syndicate facilities include a secured operating facility authorized to a maximum of $5.0 million to be used for general corporate purposes. The operating loan may be borrowed, repaid and re-borrowed on a revolving basis from the closing date until the maturity date. To the extent funds are drawn on the operating facility, they will bear interest at rates ranging from HSBC's CAD prime rate or USD base rate plus 2.00%-3.50%. There was $0.3 million drawn on this facility as at December 31, 2020 (2019 – $nil).

Co-Lend term loan

Under a separate loan agreement with HSBC Bank Canada, a demand term loan for $6.3 million was obtained under Business Development Bank of Canada ("BDC") Co-Lending Program. The loan is 80% funded by BDC, is secured by the assets of the Company ranking second to the Secured Credit Facility, bears interest at the rate of HSBC's CAD prime rate plus 4.25% per annum, is repayable in monthly interest only payments for the first year, then monthly principal payments of $104 plus interest over five years commencing July 2021 and maturing June 2026. For the purposes of the covenants noted above, this loan meets the definition of net senior funded debt but does not meet the definition of net syndicated funded debt. As at December 31, 2020, the rate of interest on this loan was 6.7%.

Subordinate working capital loan

Under a separate loan agreement with BDC, a loan for $2.0 million has been agreed to. The loan is secured by assets of the Company ranking behind the Secured Credit Facility and the Co-lend term loan, bears interest at the BDC's floating base rate less 1.75% per annum, is repayable in monthly interest only payments beginning November 23, 2020 until April 1, 2021. Commencing May 1, 2021, the Company is required to make twenty-three monthly principal plus interest payments of $33 with a final balloon payment of $1.2 million on April 1, 2023. For the purposes of the covenants noted above, this loan does not meet the definition of net senior funded debt or net syndicated funded debt. This loan was advanced to the Company on October 23, 2020. As at December 31, 2020 the interest rate was 2.8%.

Debt Covenants

Trailing twelve-month Bank EBITDA includes various adjustments as approved by the syndicate of lenders, when calculating covenants. Bank EBITDA was $19.4 million for the trailing twelve months ending December 31, 2020.

All loans are being provided in Canadian dollars and are subject to the following financial covenants, except for the subordinate working capital loan:

- The ratio of consolidated syndicated indebtedness to trailing Bank EBITDA, calculated on a trailing twelve-month basis, must not exceed:
    - 4.25 to 1.00 for quarter four in fiscal 2020 and the first two quarters in 2021.
    - 4.00 to 1.00 for the last two quarters in 2021
    - 3.75 to 1.00 thereafter.
- The ratio of consolidated senior indebtedness to trailing Bank EBITDA, calculated on a trailing twelve-month basis, must not exceed:
    - 4.75 to 1.00 for quarter four in fiscal 2020 and the first two quarters in 2021.
    - 4.50 to 1.00 for the last two quarters in 2021
    - 4.25 to 1.00 thereafter.
- The ratio of net cash flow to fixed charges, the Fixed Charge Coverage ratio, must not be less than 1.10 to 1.00 calculated on a rolling four-quarter basis.

The relevant definitions of key ratio terms set forth in Credit Facility is as follows:

- Consolidated syndicated indebtedness is defined as bank indebtedness, the outstanding balance of the revolving loan, the outstanding principal balance of the senior term loan, and principal portions of any equipment loans and secured lease liabilities.
- Consolidated senior indebtedness is defined as consolidated syndicated indebtedness plus any outstanding principal balance of the BDC Co-lend loan.
- EBITDA is defined as net income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, amortization of capitalized deferred financing costs, goodwill/intangible impairment, stock-based compensation, and other gains and losses not considered reflective of underlying operations. Trailing 12-month EBITDA attributable to businesses acquired in the period are permitted to be added to EBITDA.
- Net cash flow is defined as EBITDA reduced by net capital expenditures and cash taxes.
- Fixed charges are calculated as interest expense plus scheduled principal payments of indebtedness during the 12-month trailing period.

At December 31, 2020, the Company was in compliance with the terms and covenants of its lending agreements.

		December 31,
	Target	**2020**
Credit facilities		
Funded debt to EBITDA	< 4.75 : 1	**3.35**
Net syndicate funded debt to EBITDA	< 4.25 : 1	**3.03**
Fixed charge coverage ratio	> 1.10 : 1	**1.65**

6.6 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. Contractual maturities for financial liabilities on an undiscounted basis, including interest and principal at December 31, 2020 are as follows:

	Operating loan [1]	Loans and borrowings	Other liabilities	Lease liabilities	Total
2021	19,138	10,061	669	6,509	36,377
2022	-	47,182	320	6,158	53,660
2023	-	3,616	179	4,305	8,100
2024	-	1,526	-	2,877	4,403
2025	-	1,337	-	1,120	2,457
Thereafter	-	637	-	2,190	2,827
	19,138	**64,359**	**1,168**	**23,159**	**107,824**

(1) Operating loan and accounts payable and accrued liabilities

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 December 31, 2020 and 2019, the Company did not have any off-balance sheet arrangements.

6.7 Capital Expenditures

The Company's gross capital expenditures were below the Company's approved capital plan for 2020 in reaction to the economic climate resulting from COVID-19. The Company undertakes to sell any under-utilized assets that cannot be redeployed in other geographical locations in order to improve utilization. In 2020, the Company sold $1.5 million worth of capital assets compared to $1.8 million for 2019.

Annual net capital expenditures for 2021 are budgeted to be in the range of $4.5 million to $6.5 million. The maintenance and growth capital expenditures are not committed for or required if factors related to economics, industrial and customer spending plans change or destabilize.

6.8 Credit Risk

The Company's revenues are from a diverse customer base that includes the energy, telecommunications, public sector, real estate, utility, 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 industry. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. For the year ended December 31, 2020, the Company had no customers that accounted for more than 10% of the consolidated sales (2019 – one customer - 10.9%). The aging analysis of accounts receivables is as follows:

	2020	2019
0 to 30 days	**18,180**	15,085
31 to 60 days	**7,436**	9,405
61 to 90 days	**1,638**	2,883
Over 90 days	**1,952**	2,818
Holdbacks	**164**	7
Trade accounts receivable	**29,370**	30,198
Allowance for expected credit losses	**(688)**	(317)
Trade receivables, net of allowance	**28,682**	29,881
Accrued receivables	**3,701**	1,154
Other receivables	**46**	1,784
	32,429	32,819

6.9 Outstanding Share Data

As of the date of this MD&A, the Company had 91,253,115 Common Shares outstanding. As of the same date, the Company had outstanding 3,593,331 stock options to purchase up to an aggregate of 3,593,331 Common Shares.

6.10 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.

Lease liabilities includes $5.2 million (2019 - $5.8 million) of liabilities relating to the leases with a related party. Principal payments of unsecured lease liabilities and associated interest accretion for the year ended December 31, 2020 were $0.9 million (year ended December 31, 2019 - $0.9 million).

Included in general and administrative expenses is remuneration of the key management personnel of the Company, which includes directors and officers of the Company. For the year ended December 31, 2020, remuneration of $1,533 (2019 - $1,672) included $1,402 of salaries and short-term benefits and $131 of share-based compensation (2019 - $1,536 and $136, respectively) which were paid to key management. Directors and key management own 47.3% of the Company.

7.0 Critical Accounting Judgments, Estimates and Accounting Policy Developments

7.1 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 consolidate financial statements.

7.2 New accounting pronouncements adopted in 2020

Amendments to IFRS 16 Leases

In May 2020, the International Accounting Standards Board (IASB) published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. This practical expedient is applied to leases with similar characteristics and circumstances with changes in lease payments recognized in the consolidated statement of loss. Leases that do not meet the criteria for optional exemption are treated as a lease modification.

The Company negotiated rent concessions on certain equipment leases to which the optional exemption was applied. The impact on the consolidated statement of loss was not significant.

Amendments to IFRS 3 Business Combinations

The Company adopted amendments to IFRS 3, Definition of a Business, to business combinations, which clarifies the definition of a business and provides additional guidance in the assessment of an acquisition. This amendment applies to transactions with acquisition dates on or after January 1, 2020. There was no impact from this amendment in the current period.

Other

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8; and
- Revised Conceptual Framework for Financial Reporting.

These amendments did not have any impact on the amounts recognized in the financial statements.

7.3 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.

7.4 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 27 to the Annual Financial Statements.

8.0 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 the Company's Environmental Services segment in 2020; supply and demand for the Company's services; anticipated savings in 2020, resulting from the Credit Facilities restructuring; activity levels in the oil and gas industry and other industries in which the Company operates; annual gross maintenance capital expenditures for 2020; 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.

9.0 Additional Information

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