Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and twelve months ended December 31, 2018 and 2017

The following Management's Discussion and Analysis ("MD&A") is dated March 22, 2019, 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, 2018 and 2017, 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, 2018, 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 2017 comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), which are also Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A contains forward looking information and reference should be made to Section 8.0 Forward-Looking Information.

1.0 Executive Overview

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

The Company provides services in western Canada where the level of operating activity is influenced by seasonal weather patterns. Certain project sites are located in remote areas that are inaccessible other than during the winter months as the ground surrounding the project sites makes the area inaccessible during warmer seasons. Seasonal factors and unexpected weather patterns may lead to declines in the demand for the services of the Company. Wet weather and the spring thaw can make the ground unstable; consequently, municipalities and provincial transportation authorities enforce road bans that restrict movement of vehicles and other heavy equipment, thereby reducing activity levels.

The Company operates in two segments:

Environmental Services

Through Vertex's Environmental Services segment, the Company provides a variety of services related to assisting its clients to meet internal environmental standards, environmental legislation and related environmental compliance requirements. These services span multiple industries including: oil and gas, mining, utilities, forestry, private development, public infrastructure, telecommunications and government. More specifically, these services include environmental planning and regulatory approvals, reclamation, remediation, groundwater monitoring, abandonment, drilling and completion engineering, emergency spill response, vacuum, hydrovac, pressure testing, industrial cleaning, fluid management and logistic solutions, waste management bins and disposals, wellsite accommodations, and engineered chemistry products and solutions.

Industrial Services

Through Vertex's Industrial Services segment, the Company offers services related to infrastructure and facility maintenance, as well as the construction of those assets, spanning a range of industries. These services span industries including: agriculture, forestry, government, public infrastructure, oil and gas production, mining and utilities. These services include the manufacturing and installation of custom insulation blankets and the manufacturing and repair of self-frame and rigid-frame metal buildings and utilidor products.

2.0 Fourth Quarter Operational and Financial Highlights

The results for the fourth quarter of 2018 were in line with management's expectations reflecting a strong company performance, even though the Company faced volatility with its customers' spending in the oil and gas industry as a result of WTI-WCS differentials and production curtailment announcements. Acquisitions and increased activity levels had positive impacts on Vertex's Environmental Services segment's results, which were offset by expected revenue reductions in the Industrial Services segment. The Company increased revenue, gross profit, EBITDA and net income from the fourth quarter of 2018 as compared to the fourth quarter of 2017, as highlighted below:

- Revenue increased by $10.8 million to $46.6 million, up 30.2% in the fourth quarter of 2018 from $35.8 million for the same quarter in 2017. This growth is attributable to gains related to the successful cross-selling of services with existing customers and acquisitions completed within the Company's Environmental Services segment. The continued focus on cross-selling strategies across customers and industries resulted in additional utilization of people and equipment within this segment. These gains were offset by expected revenue reductions within Vertex's Industrial Services Segment.
- Gross profit for the fourth quarter of 2018 was $12.0 million, up 41.1% or $3.5 million from $8.5 million in the same quarter of 2017 due to improved utilization of people and equipment, steady focus on cost management and positive contributions from acquisitions. Gross profit as a percentage of revenue ("gross profit margin") improved to 25.8% in the fourth quarter of 2018 versus 23.8% in the fourth quarter of 2017.
- General and administrative costs ("G&A") increased by 32.6% or $1.5 million to $6.1 million in the fourth quarter of 2018, from $4.6 million in the fourth quarter of 2017. The majority of this increase is attributed to three acquisitions that closed in the second/third quarters of 2018 and two acquisitions that closed at the end of the fourth quarter of 2017. These acquisitions added staff, new locations and service offerings in Manitoba, Saskatchewan and Alberta. As a percentage of revenue, G&A was up slightly to 13.1% in the fourth quarter of 2018 from 12.8% in the fourth quarter of 2017.
- EBITDA (see "EBITDA" definition in Section 3.2 – EBITDA) for the fourth quarter increased by $2.0 million or 51.0% to $5.9 million compared to same quarter in 2017. This increase was driven by revenue growth, strong gross margins from improved utilization of people and equipment and steadfast, effective cost management.
- Amortization expense increased by 67.7% or $2.4 million from $3.5 million in the fourth quarter of 2017 to $5.9 million in the fourth quarter of 2018. Finance costs decreased by $1.0 million, from $2.4 million in 2017 to $1.4 million for the fourth quarter of 2018, due to an interest rate differential on Vertex's term debt that was refinanced at lower rates in the second quarter of 2018 combined with the absence of a non-cash charge in 2017 of $0.6 million related to the Transaction to become a public entity.
- Net income for the fourth quarter of 2018 increased by $2.1 million or 125.2%, to income of $0.4 million, from a loss of $1.7 million in the fourth quarter of 2017. Income improved given increased EBITDA and a further gain on bargain purchase offset by the impact of additional amortization expense.
- During the fourth quarter of 2018, gross capital expenditures were $5.6 million, with $1.2 million of proceeds from asset disposals. These expenditures were primarily for environmental services equipment to support backlog into 2019.

	Three months ended December 31, 2018	Three months ended December 31, 2017
Revenue	**46,582**	35,772
Direct costs	**34,552**	27,244
Gross profit	**12,030**	8,528
General and administrative expenses	**6,092**	4,595
Share-based compensation	**54**	5
Amortization	**5,893**	3,513
Finance costs	**1,341**	2,356
Gain on bargain purchase	**(1,037)**	-
Loss before income taxes	**(313)**	(1,941)
Income tax recovery	**(743)**	(238)
Net income (loss) and comprehensive income (loss) for the period	**430**	(1,703)

	Three months ended December 31, 2018	Three months ended December 31, 2017
Net income (loss) and comprehensive income (loss) for the period	**430**	(1,703)
Add:		
Income tax recovery	**(743)**	(238)
Gain on bargain purchase	**(1,037)**	-
Finance costs	**1,341**	2,356
Amortization	**5,893**	3,513
Share-based compensation	**54**	5
EBITDA (1)	**5,938**	3,933
Environmental Services	**6,727**	3,015
Industrial Services	**1,241**	1,929
Corporate Services	**(2,030)**	(1,011)
	5,938	3,933

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

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

- Revenue in the fourth quarter of 2018 increased by 30.2% or $10.8 million from the fourth quarter of 2017. In the Environmental Services segment, revenue in the fourth quarter of 2018, increased by $22.4 million to $42.6 million up by 111.1%, from $20.2 million in fourth quarter of 2017, due to growth from completed acquisitions and improved customer spending associated with customers addressing their environmental liabilities. Vertex continues to focus on cross-selling strategies for customers throughout different industries in an effort to drive revenues and improve the utilization of Vertex's people and equipment. The Industrial Services segment's revenue decreased by 76.5% or $11.9 million to $3.7 million in the fourth quarter of 2018 from $15.6 million in the fourth quarter of 2017. This was the result of a large project that began in the third quarter of 2017 and was completed in the second quarter of 2018. Vertex continues to see limited, near-term prospects for profitable projects within this segment.

- G&A increased by 32.6% or $1.5 million to $6.1 million in the fourth quarter of 2018 from $4.6 million during the fourth quarter of 2017. This was the result of additional G&A related to ongoing operations of the three acquisitions completed in 2018 and two acquisitions completed at the end of 2017. Vertex continues to integrate acquisitions and continues to manage G&A costs closely. As a percentage of revenue, G&A increased slightly to 13.1% in the fourth quarter of 2018 versus 12.8% in the fourth quarter of 2017.

- EBITDA for the fourth quarter increased by 51.0% or $2.0 million to $5.9 million in fourth quarter of 2018 from $3.9 million in fourth quarter of 2017. EBITDA for the Environmental Services segment in the fourth quarter increased by 123.2% or $3.7 million, to $6.7 million in fourth quarter of 2018 from $3.0 million in the fourth quarter of 2017, due to positive contributions from acquisitions and improved utilization of people and equipment. EBITDA for the Industrial Services segment in the fourth quarter of 2018 decreased by 35.6% or $0.7 million from the fourth quarter of 2017 due to decreased revenue within this segment. The Industrial Services segment's decrease in revenue in the quarter translated into lower EBITDA in the fourth quarter of 2018 albeit for higher gross profit margins as management remained focused on pricing and costs for services in this segment. The Corporate Services segment had negative EBITDA that increased by 100.9% or $1.0 million due to overhead costs associated with acquisitions.

- EBITDA for the fourth quarter, as a percentage of revenue, improved to 12.7% in the fourth quarter of 2018 compared to 11.0% in the fourth quarter of 2017, as the additional revenue allowed for some operational efficiencies in the quarter.

3.0 Annual Operational and Financial Highlights

For two consecutive years, Vertex finished the year on a positive note, with the results for 2018 surpassing both 2017 and 2016. Positive trends in revenue, gross profit, EBITDA and net income were achieved even though the Company faced headwinds in the fourth quarter of 2018 from a drop in commodity prices, increased differential in WCS-WTI and the curtailment of production announcement, all factors in activity levels from oil and gas customers decreasing in the fourth quarter of 2018. Vertex also successfully completed three complimentary and opportunistic acquisitions during 2018 and refinanced its debt at a lower cost of borrowing which have contributed to the positive results. Vertex continued to integrate and improve equipment utilization from its acquisitions in 2018 through cross-selling opportunities across service lines, continued geographical and industry expansion, as well as reducing redundant costs where possible. Vertex's efforts to expand its service offerings and geographic footprint have yielded positive increases in utilization rates in both people and equipment. Vertex continues to focus on efficiently managing the costs of the business and diversifying its services, product offerings and customer base both in geography and industry. These efforts should continue to improve performance and the financial position of the Company in order to capitalize on strategic growth initiatives. As commodity prices stabilized in first nine months of 2018, Vertex has been able to invest in the Company, diversify the business and generate positive operational results.

Revenue, gross profit, EBITDA and net income all improved in 2018 as compared to 2017, as highlighted below:

- Revenue increased to $150.4 million, up 27.0% or $32.0 million from 2017. The increased revenue is attributable to a rebound in customer spending in certain segments including environmental liability management, acquisition impacts, decommissioning, and the continued focus on cross-selling strategies within customers and industries that have led to increased utilization of people and equipment. These gains were offset by revenue reductions in Vertex's Industrial Services segment as the Company focused efforts on higher margin service lines within the segment.

- Gross profit for 2018 increased to $40.5 million up 25.4% or $8.2 million from 2017 due to acquisition impacts and improved activity levels in the Company's Environmental Services segment. Gross profit margins were slightly down in the year, due to revenue mix and offset by increased fuel and maintenance costs. Vertex's gross profit margin in 2018 was 26.9% compared to 27.3% in 2017.

- G&A increased by 18.6% or $3.1 million to $19.9 million for 2018, from $16.8 million in 2017. Vertex added staff, public company compliance costs, new locations and service offerings in Manitoba, Saskatchewan and Alberta due to five acquisitions over the past fifteen months. As a percentage of revenue, G&A was down to 13.2% in 2018 versus 14.2% in 2017. Vertex continues to focus on realizing cost efficiencies through integrating acquisitions and streamlining business processes.

- EBITDA was $20.6 million in 2018, up 32.7% or $5.1 million from 2017. This increase was driven by impacts of recent acquisitions, improved utilization of staff and equipment and prudent cost management.

- Vertex's net income (loss) and comprehensive income (loss) also improved significantly compared to 2017. Net income for 2018 was $2.3 million compared to a net loss of $2.9 million in 2017. Income per share was $0.03 compared to loss per share of $0.04 in 2017.

- Vertex completed three acquisitions in its Environmental Services segment. The aggregate fair value consideration was $15.0 million and resulted in a gain on bargain purchase of $7.9 million. These acquisitions further expanded Vertex's operations in Manitoba, Saskatchewan, Grande Prairie, Alberta and parts of the United States

- Cash provided by operating activities increased by $10.4 million to $9.4 million for 2018, from cash used in operating activities of $1.0 million in 2017. A majority of this increase in cash provided from operating activities was due to higher revenue and EBITDA.

- The Company restructured its Credit Facilities (as defined in Section 6.5 Credit Facilities) in the second quarter of 2018 to provide greater financial flexibility, lower borrowing costs and pursue organic and acquisition growth opportunities.

3.1 Annual Select Financial Information

	Years ended December 31,		
	2018	2017	2016
Revenue	**150,385**	118,419	86,153
Direct costs	**109,892**	86,116	61,348
Gross profit	**40,493**	32,303	24,805
General and administrative expenses	**19,884**	16,771	14,678
Share-based compensation	**194**	5	-
Amortization	**17,882**	13,641	13,215
Finance costs	**9,181**	6,493	2,992
Gain on bargain purchase	**(7,862)**	(922)	-
Restructuring costs	**-**	-	5,548
Income (loss) before income taxes	**1,214**	(3,685)	(11,628)
Income tax recovery	**(1,077)**	(737)	(3,461)
Net income (loss) and comprehensive income (loss) for the year	**2,291**	(2,948)	(8,167)
Net income (loss) and comprehensive income (loss) for the year per share			
Basic and diluted	**0.03**	(0.04)	(0.16)
Weighted average number of shares outstanding for the purpose of calculating earnings per share			
Basic and diluted	**89,837,995**	76,501,608	52,093,019

	December 31,		
	2018	2017	2016
Total assets	**184,821**	144,156	122,371
Total loans and borrowings, less cash	**85,258**	61,864	57,676

3.2 EBITDA

	Years ended December 31, 2018	2017
Net income (loss) and comprehensive income (loss) for the year	**2,291**	(2,948)
Add:		
Income tax recovery	**(1,077)**	(737)
Gain on bargain purchase	**(7,862)**	(922)
Finance costs	**9,181**	6,493
Amortization	**17,882**	13,641
Share-based compensation	**194**	5
EBITDA [(1)]	**20,609**	15,532
Environmental Services	**22,052**	14,749
Industrial Services	**4,957**	5,410
Corporate Services	**(6,400)**	(4,627)
	20,609	15,532

(1) "EBITDA" is defined as net income (loss) before interest, income taxes, depreciation and amortization. EBITDA is a non-IFRS measure, calculated by adding back to net income (loss) the sum of income taxes, finance costs, bargain purchase gain, amortization of property and equipment and intangible assets. The Company uses EBITDA as an indicator of its principal business activities prior to consideration of how its activities are financed and the impact of taxation and non-cash depreciation and amortization. EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. EBITDA is used by many analysts as one of several important analytical tools and management of Vertex believes it is useful for providing readers with additional clarity on Vertex's operational performance prior to consideration of how its activities are financed, taxed, amortized or depreciated. This measure is also considered important by the Company's lenders and is adjusted in determining compliance by the Company with the financial covenants under its lending arrangements.

4.0 Outlook

Headed into the first half of 2019, Vertex is well positioned to withstand short term economic pains related to volatile commodity prices and negative investment sentiment in western Canada. This view is based on Vertex's current financial position, strong backlog of $121 million from diverse industries, longstanding customer relationships, and contributions of past, prudently purchased acquisitions which are performing well. Almost 50% of Vertex's backlog is from outside the oil and gas industry.

The nine complementary acquisitions completed throughout the last eighteen months are now positively adding to the Company's financial position. These acquisitions allow Vertex to cross utilize people and equipment to service its existing customer base, expand geographically and continue to develop new customers outside the oil and gas industry by offering integrated environmental solutions.

Vertex continues to be impacted negatively by commodity price volatility, take away capacity, geopolitical factors and investment uncertainty within the oil and gas industry. Given some uncertainly around Canadian oil price differentials, related production curtailments, reduced capital budgets of its customers, and associated reductions in drilling and completions activities within western Canada, all these factors are expected to negatively impact Vertex, in certain service lines, for at least the first half of the 2019. Also, Vertex expects to continue to face pricing and margin pressure in 2019 because of the negative effects on customer's budgets and cash flows. Vertex is however, seeing additional opportunities in 2019 with increased customer spending on planned maintenance programs, increased activity levels for abandonments and active environmental liability management. In addition, new regulations for emissions testing and reporting will continue to grow Vertex's revenue for this service line.

Vertex continues to grow its customer base, with 47% of revenues for 2019 expected to come from outside of the oil and gas industry. Specifically, Vertex customers continue to grow and provide stable opportunities in the utilities, agriculture, municipalities and telecommunications industries. Vertex continues to focus on addressing the demands of its diversified customer base and addressing opportunities to capitalize directly within their operating and maintenance budgets.

Vertex will continue to focus on growing its business organically, achieving efficiencies, improving margins where possible and cost reductions throughout its business segments. Vertex continues to focus on cross-selling complementary services between segments in order to lower customers' costs and provide integrated solutions for the environmental liabilities of its customers.

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

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

5.0 Results from Operations

5.1 Revenue

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

	December 31,		**Variance**	
	2018	2017	$	%
Environmental Services	**125,023**	72,693	**52,330**	72.0%
Industrial Services	**24,965**	45,625	**(20,660)**	-45.3%
Corporate Services	**397**	101	**296**	293.1%
Consolidated revenue	**150,385**	118,419	**31,966**	27.0%

Revenue increased by 27.0% or $32.0 million to $150.4 million during year ended December 31, 2018, from $118.4 million during the year ended December 31, 2017.

Revenue increased by 72.0% or $52.3 million in the Environmental Services segment to $125.0 million in 2018 from $72.7 million in 2017. The increased revenues were a result of Vertex successfully growing new customers across all industries and the successful cross-selling of its suite of services to its existing customer base. Acquisitions from 2017 and 2018 have all contributed positively and further enhanced the aforementioned, cross-selling focus. These gains in revenue were negatively impacted by reductions in revenue given an extended spring breakup due to abnormally warm weather in the first and second quarters of 2018 and negative oil differential impacts namely in the fourth quarter.

Revenue decreased by 45.3% or $20.6 million in the Industrial Services segment to $25.0 million in 2018 from $45.6 million in 2017. The level of 2017 backlog gave the Industrial Services segment a great start to 2018, however Vertex continues to experience a decline in revenue in this segment. Vertex continues to see limited opportunities for this segment that meet acceptable pricing expectations and acceptable levels of execution risk.

5.2 Gross Profit

	December 31,		Variance	
	2018	2017	$	%
Gross profit	**40,493**	32,303	**8,190**	25.4%
Gross profit as a % of revenue	**26.9%**	27.3%	**-0.4%**	-1.3%

Gross profit for the year increased by 25.4% or $8.2 million to $40.5 million in 2018 from $32.3 million in 2017, due to increased revenues, utilization and prudent cost management. Gross profit margins were slightly down to 26.9% for 2018 compared to 27.3% for 2017, despite being higher in the fourth quarter of 2018 as compared to the fourth quarter of 2017. The slight reduction in gross profit margins year over year, is largely the effect of revenue mix. Vertex is dedicated to improving margins of acquired companies during the year with increased equipment utilization, cost cutting initiatives and streamlining operations. The Industrial Services segment experienced a slight increase in gross profit margins due to the Company focusing on higher margin work.

The Environmental Services segment's gross profit increased by $10.2 million during 2018 compared to 2017 as a result of acquisition impacts and greater demand given current environmental policies of Vertex's customers. However, margin pressure has continued as pricing increases successfully passed onto Vertex's customers have been offset by higher fuel, wage and maintenance costs. The Environmental Services segment's gross profit margin for the year was approximately 26%.

The Industrial Services segment did experience a slight increase in gross profit margins at approximately 27%, despite overall revenue being $20.7 million lower than in 2017. Vertex focused operations on the manufacturing, installation and maintenance of metal building and insulation blankets throughout 2018 as these products typically produce higher margins than other services within this segment.

5.3 General and Administrative Expenses (G&A)

	December 31,		Variance	
	2018	2017	$	%
G&A	**19,884**	16,771	**3,113**	18.6%
G&A as a % of revenue	**13.2%**	14.2%	**-0.9%**	-6.6%

G&A increased by 18.6% or $3.1 million, to $19.9 million in 2018 from $16.8 million in 2017. The increase was a result of costs for facilities, and other administrative costs associated with nine complementary acquisitions completed in 2017 and 2018 and costs associated with being a public company. Vertex continues to integrate acquisitions from the second and third quarter of 2018, and continues to manage G&A costs closely. G&A, as a percentage of revenue, improved to 13.2% in 2018 versus 14.2% in 2017.

5.4 EBITDA

	December 31,		Variance	
	2018	2017	$	%
Environmental Services	**22,052**	14,749	**7,303**	49.5%
Industrial Services	**4,957**	5,410	**(453)**	-8.4%
Corporate Services	**(6,400)**	(4,627)	**(1,773)**	38.3%
	20,609	15,532	**5,077**	32.7%
EBITDA(1) as a % of revenue	**13.7%**	13.1%	**0.6%**	4.5%

(1) See EBITDA definition Section 3.2.

EBITDA increased by 32.7% or $5.1 million to $20.6 million in 2018 from $15.5 million in 2017. EBITDA increased by $7.3 million in the Environmental Services segment offset by decreases of $0.5 million in the Industrial Services segment, and decreases of $1.8 million in the Corporate Services segment.

EBITDA increased by 49.5% or $7.3 million in the Environmental Services segment to $22.1 million in 2018 from $14.8 million in 2017. Acquisitions completed in the second and third quarter of 2018 increased Vertex's EBITDA. The results within this segment were impacted negatively by rising fuel and labour costs, and lower than anticipated activity level for some services in the fourth quarter due to the lower commodity pricing, higher oil and gas differentials and announced curtailments. Increased revenues from organic growth and acquisitions, coupled with prudent cost management and increases in staff and equipment utilizations all contributed to the increase in EBITDA for 2018.

The Industrial Services segment had a slight decrease in EBITDA of 8.4% or $0.4 million to $5.0 million in 2018 from $5.4 million during 2017. This slight decrease in EBITDA occurred even though this segment's revenue decreased by $20.7 million from 2018 to 2017. The Industrial Services segment's higher gross profit margins were achieved given Vertex's disciplined pricing criteria for selecting new work on remaining services lines which improved EBITDA as a percentage of revenue.

The Corporate Services segment's EBITDA decreased by 38.3% or $1.8 million, from a loss of $4.6 million in 2017, to a loss of $6.4 million in 2018, due to overhead costs associated with acquisitions completed in the second and third quarter of 2018.

EBITDA for the year, as a percentage of revenue, improved to 13.7% in 2018 compared to 13.1% in 2017.

5.5 Amortization, Finance and Share-based Compensation Costs, and Gain on Bargain Purchase

	December 31,		**Variance**	
	2018	2017	$	%
Amortization	**17,882**	13,641	**4,241**	31.1%
Finance costs	**9,181**	6,493	**2,688**	41.4%
Gain on bargain purchase	**(7,862)**	(922)	**(6,940)**	752.7%
Share-based compensation	**194**	5	**189**	3780.0%
Total	**19,395**	19,217	**178**	0.9%

Amortization increased by 30.9% or $4.2 million to $17.9 million for 2018 from $13.6 million in 2017. The increase is due to acquisitions completed in the second and third quarter of 2018.

Finance costs increased by $2.7 million in 2018 primarily as a result of a one-time finance cost of $3.6 million related to fully expensing finance costs on Vertex's old credit facilities along with one-time penalties to refinance its debt facilities in the second quarter of 2018. As previously announced, the refinancing was completed in order to realize more than $2 million in annual interest and finance savings in 2019.

The Company realized a total of $7.9 million in gain on bargain purchase from the three acquisitions completed in 2018.

5.6 Net Income (Loss) and Comprehensive Income (Loss) for the Year

	December 31,		Variance	
	2018	2017	$	%
Environmental Services	**4,032**	2,119	**1,913**	90.3%
Industrial Services	**2,580**	2,117	**463**	21.9%
Corporate Services	**(4,321)**	(7,184)	**2,863**	39.9%
Net income (loss) and comprehensive income (loss) for the year	**2,291**	(2,948)	**5,239**	177.7%

Net income for the year improved by 178% or $5.2 million to net income of $2.3 million in 2018 from a net loss of $2.9 million in 2017. The increase was a result of improved EBITDA and the gain on bargain purchase offset by increases in amortization and finance costs as explained above in section 5.4 and 5.5.

In the Environmental Services segment, net income for 2018 improved by $1.9 million, to $4.1 million in 2018 compared to $2.1 million in 2017. The increase was due to prudent acquisitions and their related financial impacts.

In the Industrial Services segment, net income for the year increased by $0.5 million or 21.9% to $2.6 million for 2018 from a net income of $2.1 million for 2017. The improvement was due to efficient execution and completion of higher margin services and products.

In the Corporate Services segment, net loss for the year decreased by $2.9 million or 39.9%, to a loss of $4.3 million for 2018 from a loss of $7.2 million for 2017. The decrease in net loss is due to the positive impact of the gain on bargain purchase offset by one-time costs on refinancing debt facilities, costs related to acquisitions and additional G&A to support growth in operations.

5.7 Summary of Quarterly Results

($000 except per share amounts)	2018				2017			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenue	**46,582**	41,425	27,692	34,686	35,772	34,989	26,020	21,638
Net income (loss)	**430**	6,506	(4,178)	(467)	(1,703)	(198)	(367)	(680)
Basic and diluted income (loss) per share	**0.01**	0.07	(0.05)	(0.01)	(0.02)	0.00	(0.01)	(0.01)
EBITDA(1)	**5,938**	6,076	4,258	4,337	3,928	5,049	3,147	3,403

(1) See EBITDA definition Section 3.2.

Over the past eight quarters, Vertex continues to expand its service offerings over multiple industries and geographical locations and exit service lines that do not improve the bottom line. This focus is a result of lessons learned in prior years as the Company continues to cross sell services with its people and equipment to drive utilization producing improved gross profit margins for the Company and its shareholders.

Vertex's operating and financial performance has continued to improve, with recent results trending positively. This is a result of improvements in overall activity levels of its customers and nine complementary acquisitions completed over the past seven quarters. Improved activity and utilization in most service lines were driven by the stabilization of commodity prices in the first three quarters of 2018. However, some service lines have also been negatively impacted by oil and gas differentials, lack of investment in major industrial projects, less drilling and completions activity and the fact that margin pressure remains a challenge as costs increase namely in fuel and maintenance. The Company's results and corresponding utilizations of its people and equipment are positively impacted by increased spending on operating, maintenance and capital budgets of Vertex's customers. Vertex continues to address the needs of a diversified customer base by actively servicing customers outside the oil and gas industry. This has resulted in an increase in the mix of revenue from non-oil and gas customers to 40% of

Vertex's total revenues in 2018, compared to 7% in 2015. Vertex expects the mix of revenue from non-oil and gas customers to increase to 47% in 2019.

Revenue and EBITDA in 2018 and 2017 reflect a stabilization in the oil and gas industry which continued throughout the first three quarters of 2018. The fourth quarter of 2018 included revenue and EBITDA for the three acquisitions completed in 2018 but also included negative impacts of a high WTI-WCS differential on Vertex's customers. The first and second quarters of 2018 included EBITDA for all acquisitions completed in fiscal 2017. The third and fourth quarters of 2017 included EBITDA from the four acquisitions completed during the first half of 2017. In the fourth quarter of 2017, the net loss increased relative to the other quarters of 2017 as Vertex incurred roughly $0.8 million of costs associated with going public. In the second quarter of 2018, Vertex incurred $3.6 million in one-time costs related to refinancing its debt facilities and, in the third quarter of 2018, completed three acquisitions resulting in a gain on bargain purchase of $7.9 million.

6.0 Liquidity and Capital Management

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

	December 31,	
	2018	2017
Cash provided by (used in) operating activities	**9,445**	(1,024)
Cash used in investing activities	**(8,527)**	(2,855)
Cash provided by financing activities	**1,133**	4,131
	2,051	252

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

6.1 Cash Provided by Operating Activities

Cash provided by operating activities before non-cash working capital items was $13.2 million during 2018, an increase of $2.9 million from $10.3 million during 2017 due to improved results through acquisition impacts. Cash provided by operating activities was $9.4 million during 2018, an increase of $10.4 million from the cash used in operating activities of $1.0 million during 2017. The improvement is the result of a shift in revenue, trade and other receivable mix away from the Industrial Services segment to the Environmental Services segment as working capital improved with increased revenue in the Environmental Service segment.

6.2 Cash Used in Investing Activities

Cash used in investing activities was $8.5 million during 2018, an increase of $5.6 million from the cash used in investing activities of $2.9 million during 2017. Acquisition of subsidiaries, net of cash acquired, decreased by $4.1 million as the 2018 acquisitions resulted in a use of cash of $4.5 million compared to an outflow from acquisitions in 2017 of $0.5 million. Vertex's capital expenditure program was higher on a net basis by $1.6 million increasing to $4.0 million in 2018 in order to build capacity to achieve 2019 plans compared to $2.4 million in 2017.

6.3 Cash Provided by Financing Activities

Cash provided by financing activities was $1.1 million during 2018, a decrease of $3.0 million from cash provided by financing activities of $4.1 million during the 2017. The decrease was due to additional payments made before the Credit Facilities refinancing. Vertex is focused on reducing its overall debt through scheduled repayments in 2019.

6.4 Working Capital

	December 31, 2018	2017
Current assets	**51,085**	41,782
Current liabilities (excluding current portion of loans, borrowings and provisions)	**18,367**	12,629
Working Capital	**32,718**	29,153

Working capital at year end 2018 was $32.7 million, an increase of $3.6 million from $29.2 million at December 31, 2017. Accounts receivable, prepaids and inventories increased by $7.6 million in 2018, which was offset by increases in accounts payable and accrued liabilities of $4.7 million from December 31, 2017 to December 31, 2018. This is a result of increased revenue in the fourth quarter and acquisition impacts.

6.5 Credit Facilities

	December 31, 2018	2017
Revolving and operating loans:		
Available revolving and operating facilities(1)	**35,000**	23,000
Drawn on revolving and operating facilities	**29,000**	18,302
	6,000	4,698

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

On May 11, 2018 and subsequently amended on July 12, 2018, the Company refinanced its demand operating loan, senior debt and subordinated debt with a secured credit facility (the "Credit Facilities") involving a syndicate of financial institutions led by HSBC Bank Canada ("HSBC"). The total Credit Facilities of $85.0 million are broken into three committed facilities: a $30.0 million syndicated facility ("revolving loan"), a $50.0 million term loan facility ("term loan"), and a $5.0 million operating facility ("operating loan"). This agreement includes an additional $20.0 million accordion facility. The Credit Facilities are for a three-year committed term maturing May 10, 2021.

Revolving loan

The demand operating loan and a portion of the subordinated debt were replaced with a revolving loan authorized to a maximum of $30.0 million. 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 0.75% to 2.00%, CAD Bankers' Acceptance rate, Letters of Credit, USD LIBOR loans plus stamping fees of 1.75% to 3.00%. 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 0.35% to 0.60%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter.

Term loan

The senior debt, a portion of the subordinated debt and acquired debt were replaced with a term loan of $50.0 million. The term loan can be a mix of account overdraft with interest at rates ranging from HSBC's CAD prime rate or USD base rate plus 0.75% to 2.00%, CAD Bankers' Acceptance rate, Letters of Credit, USD LIBOR loans plus stamping fees of 1.75% to 3.00%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter. The term loan is repayable in four quarterly principal payments of approximately $1.6 million, followed by eight quarterly principal payments of approximately $1.9 million, with a final payment of $28.8 million due on maturity of May 10, 2021. In addition to the scheduled principal payments, the term loan includes an additional principal payment based on an annual excess cash flow calculation which start on December 31, 2018. The excess cash flow calculation is applicable if the funded debt to EBITDA ratio at December 31, 2018 exceeds 2.75:1.00 and at year end the excess cash flow calculation did not result in a significant payment.

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 until maturity on May 10, 2021. 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 0.75%-2.00%. There was no amount drawn on this facility at December 31, 2018.

Transaction costs

The Company incurred $0.4 million of transaction costs for the refinancing, which were capitalized and are being amortized on a straight-line basis over the three-year term of the Credit Facility. Transaction costs previously deferred and break fees related to the senior debt that was repaid on May 11, 2018 with the refinancing totaling $3.6 million ($2.4 million non-cash) have been included in financing costs during the year ended December 31, 2018.

Debt as of December 31, 2018, consisted of the items noted in Section 6.6 Commitment and Contingencies.

Debt Covenants

As of December 31, 2018, the Company complied with the terms and covenants of its Credit Facilities. Trailing twelve-month EBITDA attributable to businesses acquired in the period is permitted to be added to EBITDA and other adjustments as approved by the syndicate of lenders, when calculating covenants. Adjusted EBITDA was $25.5 million for the trailing twelve months ending December 31, 2018.

All loans are being provided in Canadian dollars and are subject to the following financial covenants:

- The ratio of consolidated senior indebtedness to trailing EBITDA, calculated on a trailing twelve-month basis, must not exceed:
    - 3.75 to 1.00 for all quarters ending in fiscal 2018;
    - 3.25 to 1.00 for all quarters ending in fiscal 2019;
    - 3.00 to 1.00 thereafter.
- The ratio of net cash flow to fixed charges, the Fixed Charge Coverage ratio, must be more than 1.20 to 1.00 calculated on a rolling four-quarter basis.
- On March 22, 2019, the step down of the ratio of consolidated senior indebtedness to trailing EBITDA for fiscal 2019, was deferred by the lenders. The ratio will remain at 3.75 to 1.00 for all quarters ending in fiscal 2019.

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

- Consolidated senior indebtedness is defined as the outstanding balance of the revolving loan, plus the outstanding principal balance of the senior term loan, plus principal portions of any equipment loans and capital lease obligations.
- 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 twelve-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 twelve-month trailing period.

At December 31, 2018, the Company was in compliance with the terms and covenants of its lending agreements which are calculated as follows:

	Target	December 31, 2018	2017
Credit facilities			
Funded debt to EBITDA	< 3.75 : 1	**3.37**	3.18
Fixed charge coverage ratio	> 1.20 : 1	**1.98**	2.47

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. The following table summarizes these future payments required in respect to the Company's contractual obligations:

	Due within one year	Due between one and five years	Total
Accounts payable and accrued liabilities	17,188	-	**17,188**
Revolving loan	-	29,000	**29,000**
Term loan	6,875	39,676	**46,551**
Equipment loans	1,800	2,777	**4,577**
Finance leases	1,925	5,552	**7,477**
Provisions	3,058	2,360	**5,418**
Long-term financial liabilities	13,658	79,365	**93,023**

Share Based Settlement of Obligations

The acquisition obligation with an aggregate face value of $1.8 million was settled for 1,924,320 common shares ("Common Shares") of the Company on January 10, 2018.

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, 2018 and 2017, the Company did not have any off-balance sheet arrangements.

6.7 Capital Expenditures

As discussed in Section 6.2 Cash Used in Investing Activities, gross capital expenditure was above the Company's approved capital plan for 2018 given acquisitions completed during the second and third quarters of 2018. The Company's gross capital expenditures for 2018 were $8.9 million compared to $5.7 million for 2017. The Company sold certain under-utilized assets that were not able to be redeployed in other geographical locations in order to improve utilization. In 2018, the Company sold $4.0 million worth of capital assets compared to $2.4 million for 2017. Rolling stock acquired under finance leases during the year ended December 31, 2018 totaled $3.9 million (2017 - $0.9 million) and have been treated as non-cash transactions for purposes of the consolidated statement of cash flows.

Annual net capital expenditures for 2019 are budgeted to be in the range of $5 million to $8 million. The maintenance and growth capital expenditures are not committed for or required if factors related to economics, industrial and customer spending plans change or destabilize.

6.8 Credit Risk

The Company's revenues come from a diverse customer base, which includes the oil and gas, real estate, utilities, agriculture, municipalities, telecommunication and mining industries in western Canada. The Company believes that there is no unusual exposure associated with the collection of accounts receivable outside of the normal risk associated with contract audits and normal trade terms common in the oil and gas industry. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. For the year ended December 31, 2018, the Company had no customer that accounted for more than 10% of the consolidated sales (year ended December 31, 2017 – two customers for 27.2%). The aging analysis of accounts receivable is as follows:

	December 31,	
	2018	2017
0 to 30 days	**18,667**	15,058
31 to 60 days	**11,730**	9,531
61 to 90 days	**4,246**	6,756
Over 90 days	**5,699**	2,254
Holdbacks	**62**	77
Trade accounts receivable	**40,404**	33,676
Allowance for expected credit losses	**(458)**	(62)
Trade receivables, net of allowance	**39,946**	33,614
Other receivables	**357**	1,286
	40,303	34,900

6.9 Outstanding Share Data

As of March 22, 2019, the Company had 93,413,124 Common Shares outstanding. As of the same date, the Company had outstanding 4,875,000 stock options and 2,197,206 warrants to purchase up to an aggregate of 7,072,206 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, officer.

	Nature of relationship	December 31, 2018	2017
Transactions:			
General and administrative expenses - rent	(i)	**900**	900
Property and equipment additions	(i)	**1,186**	709
Proceeds from sale of property and equipment	(i)	**-**	75

(i) Related by common director, officer

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, 2018, remuneration of $1,921 included $1,805 of salaries and short-term benefits and $116 of share-based compensation (2017 - $1,323 and $5, respectively) which were paid to key management. Directors and key management own 61.9% of the Company.

6.11 Capital Restructuring Transaction - 2017

In connection with the Company's qualifying transaction (the "Transaction") with VIER Capital Corp which was completed on October 16, 2017, 7,350,000 issued and outstanding shares of VIER were consolidated on a 10 to 1 basis. The fair value of the assets acquired as on October 16, 2017, is summarized as follows:

	Total
	$
Assets acquired	
Cash	**93**
Prepaids	**6**
Net assets acquired	**99**
Consideration paid:	
735,000 common shares issued and outstanding	**735**
Capital restructuring costs	**636**

Pursuant to the Transaction: (i) VIER acquired all of the issued and outstanding Class A Common Shares of Vertex Resource Group Ltd. ("Old Vertex") from the shareholders of Old Vertex in exchange for an aggregate of 85,773,459 Common Shares; and (ii) VIER, Old Vertex and a wholly-owned subsidiary of Old Vertex amalgamated to form the Company. In addition, an aggregate of 2,197,206 warrants to acquire Common Shares ("Warrants") were issued in exchange for share purchase warrants to acquire Class A Common Shares in the capital of Old Vertex.

Following completion of the Transaction on October 16, 2017, the Company had 86,521,354 Common Shares issued and outstanding, on a non-diluted basis. The aggregate 51,314,475 Common Shares and 2,197,206 Warrants held by the directors and officers of the Company, as well as certain Common Shares held by certain other shareholders of the Company, are subject to escrow restrictions as described in the AIF.

The Company completed the Transaction on October 16, 2017. On October 18, 2017, following the issuance by the TSX of its final bulletin in respect of the qualifying transaction, the Company began trading on the TSXV under the symbol "VTX".

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. Estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Measure of progress

Judgment used to determine percentage of completion for construction contracts, specifically related to estimated costs to complete include the various construction projects. Given that the expected period of contract revenue is based on judgment, future results could be affected if management's current assessment of its estimated costs to complete differ from actual performance.

Property and equipment

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

Cash-generating units ("CGU")

For the purpose of assessing impairment of non-financial assets, the Company must determine its CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the appropriate CGUs for the Company are the Industrial, Consulting, Fluid Management, and Rentals divisions.

Provisions and contingencies

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

7.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

Impairment of financial assets

All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration individual customer credit worthiness, current economic trends as well as past experience. If future collections differ from estimates, future earnings would be affected.

Property and equipment and goodwill impairment

The Company tests property and equipment (if indicators are present) and goodwill annually for impairment. An impairment loss is recognized for the amount by which the carrying amount of the CGU or group of CGUs, to which the property and equipment and goodwill is allocated, exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use.

Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future operating results and performs sensitivity testing of key assumptions in the process of measuring expected future cash flows which are based on future events and circumstances disclosed in Note 12 to the Annual consolidated financial statements.

Business combinations

The Company applies the acquisition method of accounting to business combinations which involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair values. The Company uses valuation techniques in determining fair values of the various elements of a business combination, including intangible assets, based on future expected cash flows and a discount rate. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risks and weighted average cost of capital. If future events or results differ significantly from these estimates and assumptions, the Company may be required to record impairment charges in the future.

Deferred tax assets

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on Company forecasts. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific circumstances.

7.3 Future Accounting Standard Pronouncements

The following new standards have been issued, but were not effective for the year ended December 31, 2018:

IFRS 16 – Leases

Effective January 1, 2019, the Company will adopt IFRS 16 – Leases using the modified retrospective method. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. IFRS 16 introduces a single lease accounting model for lessees which will result in the recognition of a right of use ("ROU") asset, as well as a corresponding lease liability ("ROU liability") reflecting the present future value of lease payments. Depreciation expense on the ROU asset and interest expense on the ROU liability will replace operating lease expenses that were recognized under IAS 17.

The associated ROU assets will be measured as if IFRS 16 had been applied from lease commencement measuring the ROU assets at the present value of lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The ROU assets will be amortized on a straight-line basis over the term of the lease. The corresponding net book value of the ROU assets at December 31, 2018 will be the amount recognized as at January 1, 2019. ROU lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The difference between the ROU assets and the ROU lease liabilities will result in an adjustment to the opening balance of retained earnings.

The Company intends to use the following practical expedients permitted under the new standard:

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

As at January 1, 2019, the Company expects that the adoption of *IFRS 16 – Leases* will result in the recognition of ROU assets of approximately $25.0 million and ROU lease liabilities of approximately $27.2 million. The difference of $2.2 million between the January 1, 2019 value of the right-of-use assets and the right-of-use liabilities will be recorded as an adjustment against opening retained earnings in the consolidated statement of changes in shareholders' equity. The Company continues to assess the impact of adopting IFRS 16 on deferred tax balances.

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 26 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 2019; growth opportunities in the Company's Environmental Services segment in 2019; supply and demand for the Company's services; anticipated savings in 2019, 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 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, EBITDA and net income; the general continuance of current or, where applicable, assumed industry conditions; the mix of revenue from non-oil and gas customers in 2019; pricing of the Company's services; the Company's ability to market successfully to current and new clients; the Company's ability to obtain qualified personnel and equipment in a timely and cost-effective manner; the Company's future debt levels; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing tax, royalty and regulatory regimes; the impact of seasonal weather conditions; client activity levels; anticipated market recovery; the Company's anticipated business strategies and expected success; the Company's ability to utilize its equipment; levels of deployable equipment; and future sources of funding for the Company's capital program.

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