

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

---

*The following Management's Discussion and Analysis ("MD&A") is dated November 9, 2022, and is a discussion of the consolidated financial position and results of Vertex Resource Group Ltd. ("Vertex" or the "Company") for the three and nine months ended September 30, 2022 and 2021, and should be read together with Vertex's unaudited condensed consolidated interim financial statements and accompanying notes (the "Interim Financial Statements") for the three and nine months ended September 30, 2022, the annual audited consolidated financial statements and accompanying notes (the "Annual Financial Statements") for the year ended December 31, 2021 and the Company's Annual Information Form ("AIF") for the same year filed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). All dollar amounts contained in tables in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.*

*This MD&A and the Interim Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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 operates in two 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.

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

---

### 2.0 Operational and Financial Highlights

During the first nine months of 2022, the global economy has maintained a steady demand for services as customers across multiple industries are mindful of energy transition resulting in spending on projects related to managing environmental liabilities and projects related to achieving a lower carbon footprint. Industrial plant and facility maintenance has resumed to historical levels and intervals. Lastly, high commodity prices coupled with global supply uncertainty continues to spur activity for those involved in energy security.

Vertex's acquisitions in the year to date combined with cross-selling and integration efforts have helped to grow revenue.

#### Third quarter highlights:

Vertex achieved the highest revenue and adjusted EBITDA for any quarter in company history at \$59.1 million and \$10.4 million respectively.

Net income of \$2.5 million for the quarter compared to \$0.6 million in Q3 2021.

On September 29, 2022, Vertex completed the acquisition of Young EnergyServe Inc. ("Young").

Adjusted working capital increased by \$13.7 million to support the operating needs of an excellent quarter.

The Company received an advance on its syndicated term loan of \$10 million and used \$1.2 million to fund the cash component of the purchase consideration and \$5.8 million to settle Young acquisition liabilities.

Free cash flow amounted to \$8.9 million compared to \$7.1 million in Q3 2021 (See Non-IFRS Financial Measures – Section 7.0).

#### 9-month highlights:

Revenue increased to \$158.5 million from \$113.3 million for the same period in 2021, the highest in any previous nine-month period.

Record Adjusted EBITDA of \$24.6 million for the nine months of 2022 compared to \$19.8 million in 2021 where Adjusted EBITDA included wage subsidies of \$3.0 million.

Net income for the nine months ended September 30, 2022 was \$3.7 million compared to \$0.3 million in the comparative period.

On April 25, 2022, Vertex completed the acquisition of Cordy Oilfield Services Inc. ("Cordy").

The Company extended the maturity date of its secured credit facilities to May 31, 2025, increased the revolving loan commitment by \$10 million and increased the syndicated term loan by \$10M for the Young acquisition.

Syndicated bank indebtedness to trailing bank EBITDA improved to a ratio of 2.70:1.00 compared to 3.56:1.00 at December 31, 2021.

Free cash flow amounted to \$21.6 million compared to \$17.6 million in Q3 2021.

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

### 2.1 Selected Financial Information

	Three months ended		Nine months ended	
	September 30, 2022	2021	September 30, 2022	2021
<b>Revenue</b>	<b>59,139</b>	42,284	<b>158,537</b>	113,362
Direct costs	<b>43,205</b>	30,202	<b>118,923</b>	82,043
<b>Gross profit</b>	<b>15,934</b>	12,082	<b>39,614</b>	31,319
General and administrative expenses	<b>5,522</b>	4,449	<b>14,985</b>	11,492
Depreciation and amortization	<b>4,939</b>	5,224	<b>14,210</b>	14,919
Finance costs	<b>2,183</b>	1,551	<b>5,905</b>	4,549
Share-based compensation	<b>50</b>	-	<b>150</b>	-
<b>Income before income taxes</b>	<b>3,240</b>	858	<b>4,364</b>	359
Income tax expense	<b>763</b>	209	<b>1,027</b>	87
<b>Net income and comprehensive income for the period</b>	<b>2,477</b>	649	<b>3,337</b>	272
<b>Net income per share</b>				
Basic and diluted	<b>0.02</b>	0.01	<b>0.03</b>	0.00
<b>Weighted average number of shares outstanding for the purpose of calculating earnings per share</b>				
Basic and diluted	<b>110,284,945</b>	<b>91,253,115</b>	<b>102,308,486</b>	<b>91,253,115</b>
<b>ADJUSTED EBITDA <sup>(1)</sup></b>				
Environmental Consulting	<b>2,942</b>	2,496	<b>7,803</b>	6,121
Environmental Services	<b>8,488</b>	6,416	<b>21,046</b>	17,101
Corporate	<b>(1,018)</b>	(1,279)	<b>(4,220)</b>	(3,395)
	<b>10,412</b>	7,633	<b>24,629</b>	19,827

(1) See Non-IFRS Financials Measures - Section 7.0

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

---

### 3.0 Outlook

2022 continues to exceed our expectations with excellent third quarter results being driven by operational efficiencies, realized synergies from our previous acquisitions including the acquisition of Cordy Oilfield Services Inc. during the second quarter of 2022, strong, stable commodity pricing, as well as the gradual return to pre-COVID activity levels across other industries. Our outlook for the 4<sup>th</sup> quarter of 2022 and 2023 is that North American economies will continue to benefit from favourable commodity prices in energy, utilities, agriculture and forestry. In addition, we have major capital projects from multiple midstream, utilities/telecommunications, municipal infrastructure and energy transition projects in 2022 and 2023.

Vertex is well positioned for strong earnings growth for 2023 with significant secured backlog and increased demand for our services, which is increasing our utilization of equipment and staff. The current trend towards less carbon-intensive energy sources is presenting new opportunities for Vertex. Vertex is working closely with several of our Indigenous Partners and customers to advance projects that reduce atmospheric carbon emissions, enhance biodiversity, carbon sequestering, utilize or convert to wind or solar, renewable natural gas (RNG), biofuels, helium and emerging hydrogen opportunities.

Vertex's future outlook is very positive with strong commodity prices supporting maintenance and development activity as well as the continued strengthening of environmental legislation in both Canada and the United States resulting in increased asset retirement liabilities being addressed. Further government and industry initiatives around energy transition and lowering carbon intensity are providing Vertex with numerous opportunities for our solutions and services. Vertex continues to demonstrate the strength and resiliency of our business model and is in an enviable position to facilitate further growth through cross-selling of our services throughout the life-cycle of our clients' projects in a variety of industries.

In addition, we are very excited with the two acquisitions we completed in 2022, with the most recent one closing on September 29, 2022. The latest acquisition specializes in robotic industrial cleaning services and will provide many opportunities for cross-selling with our existing service lines and customers. The benefits of these acquisitions will be impactful in 2023 providing additional free cashflow generation through savings from integration, elimination of duplicate corporate office costs and by increasing the utilization of the equipment fleet and personnel.

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 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 a customer focus. As our ESG journey evolves so too will our measurement and reporting, holding ourselves accountable to internal and customer metrics. Ultimately, our intent is to create business resiliency by becoming a primary source of executable ESG supply chain solutions for our customers.

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

### 4.0 Results from Operations

#### 4.1 Revenue

	Three months ended		Nine months ended	
	September 30, 2022	2021	September 30, 2022	2021
Environmental Consulting	18,570	12,762	47,624	33,045
Environmental Services	40,737	28,829	110,211	77,681
Corporate	(168)	693	702	2,636
Revenue	59,139	42,284	158,537	113,362

#### Third Quarter 2022 versus Third Quarter 2021

During the third quarter 2022, revenue increased across both segments, resulting in an overall increase in revenue of \$16.7 million, or 40% from the same quarter ended September 30, 2021.

The revenue increase of \$5.8 million, or 46%, in the Environmental Consulting segment was due to high demand for services related to remediation, abandonment and new development projects in various industries including new energy transition projects.

Revenue in the Environmental Services segment continued at high levels achieved in the previous quarter as Vertex continues to execute maintenance projects, municipal construction projects, and provide support services to environmental liability closure projects. Overall, this resulted in revenue of \$40.7 million, an increase of 41% over the same quarter of 2021.

#### Nine Months Ended September 30, 2022, versus Nine Months Ended September 30, 2021

Revenue for the nine months ended September 30, 2022, increased by \$45.2 million or 40%.

Revenue for the Environmental Consulting segment increased by \$14.6 million compared to the same nine months of 2021. The increase is due to strong demand in land and environmental projects in the public and government sectors, primarily related to remediation of environmental liabilities and exploration.

The Environmental Services segment generated 42% higher revenues compared to the same nine-month period of 2021 due to strong demand for services resulting in high equipment utilization combined with additional volume from the acquisition of Cordy in the second quarter. The segment sustained a more consistent level of revenues throughout the nine months ending September 30, 2022, compared to year over year period, which saw intermittent COVID-19 closures or restrictions on work sites in the first half of 2021.

#### 4.2 Gross Profit

	Three months ended		Nine months ended	
	September 30, 2022	2021	September 30, 2022	2021
Gross profit	15,934	12,082	39,614	31,319
Gross profit as a % of revenue	26.9%	28.6%	25.0%	27.6%

Strong demand for services has led to general rate increase and fuel surcharge fair price adjustments. Margin as a % of revenue has decreased modestly in both the quarter and nine month period ended September 30, 2022 from their comparative periods. Reported gross margin for the quarter ended September 30, 2021, includes

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

\$0.3 million of wage subsidies versus nil in Q3 2022. Similarly, the nine-month period ended September 30, 2021, includes the benefit of \$2.7 million of wages subsidies versus nil for the current comparable 2022 period.

### 4.3 General and Administrative Expenses (G&A)

	Three months ended		Nine months ended	
	September 30, 2022	2021	September 30, 2022	2021
G&A	<b>5,522</b>	4,449	<b>14,985</b>	11,492
G&A as a % of revenue	<b>9.3%</b>	10.5%	<b>9.5%</b>	10.1%

General and administrative expenses have increased in both periods from costs related to personnel additions to support increased volume in all service lines along with the cost impact of the Cordy's second quarter acquisition.

In the current periods there are no wage subsidies compared to \$0.1 million in Q3 2021 and \$0.6M in the nine months ended September 30, 2021.

G&A costs as a percentage of revenue decreased 1.2% in the quarter and 0.6% for the first nine months of 2022.

### 4.4 Adjusted EBITDA

	Three months ended		Nine months ended	
	September 30, 2022	2021	September 30, 2022	2021
Environmental Consulting	<b>2,942</b>	2,496	<b>7,803</b>	6,121
Environmental Services	<b>8,488</b>	6,416	<b>21,046</b>	17,101
Corporate	<b>(1,018)</b>	(1,279)	<b>(4,220)</b>	(3,395)
Adjusted EBITDA	<b>10,412</b>	7,633	<b>24,629</b>	19,827
Adjusted EBITDA <sup>(1)</sup> as a % of revenue	<b>17.6%</b>	18.1%	<b>15.5%</b>	17.5%

(1) See Adjusted EBITDA definition Section 7.0.

Adjusted EBITDA achieved during the quarter and nine months ended September 30, 2022 represents the highest achieved in both periods in Company history.

Increases realized are due to rate increases, steady demand for services and the positive contributions from acquisitions, all without the benefit of wages subsidies that were present in 2021.

### 4.5 Other items

	Three months ended		Nine months ended	
	September 30, 2022	2021	September 30, 2022	2021
Depreciation and amortization	<b>4,939</b>	5,224	<b>14,210</b>	14,919
Finance costs	<b>2,183</b>	1,551	<b>5,905</b>	4,549
Share-based compensation	<b>50</b>	-	<b>150</b>	-
Total	<b>7,172</b>	6,775	<b>20,265</b>	19,468

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

Depreciation and amortization decreased by \$0.3 million quarter over quarter and \$0.7 million for the nine month period ended September 30, 2022 due to a shift over time, in our asset make up to longer lived assets.

Finance costs have risen by \$0.6 million compared to Q3 2021 and \$1.4 million during the nine months to date compared to prior period due to multiple borrowing rate increases. In addition, the two acquisitions had borrowings and the convertible debenture was added in Q1 2022. The net result is that debt levels have increased from previous periods. As noted below in Section 5.5, debt leverage has improved.

### 4.6 Net Income and Comprehensive Income for the Period

	Three months ended		Nine months ended	
	September 30, 2022	2021	September 30, 2022	2021
Net income and comprehensive income for the period	<b>2,477</b>	649	<b>3,337</b>	272

Net income and comprehensive income for the quarter ended September 30, 2022, was \$2.5 million compared to \$0.7 million in Q3 2021 and net income and comprehensive income for the nine-month period improved considerably to \$3.3 million as robust Q3 earnings added to positive earnings in the first half of 2022.

### 4.7 Summary of Quarterly Results

(\$000 except per share amounts)	2022			2021			2020	
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenue	<b>59,139</b>	53,969	45,429	46,076	42,284	38,130	32,948	37,331
Net income (loss)	<b>2,477</b>	1,600	(740)	1,386	649	194	(571)	(859)
Basic and diluted income (loss) per share	<b>0.02</b>	0.02	(0.01)	0.02	0.01	0.00	(0.01)	(0.01)
Adjusted EBITDA <sup>(1)</sup>	<b>10,412</b>	8,557	5,660	6,409	7,633	7,539	4,655	5,617

(1) See Adjusted EBITDA definition Section 7.0.

### 5.0 Liquidity and Capital Management

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

	Nine months ended	
	September 30, 2022	2021
Cash provided by operating activities	<b>9,824</b>	10,280
Cash used in investing activities	<b>(6,429)</b>	(7,952)
Cash provided by (used in) financing activities	<b>1,711</b>	(1,532)
	<b>5,106</b>	796

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

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

lease lines. The Company has a healthy liquidity position with access to in excess of \$15.3 million to fund working capital requirements and planned expenditures.

### 5.1 Cash Provided by Operating Activities

Operating activities provided an increase in cash of \$4.6 million as a result of the increase volume of activity for the period to date which was offset by increased non-cash working capital needs of \$5.1 million as vendor and payroll liabilities are settled prior to receiving payment from customers resulting in a net decrease of \$0.5 million from the nine month period ended September 30, 2021.

### 5.2 Cash Used in Investing Activities

During the period cash used for the purposes of net capital expenditures were \$5.2 million in the first nine months of 2022 up from \$3.4 million in the same period in 2021. Cash used for acquisition purposes decreased to \$1.2 million in the first nine months of 2022 from \$4.5 million in the same period of 2021.

### 5.3 Cash Provided by (Used in) Financing Activities

Cash provided by financing activities increased by \$3.2 million from the prior period as funds disbursed for loan and liability repayments and interest during the period was more than offset by the syndicate term loan advance of \$10.0 million, the syndicate revolving loan advance of \$7.5 million and the convertible debenture of \$15.0 million.

### 5.4 Adjusted Working Capital

	September 30, 2022	December 31, 2021
Current assets	89,609	63,442
Current liabilities (excluding current portion of loans and borrowings, other liabilities, and lease liabilities)	42,325	31,607
Adjusted Working Capital <sup>1</sup>	47,284	31,835

(1) See Non-IFRS Financial Measures - Section 7.0

Working capital at September 30, 2022 increased from December 31, 2021 by \$15.4 million, due to consistent activity in the current year coupled with robust operating activity in the third quarter.

### 5.5 Credit Facilities

	September 30, 2022	December 31, 2021
Revolving and operating loans:		
Committed revolving and operating facilities	45,000	35,000
Drawn on revolving and operating facilities	37,500	30,400
Available revolving and operating facilities	7,500	4,600

Debt as of September 30, 2022, consisted of the items noted in Section 5.6 Commitment and Contingencies below.

In June 2022, the Company extended the maturity date of its Senior Credit Facility to May 31, 2025, and increased the committed revolving and operating facilities by \$10.0 million to accommodate growth experienced to date and expected in the remainder of 2022. On September 29, 2022, the Company received an advance of

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

\$10.0 million on its syndicated term loan and used the proceeds to settle obligations arising from the Young acquisition.

### Debt Covenants

As of September 30, 2022, the Company complied with the terms and covenants of its Credit Facilities. Certain adjustments, as approved by the syndicate of lenders, are made to Adjusted EBITDA to derive Bank EBITDA, which amounted to \$35.4 million for the trailing twelve months ending September 30, 2022. The ratio of syndicated bank indebtedness to trailing Bank EBITDA improved to 2.70:1.00 at September 30, 2022 from 3.56:1.00 at December 31, 2021. Syndicated bank indebtedness at September 30, 2022 includes the net assumption of \$1.9 million of syndicated bank indebtedness from the Young acquisition.

### 5.6 Commitments and Contingencies

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future. The following table summarizes these future payments required in respect to the Company's contractual obligations:

Due Within	Operating loan <sup>1</sup>	Loans and borrowings	Other liabilities	Lease liabilities	Total
One year	38,719	17,528	2,887	10,838	69,972
Two years	-	14,515	1,916	8,225	24,656
Three years	-	68,456	1,362	6,858	76,676
Four years	-	2,808	-	3,617	6,425
Five years	-	15,498	-	1,535	17,033
Thereafter	-	-	-	1,237	1,237
	<b>38,719</b>	<b>118,805</b>	<b>6,165</b>	<b>32,310</b>	<b>195,999</b>

(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 September 30, 2022, the Company did not have any off-balance sheet arrangements.

### 5.7 Capital Expenditures

The Company's gross capital expenditures for the first nine months ending September 30, 2022 were \$8.1 million compared to \$5.3 million in the nine months ended September 30, 2021. The Company undertakes to sell any under-utilized assets that cannot be redeployed in other geographical locations in order to improve utilization. The Company sold \$2.8 million worth of capital assets in the first nine months of 2022, compared to \$1.9 million in the same period of 2021.

The 2022 net capital expenditures are expected to be in the range of \$9.0 million to \$10.0 million. The maintenance and growth capital expenditures are not committed or required if factors related to economics, industrial and customer spending plans change.

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

---

### 5.8 Credit Risk

The Company's revenues come 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 quarter ended September 30, 2022, the Company had no customer that accounted for more than 10% of the consolidated sales (year ended December 31, 2021 – nil).

### 5.9 Outstanding Share Data

As of November 9, 2022, the Company had 115,620,913 common shares outstanding. During the quarter the Company issued 5,454,545 common shares to acquire Young. As of September 30, 2022, the Company had outstanding 2,750,000 stock options to purchase common shares.

### 5.10 Transactions with Related Parties

All related party transactions are in the normal course of business materially under the same commercial terms and conditions as transactions with unrelated companies and are recorded at the exchange amount. Related party transactions include transactions with other private companies that are controlled by a director or officer.

At September 30, 2022, lease liabilities include \$4.2 million (September 30, 2021 - \$4.8 million) of liabilities relating to the leases with a related party. Principal payments of unsecured lease liabilities and associated interest accretion for the nine months ended September 30, 2022 were \$0.7 million (nine months ended September 30, 2021 - \$0.7 million).

---

## 6.0 Critical Accounting Judgments, Estimates and Accounting Policy Developments

### 6.1 Critical Judgments in Applying the Company's Accounting Policies

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenues and expenses during the reporting period, as well as the disclosures of contingent assets and liabilities. Accordingly, actual results could differ from these estimates and judgments.

The Company has:

- Continuously refined and documented its management and internal reporting systems to ensure that accurate and timely internal and external information is gathered and disseminated. Management also regularly evaluates these estimates and assumptions, which are based on past experience and other factors that are deemed reasonable under the circumstances; and
- Hired employees and consultants who have the skills required to make such estimates and ensures that employees or departments with the most knowledge of the activity are responsible for the estimates. Furthermore, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates.

The Company's summary of significant accounting policies, estimates and critical judgements are contained in Notes 3 & 5 of the Annual Financial Statements.

### 6.2 Future Accounting Standard Pronouncements

The Company has reviewed new and revised standards and interpretations that have been approved by the IASB. There have been no new standards or interpretations issued during 2022 that significantly impact Vertex.

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

### 6.3 Financial Instruments

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

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

The Company's most significant financial risk exposure and its financial risk management policies are discussed in Note 24 of the Annual Financial Statements.

### 7.0 Non-IFRS Financial Measures

This release includes certain terms or performance measures that are not defined under International Financial Reporting Standards ("IFRS"), including "Adjusted EBITDA". The data presented is intended to provide additional information that should not be considered in isolation or as a substitute measure of performance prepared in accordance with IFRS. The non-IFRS measures should be read in conjunction with the Company's financial statements and accompanying notes.

**A) "Adjusted EBITDA"** is a non-financial measure which is calculated by adjusting net (loss) income for the sum of income taxes, finance costs including interest accretion on lease liabilities, 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 impairments 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.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
<b>Net income and comprehensive income for the period</b>	<b>2,477</b>	649	<b>3,337</b>	272
<b>Add:</b>				
Depreciation and amortization	<b>4,939</b>	5,224	<b>14,210</b>	<b>14,919</b>
Finance costs	<b>2,183</b>	1,551	<b>5,905</b>	<b>4,549</b>
Share-based compensation	<b>50</b>	-	<b>150</b>	-
Income tax expense	<b>763</b>	209	<b>1,027</b>	87
<b>ADJUSTED EBITDA</b>	<b>10,412</b>	7,633	<b>24,629</b>	19,827
Environmental Consulting	<b>2,942</b>	2,496	<b>7,803</b>	6,121
Environmental Services	<b>8,488</b>	6,416	<b>21,046</b>	17,101
Corporate	<b>(1,018)</b>	(1,279)	<b>(4,220)</b>	(3,395)
	<b>10,412</b>	<b>7,633</b>	<b>24,629</b>	<b>19,827</b>

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

**B) "Free cash flow"** is a non-financial measure which is calculated by reducing adjusted EBITDA by maintenance capital expenditures net of disposal proceeds.

Adjusted EBITDA	<b>10,412</b>	7,633	<b>24,629</b>	19,827
Maintenance capex	<b>(2,822)</b>	(1,604)	<b>(4,796)</b>	(4,153)
Proceeds from disposal of property and equipment	<b>1,295</b>	1,065	<b>1,722</b>	1,903
	<b>8,885</b>	7,094	<b>21,555</b>	17,577

**C) "Adjusted working capital"** is a non-financial measure which is calculated by reducing current liabilities by the current portion of loans and borrowings, lease liabilities and other liabilities.

	<b>September 30,</b>	December 31,
	<b>2022</b>	2021
Current assets	<b>89,609</b>	63,442
Current liabilities, less	<b>66,931</b>	58,526
Current portion of loans and borrowings	<b>(15,255)</b>	(18,433)
Current portion of other liabilities	<b>(2,912)</b>	(1,390)
Current portion of lease liabilities	<b>(6,439)</b>	(7,096)
Adjusted current liabilities	<b>42,325</b>	31,607
Adjusted working capital	<b>47,284</b>	31,835

### 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 2022; growth opportunities in 2022; supply and demand for the Company's services; anticipated savings in 2022; activity levels in the oil and gas industry and other industries in which the Company operates; annual gross maintenance capital expenditures for 2022; 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

# Vertex Resource Group Ltd.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2022 and 2021

---

applicable, assumed industry conditions; the mix of revenue from non-oil and gas customers in 2022; 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 affect its financial flexibility and competitive position; competition in the industries in which Vertex operates; downturns in general economic and market conditions; operational hazards and unforeseen interruptions for which Vertex may not be adequately insured; positive covenants in Vertex's material contracts could limit its ability to operate; third 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](http://www.sedar.com) and the Company's website at [www.vertex.ca](http://www.vertex.ca).