Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and twelve months ended December 31, 2021, and 2020

The following Management's Discussion and Analysis ("MD&A") is dated March 22, 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 twelve months ended December 31, 2021 and 2020, 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, 2021, 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 2020 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 9.0 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 has two reportable segments:

Environmental Consulting

Through Vertex's Environmental Consulting segment, the Company provides a variety of services related to assisting its clients to meet internal environmental standards, environmental legislation, and related environmental compliance requirements. These services span multiple industries including energy, mining, utilities, forestry, private development, public infrastructure, telecommunications, and government. More specifically, these services include advisory services related to new capital expenditure and asset development, environmental consulting and monitoring on existing assets, emission management solutions, sub-surface engineering, facility engineering, asset retirement and land reclamation services.

Environmental Services

Through Vertex's Environmental Services segment, the Company provides a variety of services related to transportation, removal, storage, disposal of materials, and maintenance of facilities in an environmentally safe manner. Services include fluid management and logistics, waste and recycling, industrial cleaning and maintenance, hydro-excavating, and site services for various industries including energy, telecommunications, public sector, utilities, mining, and agriculture.

2.0 Fourth Quarter Operational and Financial Highlights

Vertex had a strong finish to a year that began slowly, recovering quarter over quarter both through increased revenues and operating profits.

The fourth quarter of 2021 closes with an improved backlog of projects for both operating segments as customers across all business lines are showing signs of increased spending relative to levels experienced in both 2020 and 2021.

Fourth quarter highlights:

- The Company generated $46.1 million in revenues which is the highest revenue in the last twelve quarters.
- Gross margin increased to $11.0 million in the quarter compared to $9.0 million in Q4 2020.
- Adjusted EBITDA[1] during the fourth quarter improved to $6.4 million from $5.6 million in Q4 2020.
- Net income for the period was $1.4 million compared to a net loss for the period of $0.9 million in Q4 2020.
- Free cash flow[1] generated was $4.2 million.
- Subsequent to year-end, Vertex issued a $15.0M convertible debenture, with a term of 5 years, 8.0% annual interest paid monthly, at a conversion price of $0.65.
- Subsequent to year-end, the Company entered into an arrangement agreement to acquire Cordy Oilfield Services Inc., with an expected closing in Q2 2022.

	Three months ended December 31,	
	2021	2020
Revenue	**46,076**	37,331
Direct costs	**35,107**	28,287
Gross profit	**10,969**	9,044
General and administrative expenses	**4,560**	3,427
Depreciation and amortization	**4,702**	3,843
Finance costs	**1,508**	1,497
Impairment and restructuring costs	**-**	124
Share-based compensation	**-**	53
Income (loss) before income taxes	**199**	100
Income tax (recovery) expense	**(1,187)**	959
Net income (loss) and comprehesive income (loss) for the period	**1,386**	(859)

ADJUSTED EBITDA (1)		
Environmental Consulting	**2,367**	2,802
Environmental Services	**5,337**	2,674
Other	**(1,295)**	141
	6,409	5,617

(1) See Non-IFRS Financials Measures - Section 8.0

3.0 Annual Operational and Financial Highlights

As the year progressed it became clear that the worldwide suppression of economic activity and uncertainty resulting from Covid-19 was waning and global economic recovery was underway. The reopening of economies has resulted in increased access to work sites, increases in government spending on infrastructure as part of recovery initiatives, increased capital spending and the resumption of scheduled facility maintenance along with greater energy exploration.

Vertex's diversification efforts with continued expansion in the utilities, telecommunications and government sectors have helped to grow revenue. The Company is maintaining its focus on cost containment, operating efficiencies, geographic diversification, and sector diversification.

Annual highlights:

- Revenue increased by 17.1% from $136.1 million in 2020 to $159.4 million for the year ended 2021.
- Adjusted EBITDA[1] amounted to $26.2 million for the full year 2021 compared to $24.5 million in the same period of 2020.
- Reported net income and comprehensive income of $1.7 million in 2021 compared to a net loss of $5.7 million the prior year.
- Free cash flow[1] generated was $21.8 million.
- Completed the first quarter acquisition strengthening our industrial cleaning business line.
- Senior credit facility was amended to extend the maturity date to May 31, 2023.

3.1 Annual Select Financial Information

	2021	2020	2019
Revenue	**159,438**	136,125	168,070
Direct costs	**117,150**	97,590	128,778
Gross profit	**42,288**	38,535	39,292
General and administrative expenses	**16,052**	14,071	16,986
Depreciation and amortization	**19,621**	17,937	22,846
Finance costs	**6,057**	6,063	5,988
Impairment and restructuring costs	**-**	5,561	6,749
Share-based compensation	**-**	187	188
Income (loss) before income taxes	**558**	(5,284)	(13,465)
Income tax (recovery) expense	**(1,100)**	414	(2,151)
Net income (loss) and comprehensive income (loss) for the year	**1,658**	(5,698)	(11,314)
Net income (loss) per share			
Basic and diluted	**0.02**	(0.06)	(0.12)
Weighted average number of shares outstanding for the purpose of calculating earnings per share			
Basic and diluted	**91,253,115**	91,253,115	91,253,115

	December 31,		
	2021	2020	2019
Total assets	**186,570**	151,201	171,219
Total loans and borrowings and secured lease liabilities, less cash	**87,073**	66,787	78,461

3.2 Adjusted EBITDA

Adjusted EBITDA (1)	**2021**	2020	2019
Environmental Consulting	**8,488**	9,599	6,995
Environmental Services	**22,438**	20,951	20,618
Other	**(4,690)**	(6,086)	(5,307)
	26,236	24,464	22,306

(1) See Non-IFRS Financials Measures - Section 8.0

4.0 Outlook

The momentum generated by Vertex's previous three quarters carried over into the fourth quarter, which achieved the highest quarterly revenue in the last twelve quarters. Although the North American economy largely recovered in 2021, the situation varied greatly from region to region and jurisdiction to jurisdiction. Vertex was able to meet the challenges from the pandemic and supply chain disruptions.

Our outlook for 2022 is that North American economies will continue to transition from pandemic recovery-driven growth to more normal growth in 2022. Global vaccination rates have aided economic growth allowing increased activity across all industry sectors. The journey to regaining this normality, however, will not be smooth and 2022 will be a year of transition. With secured backlog reaching record levels, Vertex is well positioned for strong earnings growth for 2022.

The rapid rebound in demand for raw materials, intermediate goods and various logistics services has been hampered by limited global supply. Vertex will need to focus on our supply chains and rising costs and will need to continue to develop agile and creative strategies to address labour challenges as this looks like it could persist for many years.

Moreover, short-term uncertainty remains regarding the macroeconomic conditions, including commodity price fluctuations, potential setbacks in COVID-19 vaccine efficacy, demand for hydrocarbons, and OPEC+ production and supply decisions that may impact the short-term demand for services. The invasion of Ukraine by the Russian Federation may also impact future commodity prices in energy, mining and agriculture.

On February 25, 2022, Vertex entered into a definitive amalgamation agreement with Cordy Oilfield Services Inc. (TSXV: CKK) ("Cordy"), a provider of environmental and hydro-excavating services. Under the terms of the agreement, Cordy shareholders will receive 0.081818 common shares of Vertex for every one common share of Cordy. The implementation of this agreement is subject to approval by the shareholders of Cordy with the special meeting scheduled for April 22, 2022. This acquisition strengthens our environmental services business while providing additional free cash flow generation through savings from integration, elimination of duplicate corporate office costs and by increasing the utilization of the equipment fleet and personnel.

On March 7, 2022, Vertex issued a $15 million convertible debenture, due March 7, 2027, bearing interest at 8%. At any time during the term, the holders of the convertible debentures may elect to convert the outstanding net principal amount, or any portion thereof, into common shares of Vertex at a conversion price of $0.65 per share. Proceeds will be used for general corporate purposes including future acquisitions.

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.

5.0 Results from Operations

5.1 Revenue

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

	Year ended December 31,		**Variance**	
	2021	2020	$	%
Environmental Consulting	**48,930**	43,549	**5,381**	12.4%
Environmental Services	**107,771**	88,352	**19,419**	22.0%
Other	**2,737**	4,224	**(1,487)**	-35.2%
Revenue	**159,438**	136,125	**23,313**	17.1%

Revenue for the Environmental Consulting segment increased by $5.3 million compared to the year ended 2020. The year-to-date increase is a result of projects executed for government remediation programs, customer environmental liabilities related to sites and emissions, along with greater activity for engineering services as customers refocused on managing environmental liabilities in the second half of the year.

Revenue increased by 22.0% in the Environmental Services segment to $107.8 million in 2021. Revenue in this segment was positively affected by the recovery of the price of oil, which improved construction, drilling and exploration activities, and production, as well as the elimination of some pricing concessions on our services that were required in 2020 due to Covid-19 and its worldwide economic impact.

5.2 Gross Profit

	Year ended December 31,		**Variance**	
	2021	2020	$	%
Gross profit	**42,288**	38,535	**3,753**	9.7%
Gross profit as a % of revenue	**26.5%**	28.3%	**-1.8%**	-6.3%

After a slow start to the year in Q1, the remainder of the year saw increased demand for services which resulted in improved utilization of personnel and equipment, and improved pricing from customers. Offsetting the positive impact in demand for services are rising input and supply chain costs which management continues to aggressively manage.

Reported gross margin in the year ended 2021 includes CEWS received of $2.7 million while the reported gross margin for the year ended 2020 reflects CEWS received of $7.8 million.

5.3 General and Administrative Expenses (G&A)

	Year ended December 31,		Variance	
	2021	2020	$	%
G&A	**16,052**	14,071	**1,981**	14.1%
G&A as a % of revenue	**10.1%**	10.3%	**-0.3%**	-2.6%

G&A increased by $2.0 million due to additional costs related to the acquisition and new personnel costs to assist with the heavy administrative impact of the government directed rehabilitation programs.

5.4 Adjusted EBITDA

	Year ended December 31,		Variance	
	2021	2020	$	%
Environmental Consulting	**8,488**	9,599	**(1,111)**	-11.6%
Environmental Services	**22,438**	20,951	**1,487**	7.1%
Other	**(4,690)**	(6,086)	**1,396**	-22.9%
Adjusted EBITDA	**26,236**	24,464	**1,772**	7.2%
Adjusted EBITDA(1) as a % of revenue	**16.5%**	18.0%	**-1.5%**	-8.4%

(1) See Adjusted EBITDA definition Section 8.0.

Adjusted EBITDA finished the year at $26.2 million. Adjusted EBITDA increase resulted from a combination of improved revenue as the impact of Covid-19 on the global economy lessened, offset by the decreased benefit of CEWS and higher input costs. Enviromental Consulting segment is highly dependent on personnel costs and was most impacted by the decreased benefit of CEWS from 2020 to 2021. Environmental Services segment, is more dependent on equipment utilization than personnel costs, and as a result increase demand, volume and pricing increased their adjusted EBITDA by $1.5 million from 2020.

The "Other" segment is comprised of corporate costs and other minor operations. Adjusted EBITDA in this segment increased due continued prudent spending related to pandemic restrictions and lower bad debts expense in 2021 compared to 2020.

5.5 Other Items

	Year ended December 31,		Variance	
	2021	2020	$	%
Depreciation and amortization	**19,621**	17,937	**1,684**	9.4%
Finance costs	**6,057**	6,063	**(6)**	-0.1%
Impairment and restructuring costs	**-**	5,561	**(5,561)**	-100.0%
Share-based compensation	**-**	187	**(187)**	0.0%
Total	**25,678**	29,748	**(4,070)**	-13.7%

Depreciation and amortization increased by $1.7 million to $19.6 million for 2021 due to the impact of the Q1 2021 acquisition, as well as, higher net capital expenditures during the year.

In Q1 2020, an impairment was recorded based on the results of an impairment test of goodwill. The recoverable amount of the environmental logistics CGU based on the impairment test was below the carrying value of the assets resulting in an impairment charge of $3.3 million in 2020 versus nil in 2021. Also in Q1 2020, impairment of $0.4 million was recorded for intangible assets where the future economic benefits expected from the use of those assets were no longer expected.

Restructuring costs of $1.9 million were recognized during 2020 and there are no comparative costs for 2021.

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

	Year ended December 31,		**Variance**	
	2021	2020	$	%
Net income (loss) and comprehensive income (loss) for the year	**1,658**	(5,698)	**7,356**	129.1%

Net income for the year increased by $7.4 million due to improved profitability and the absence of a $3.7 million impairment charge and other one-time costs in 2020.

5.7 Summary of Quarterly Results

($000 except per share amounts)	**2021**				2020			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenue	**46,076**	42,284	38,130	32,948	37,331	32,067	28,301	38,426
Net income (loss)	**1,386**	649	194	(571)	(859)	1,471	(711)	(5,599)
Basic and diluted income (loss) per share	**0.02**	0.01	0.00	(0.01)	(0.01)	0.02	(0.01)	(0.06)
Adjusted EBITDA(1)	**6,409**	7,633	7,539	4,655	5,617	6,822	6,702	5,323

(1) See Adjusted EBITDA definition Section 8.0.

6.0 Liquidity and Capital Management

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

	Year ended December 31,	
	2021	2020
Cash provided by operating activities	**12,954**	26,899
Cash used in investing activities	**(11,535)**	(2,958)
Cash provided by (used in) financing activities	**(1,419)**	(24,355)
	-	(414)

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 typically utilizes its available committed operating loans and equipment lease lines which provide in excess of $13 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 $25.3 million during 2021, an increase of $3.5 million from $21.8 million during 2020. This improvement was offset by a reduction in the contribution of non-cash working capital year over year as a result of stronger operations in the second half of the year that required elevated working capital requirements at year end.

6.2 Cash Used in Investing Activities

Cash used in investing activities was $11.5 million during 2021, a decrease of $8.5 million from the cash used in investing activities of $3.0 million during 2020. Net capital expenditures were $6.2 million, up from 3.0 million in 2020 when capital expenditures on property and equipment had been reduced to essential purchases in the Covid impacted economic environment. The net cash outlay for the acquisition in Q1 2021 was $4.5 million.

6.3 Cash Used in Financing Activities

Cash used in financing activities was $1.4 million during 2021, a decrease of $23.0 million from cash used by financing activities of $24.4 million during 2020. Operational requirements noted above and the net cash outlay for the Q1 acquisition were funded by drawing on the revolving loan.

6.4 Adjusted Working Capital

	December 31, 2021	December 31, 2020
Current assets	**63,442**	38,809
Current liabilities (excluding current portion of loans and borrowings, other liabilities, and lease liabilities)	**31,607**	20,328
Adjusted Working Capital [1]	**31,835**	18,481

(1) See Non-IFRS Financials Measures - Section 8.0

Adjusted working capital at year end 2021 was $31.9 million, an increase of $13.4 million from December 31, 2020. Accounts receivable increased by $24.5 million in 2021, as accounts payable and accrued liabilities, and contract liabilities increased by $11.3 million from December 31, 2020 to December 31, 2021 as a result of rebounding operations in the second half of 2021 along with the requirements of executing government supported environmental projects.

6.5 Credit Facilities

	December 31, 2021	December 31, 2020
Revolving and operating loans:		
Committed revolving and operating facilities	**35,000**	35,000
Drawn on revolving and operating facilities	**30,400**	7,153
Available revolving and operating facilities	**4,600**	27,847

Debt as of December 31, 2021, consisted of the items noted in Section 6.6 Commitments and Contingencies.

In 2021, the total secured credit facilities were $67.8 million (2020 - $76.7 million) and were comprised of three committed facilities: a $30.0 million (2020 - $30.0 million) syndicated facility ("revolving loan"), a $32.8 million (2020 - $41.7 million) term loan facility ("syndicate term loan"), and a $5.0 million (2020 - $5.0 million) operating facility ("operating loan"). This agreement includes an additional $20.0 million Accordion Facility. The syndicate credit facilities are for a committed term and are secured by a General Security Agreement over all assets of the Company.

During the year, the Company amended its secured syndicate credit facilities and the salient features are as follow: a) the maturity date was extended to May 31, 2023 and; b) ratios were revised for existing covenants.

On March 7, 2022, the Company completed a $15 million, non-brokered private placement of subordinated convertible debentures. The proceeds will be used for general corporate purposes including future acquisitions.

At December 31, 2021, the following terms were in effect:

Syndicate Credit Facilities

The revolving loan and syndicate term loan can be a mix of rates ranging from HSBC's CAD prime rate or USD base rate plus 1.5%-3.5%, CAD bankers' acceptance rate and USD LIBOR loans plus stamping fees of 2.5%-4.5%. 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 0.6%-0.9%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter.

In addition to the scheduled principal payments, the syndicate term loan includes an additional principal payment based on an annual excess cash flow calculation. The excess cash flow calculation is applicable if the funded debt to EBITDA ratio as at December 31, 2021 exceeds 2.75:1.00. At year-end the excess cash flow calculation resulted in an additional payment on the term loan of $3.0 million (2020 - $4.0 million), which has been included in the current portion of loans and borrowings on the consolidated statements of financial position.

The syndicate facilities include a secured operating facility authorized to a maximum of $5.0 million to be used for general corporate purposes. The operating loan may be borrowed, repaid and re-borrowed on a revolving basis from the closing date until the maturity date. To the extent funds are drawn on the operating facility, they will bear interest at rates ranging from HSBC's CAD prime rate or USD base rate plus 1.5%-3.5%.

The syndicate credit facilities are subject to financial covenants noted below.

Debt Covenants

Trailing twelve-month bank EBITDA (defined below) includes various adjustments as approved by the syndicate of lenders, when calculating covenants. Bank EBITDA was $22.4 million for the trailing twelve months ending December 31, 2021.

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

- The ratio of consolidated syndicated indebtedness to trailing bank EBITDA, calculated on a trailing 12-month basis,
- The ratio of consolidated senior indebtedness to trailing bank EBITDA, calculated on a trailing twelve-month basis,
- The ratio of net cash flow to fixed charges, the fixed charge coverage ratio, calculated on a rolling 4-quarter basis.

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

- Consolidated syndicated indebtedness is defined as bank indebtedness, the outstanding balance of the revolving loan, the outstanding principal balance of the senior term loan, and principal portions of any equipment loans and secured lease liabilities.
- Consolidated senior indebtedness is defined as consolidated syndicated indebtedness plus any outstanding principal balance of the BDC Co-lend loan.

- EBITDA is defined as net income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, amortization of capitalized deferred financing costs, goodwill/intangible impairment, stock-based compensation, and other gains and losses not considered reflective of underlying operations. Trailing 12-month EBITDA attributable to businesses acquired in the period are permitted to be added to EBITDA.
- Net cash flow is defined as EBITDA reduced by net capital expenditures and cash taxes.
- Fixed charges are calculated as interest expense plus scheduled principal payments of indebtedness during the 12-month trailing period.

At December 31, 2021, the Company was in compliance with the terms and covenants of its lending agreements.

	Target	**2021**	2020
Credit facilities			
Funded debt to EBITDA	< 4.50 : 1	**3.81**	3.35
Net syndicate funded debt to EBITDA	< 4.00 : 1	**3.56**	3.03
Fixed charge coverage ratio	> 1.10 : 1	**1.46**	1.65

6.6 Commitments and Contingencies

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future. Contractual maturities for financial liabilities on an undiscounted basis, including interest and principal at December 31, 2021 are as follows:

Due Within	Operating loan [1]	Loans and borrowings	Other liabilities	Lease liabilities	**Total**
One year	28,769	11,871	1,520	8,109	**50,269**
Two years	-	66,279	1,379	5,909	**73,567**
Three years	-	4,112	200	4,014	**8,326**
Four years	-	2,004	-	2,178	**4,182**
Five years	-	851	-	1,179	**2,030**
Thereafter	-	-	-	1,194	**1,194**
	28,769	**85,117**	**3,099**	**22,583**	**139,568**

(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

As at December 31, 2021 and 2020, the Company did not have any off-balance sheet arrangements.

6.7 Capital Expenditures

The Company's net capital expenditures were in line with the Company's approved capital plan for 2021 in response to a recovering economic climate. The Company undertakes to sell any under-utilized assets that cannot be redeployed in other geographical locations in order to improve utilization. In 2021, the Company sold $2.8 million worth of capital assets compared to $1.5 million for 2020.

Annual net capital expenditures for 2022 are budgeted to be in the range of $8.5 million to $9.5 million. The maintenance and growth capital expenditures are not committed for or required if factors related to economics, industrial and customer spending plans change or destabilize.

6.8 Credit Risk

The Company's revenues are from a diverse customer base that includes the energy, telecommunications, public sector, real estate, utility, and mining industries in Western Canada. The Company believes that there is no unusual exposure associated with the collection of accounts receivable outside of the normal risk associated with contract audits and normal trade terms common in the industry. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. For the year ended December 31, 2021, the Company had no customers that accounted for more than 10% of the consolidated sales (2020 – no customers). The aging analysis of accounts receivables is as follows:

	2021	2020
0 to 30 days	**21,425**	18,180
31 to 60 days	**11,599**	7,436
61 to 90 days	**5,580**	1,638
Over 90 days	**4,086**	1,952
Holdbacks	**204**	164
Trade accounts receivable	**42,894**	29,370
Accrued receivables	**12,903**	3,701
Allowance for expected credit losses	**(855)**	(688)
Trade and accrued receivables, net of allowance	**54,942**	32,383
Other receivables	**255**	46
	55,197	32,429

6.9 Outstanding Share Data

As of the date of this MD&A, the Company had 91,253,115 Common Shares outstanding. As of the same date, the Company had outstanding 3,000,000 stock options to purchase up to an aggregate of 3,000,000 Common Shares.

6.10 Transactions with Related Parties

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

Lease liabilities includes $4.7 million (2020 - $5.2 million) of liabilities relating to the leases with a related party. Principal payments of unsecured lease liabilities and associated interest accretion for the year ended December 31, 2021 were $0.9 million (year ended December 31, 2020 - $0.9 million).

Included in general and administrative expenses is remuneration of the key management personnel of the Company, which includes directors and officers of the Company. For the year ended December 31, 2021, remuneration of $1,328 (2020 - $1,533) included $1,328 of salaries and short-term benefits and nil of share-based compensation (2020 - $1,402 and $131, respectively) which were paid to key management. Directors and key management own 47% of the Company.

7.0 Critical Accounting Judgments, Estimates and Accounting Policy Developments

7.1 Critical Judgments And Estimates in Applying the Company's Accounting Policies

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

The Company has:

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

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

7.2 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 2021 that are currently anticipated to have a significant impact on the Company's accounting policies or disclosures.

7.3 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 to the Annual Financial Statements.

8.0 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 December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Net income (loss) and comprehesive income (loss) for the period	**1,386**	(859)	**1,658**	(5,698)
Add:				
Depreciation and amortization	**4,702**	3,843	**19,621**	17,937
Finance costs	**1,508**	1,497	**6,057**	6,063
Impairment and restructuring costs	**-**	124	**-**	5,561
Share-based compensation	**-**	53	**-**	187
Income tax (recovery) expense	**(1,187)**	959	**(1,100)**	414
Adjusted EBITDA	**6,409**	5,617	**26,236**	24,464
Environmental Consulting	**2,367**	2,802	**8,488**	9,599
Environmental Services	**5,337**	2,674	**22,438**	20,951
Other	**(1,295)**	141	**(4,690)**	(6,086)
	6,409	5,617	**26,236**	24,464

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	**6,409**	5,617	**26,236**	24,464
Maintenance capex	**(3,110)**	(1,596)	**(7,263)**	(3,109)
Proceeds from disposal of property and equipment	**928**	414	**2,831**	1,486
	4,227	4,435	**21,804**	22,841

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

	December 31, 2021	December 31, 2020
Current assets	**63,442**	38,809
Current liabilities	**58,526**	43,422
Current portion of loans and borrowings	**(18,433)**	(16,992)
Current portion of other liabilities	**(1,390)**	(625)
Current portion of lease liabilities	**(7,096)**	(5,477)
Current liabilities (excluding current portion of loans and borrowings, other liabilities, and lease liabilities)	**31,607**	**20,328**
Adjusted Working Capital [1]	**31,835**	18,481

9.0 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 the Company's Environmental Services segment in 2022; supply and demand for the Company's services; 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 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 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.

10.0 Additional Information

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