

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

The following Management's Discussion and Analysis ("MD&A") is dated November 10, 2023, 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, 2023 and 2022, 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, 2023, the annual audited consolidated financial statements and accompanying notes (the "Annual Financial Statements") for the year ended December 31, 2022 and the Company's Annual Information Form ("AIF") for the same year filed on the Company's SEDAR+ profile at www.sedarplus.ca. 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 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, 2023 and 2022

2.0 Operational and Financial Highlights

During the first nine months of 2023, Vertex has experienced a strong demand for services leading to increased utilization of our fleet and personnel in spite of wildfires this spring and summer that have impacted activity in many geographic areas that Vertex operates. Acquisitions during the previous two years, combined with related integration efforts and cross-selling have helped grow our revenue while maintaining our focus on cost control and operating efficiencies.

Third quarter highlights:

Highest gross and net revenue in company history for any quarter at \$68.3 million and \$66.8 million respectively.

Environmental Services achieved \$49.3 million of gross and net revenue, the highest in company history.

Cash used in financing activities was \$7.3 million in the quarter compared to cash provided by financing activities of \$5.3 million in Q3 2022.

Nine month highlights:

Gross revenue increased to \$190.1 million from \$185.5 million for the same period in 2022; which is the highest in any previous nine month period.

Net revenue of \$185.9 million, the highest in company history for a nine month period, compared to \$158.5 million for the same period of 2022.

Record adjusted EBITDA⁽¹⁾ amounted to \$30.2 million for the nine months of 2023 compared to \$24.6 million in 2022.

Profit margin as a % of net revenue increased to 26.5% from 25.0% for the nine months.

Cash used in financing activities was \$32.7 million in the nine month period to date compared to cash provided by financing activities of \$1.7 million in the same period of 2022.

Free cash flow⁽¹⁾ amounted to \$13.5 million compared to \$11.9 million for the nine months.

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

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

2.1 Selected Financial Information

	Three months ended		Nine months ended	
	September 30, 2023	2022	September 30, 2023	2022
		Restated (Section 5.11)		Restated (Section 5.11)
Gross revenue	68,323	67,845	190,127	185,495
Less flow through subcontractor costs	1,518	8,706	4,211	26,958
Net revenue	66,805	59,139	185,916	158,537
Direct costs	49,484	43,205	136,588	118,923
Profit margin	17,321	15,934	49,328	39,614
General and administrative expenses	6,732	5,522	19,168	14,985
Depreciation and amortization	5,851	4,939	17,158	14,210
Finance costs	3,162	2,183	8,758	5,905
Share-based compensation	50	50	150	150
Income before taxes	1,526	3,240	4,094	4,364
Income tax expense	359	763	312	1,027
Net income for the period	1,167	2,477	3,782	3,337
Other comprehensive loss				
Foreign currency translation adjustment, net of tax	(4)	13	(4)	19
Total comprehensive income for the period, net of tax	1,163	2,490	3,778	3,356
Net income per share				
Basic and diluted	0.01	0.02	0.03	0.03
Weighted average number of shares outstanding for the purpose of calculating earnings per share				
Basic and diluted	115,620,482	110,284,945	115,620,753	102,308,486
ADJUSTED EBITDA ⁽¹⁾				
Environmental Consulting	2,747	2,942	5,751	7,803
Environmental Services	9,846	8,488	30,800	21,046
Corporate	(2,004)	(1,018)	(6,391)	(4,220)
	10,589	10,412	30,160	24,629

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

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

3.0 Outlook

Vertex's outlook remains confident as asset utilization and demand for services remains steady through to the end of 2023 and into 2024. Several drilling programs and maintenance projects that were planned for the third quarter were postponed into the fourth quarter or pushed fully into 2024. This resulted in intervals of downtime that were unable to be filled due to the delayed timing of decisions.

The Alberta government placed a six-month moratorium on new renewable energy projects early in the third quarter which had an immediate impact on our Environmental Consulting segment. Most of our services for renewables are provided for the planning, viability and development stage and this moratorium has postponed this work until new regulations are brought forth for 2024. This was very unexpected within the industry and it will be challenging to replace this work for the remainder of 2023.

Vertex has been expanding our Environmental Services in the United States by opening three locations in Montana, North Dakota and Colorado during late Q2. This expansion will allow Vertex to service more of our existing customers in these markets, while developing new clientele. We anticipate these growth initiatives will contribute positively to our 2024 operations.

As we approach the fourth quarter and plan for 2024, Vertex remains focused on executing our strategic business model and delivering value to our shareholders by enabling growth through the cross-selling of our services throughout the lifecycle of our clients' projects in various industries. Additionally, Vertex is committed to further enhancing shareholder value by reducing our debt levels and through our planned share repurchases.

4.0 Results from Operations

4.1 Revenue

	Three months ended		Nine months ended	
	September 30, 2023	2022	September 30, 2023	2022
Gross revenue				
Environmental Consulting	20,017	27,276	47,557	74,582
Environmental Services	49,329	40,737	145,510	110,211
Corporate	(1,023)	(168)	(2,940)	702
Gross revenue	68,323	67,845	190,127	185,495

	Three months ended		Nine months ended	
	September 30, 2023	2022	September 30, 2023	2022
Net revenue				
Environmental Consulting	18,499	18,570	43,346	47,624
Environmental Services	49,329	40,737	145,510	110,211
Corporate	(1,023)	(168)	(2,940)	702
Net revenue	66,805	59,139	185,916	158,537

Third Quarter 2023 versus Third Quarter 2022

Gross revenue in the quarter increased modestly. Environmental Services experienced growth due to strong utilization however was offset by a decrease in Environmental Consulting's gross revenue due to the current year impact of wildfires that plagued Western Canada all summer and the Alberta renewable moratorium.

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

Environmental Consulting net revenue was flat compared to Q3 2022 despite the challenges outlined above.

Net revenue in the Environmental Services segment continued at high levels achieved in the previous quarters as Vertex continues to see strong demand for services across multiple industries. Overall, this resulted in a net revenue increase of \$8.6 million over the same quarter of 2022.

Nine Months Ended September 30, 2023 versus Nine Months Ended September 30, 2022

Gross revenue for the nine months ended September 30, 2023 increased by \$4.6 million for the same reasons noted above.

Net revenue for the Environmental Consulting segment decreased by \$4.3 million compared to the same nine months of 2022 for the same reasons above.

The Environmental Services segment generated \$35.3 million higher net revenues compared to the same nine month period of 2022 due to cross-selling efforts to expand our customer base, steady demand for services, and increased utilization.

4.2 Gross Profit

	Three months ended		Nine months ended	
	September 30, 2023	2022	September 30, 2023	2022
Profit margin	17,321	15,934	49,328	39,614
Profit margin as a % of net revenue	25.9%	26.9%	26.5%	25.0%

Increased volume and demand have resulted in increases to profit margin in both the three and nine month periods. The increased activity has also created upward pressure on the cost of labour and equipment related costs. Management has worked with customers regarding market rates for our services while managing input cost escalation and exploring organic growth initiatives.

Margin as a % of net revenue has decreased in the quarter as the mix of revenue activities shifted to lower margin work as planned higher margin projects were delayed or cancelled. Margin as a % of revenue has increased in the nine month period because of H1 2023 higher margin revenue activity mix. Cost control and deriving integration efficiencies remained key undertakings for management. Start up costs within the Environmental Services segment and lower utilization in the Environmental Consulting segment due to the Alberta renewable energy moratorium and other project delays have negatively impacted our margin in the quarter.

4.3 General and Administrative Expenses (G&A)

	Three months ended		Nine months ended	
	September 30, 2023	2022	September 30, 2023	2022
G&A	6,732	5,522	19,168	14,985
G&A as a % of net revenue	10.1%	9.3%	10.3%	9.5%

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

General and administrative expenses have increased in both periods from costs related to workforce and facility costs as the Company supports both organic growth initiatives, including the expansion in the United States, as well as prior year acquisitions.

G&A costs as a percentage of net revenue increased by 0.8% in both the quarter and nine month period.

4.4 Adjusted EBITDA

	Three months ended		Nine months ended	
	September 30, 2023	2022	September 30, 2023	2022
Environmental Consulting	2,747	2,942	5,751	7,803
Environmental Services	9,846	8,488	30,800	21,046
Corporate	(2,004)	(1,018)	(6,391)	(4,220)
Adjusted EBITDA	10,589	10,412	30,160	24,629
Adjusted EBITDA ⁽¹⁾ as a % of net revenue	15.9%	17.6%	16.2%	15.5%

(1) See Adjusted EBITDA definition Section 7.0.

Third Quarter 2023 versus Third Quarter 2022

Environmental Consulting's adjusted EBITDA decreased by 6.6% which was the outcome of lower utilization of staff due to project delays in the quarter as highlighted above.

Adjusted EBITDA in the Environmental Services segment increased by \$1.4 million in the quarter which offset the decreases noted in Environmental Consulting and Corporate, resulting from steady demand, cross-selling efforts and cost containment.

The "Corporate" segment is comprised of costs to support the other segments. Adjusted EBITDA losses in this segment increased due to increasing facility and human resource costs required to support growth.

Nine Months Ended September 30, 2023 versus Nine Months Ended September 30, 2022

Record adjusted EBITDA of \$30.2 million achieved during the nine month period represents the highest results in Company history.

Environmental Consulting segment's adjusted EBITDA decreased by \$2.1 million due to the absence of site rehabilitation projects in H1 2023 that were prevalent in H1 2022.

Environmental Services segment's adjusted EBITDA increased by \$9.8 million in the nine month period ended September 30, 2023.

Adjusted EBITDA losses in the Corporate segment increased from the prior period due to the aforementioned factors.

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

4.5 Other items

	Three months ended		Nine months ended	
	September 30, 2023	2022	September 30, 2023	2022
Depreciation and amortization	5,851	4,939	17,158	14,210
Finance costs	3,162	2,183	8,758	5,905
Share-based compensation	50	50	150	150
Total	9,063	7,172	26,066	20,265

Other items during the three and nine months ending September 30, 2023 increased to \$9.1 million and \$26.1 million respectively due to increased depreciation and amortization resulting from prior year acquisitions which added equipment, right of use and intangible assets to Vertex. Additionally new right of use assets were created due to the current year expansion mentioned above.

Interest rates remain at the highest level seen in the last five years and have resulted in finance costs increasing in both of the above noted periods.

4.6 Net Income for the Period

	Three months ended		Nine months ended	
	September 30, 2023	2022	September 30, 2023	2022
Net income for the period	1,167	2,477	3,782	3,337

Third Quarter 2023 versus Third Quarter 2022

Net income for the quarter ended September 30, 2023 was \$1.2 million, a reduction from Q3 2022 as a result of increased depreciation, amortization and finance costs.

Nine Months Ended September 30, 2023 versus Nine Months Ended September 30, 2022

Net income for the nine month period increased by 13.3% from the same period of 2022.

4.7 Summary of Quarterly Results

(\$000 except per share amounts)	2023			2022				2021
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
	<i>Restated (Section 5.11)</i>							
Gross revenue	68,323	63,147	58,657	71,666	67,845	62,855	54,795	59,953
Net revenue	66,805	62,303	56,808	59,841	59,139	53,969	45,429	46,076
Net income (loss)	1,167	1,604	1,011	(1,295)	2,477	1,600	(740)	1,386
Basic and diluted income (loss) per share	0.01	0.01	0.01	(0.01)	0.02	0.02	(0.01)	0.02
Adjusted EBITDA ⁽¹⁾	10,589	10,956	8,615	7,556	10,412	8,557	5,660	6,409

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

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

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,	
	2023	2022
Cash provided by operating activities	38,772	9,828
Cash (used in) investing activities	(6,485)	(6,429)
Cash (used in) provided by financing activities	(32,680)	1,688
	(393)	5,087

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. The Company has a healthy liquidity position with access to more than \$19 million to fund working capital requirements and planned expenditures.

5.1 Cash Provided by Operating Activities

Cash provided by operating activities increased significantly in the nine month period as working capital intensive site rehabilitation projects ended in Q1 2023 and working capital related to those projects was released. While Vertex had a busy third quarter the demands of operating activity were offset by the working capital impact of site rehabilitation projects ending.

5.2 Cash Used in Investing Activities

Cash used in investing activities was flat period over period. An increase in capital additions was offset with higher disposal proceeds as Vertex works to refresh and optimize its fleet.

5.3 Cash (Used in) Provided by Financing Activities

In the first nine months of 2023 Vertex has made repayments of loans and borrowings, lease liabilities and other liabilities totalling \$32.0 million compared to \$27.8 million in the same period of 2022. Proceeds from loans and borrowings in the nine month period ended September 30, 2023 was \$5.6 million, significantly lower than \$35.3 million in 2022.

5.4 Adjusted Working Capital

	September 30, 2023	December 31, 2022
Current assets	68,915	82,073
Current liabilities (excluding current portion of loans and borrowings, other liabilities, and lease liabilities)	37,401	43,321
Adjusted Working Capital ⁽¹⁾	31,514	38,752

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

Adjusted working capital at September 30, 2023 decreased from December 31, 2022 by \$7.2 million, primarily due to the aforementioned completion of Site Rehabilitation Programs.

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

5.5 Credit Facilities

	September 30, 2023	December 31, 2022
Revolving and operating loans:		
Committed revolving and operating facilities	45,000	45,000
Drawn on revolving and operating facilities	34,500	37,500
Available revolving and operating facilities	10,500	7,500

Debt as of September 30, 2023, consisted of the items noted in Section 5.6 Commitment and Contingencies below.

Debt Covenants

As of September 30, 2023, 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 \$33.2 million for the trailing twelve months ending September 30, 2023.

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 ⁽¹⁾	Loans and borrowings	Other liabilities	Convertible debenture	Lease liabilities	Total
One year	35,891	15,104	1,909	1,200	11,995	66,099
Two years	-	64,706	1,362	1,200	10,307	77,575
Three years	-	3,022	-	1,200	8,290	12,512
Four years	-	1,674	-	15,500	5,721	22,895
Five years	-	807	-	-	3,841	4,648
Thereafter	-	-	-	-	3,426	3,426
	35,891	85,313	3,271	19,100	43,580	187,155

(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, 2023, 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, 2023, were \$9.6 million compared to \$8.1 million in the nine months ended September 30, 2022. The Company undertakes to sell any under-utilized assets that cannot be redeployed in other geographical locations in order to improve utilization.

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

The Company sold \$5.7 million worth of capital assets in the first nine months of 2023, compared to \$2.9 million in the same period of 2022.

The 2023 net capital expenditures are expected to be in the range of \$12.0 million to \$14.0 million. The maintenance and growth capital expenditures are not committed or required if factors related to economics, industrial and customer spending plans change.

5.8 Credit Risk

The Company's revenues come from a diverse customer base 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, 2023, the Company had one customer that accounted for more than 10% of the consolidated sales (year ended December 31, 2022 – no customers).

5.9 Outstanding Share Data and Normal Course Issuer Bid

As of November 10, 2023, the Company had 115,525,390 common shares outstanding. As of the same date, the Company had outstanding 2,125,000 stock options to purchase up to an aggregate of 2,125,000 common shares.

On August 25, 2023, the Company announced it had received approval from the TSX Venture Exchange to commence a Normal Course Issuer Bid (the "NCIB"). The NCIB commenced on August 30, 2023 and will end on August 29, 2024.

Under the NCIB, Vertex may purchase for cancellation, a maximum of 5,781,045 Common Shares (the "Shares"), which represents approximately 5% of the Shares outstanding as at August 25, 2023. Over any 30-day period, Vertex will not purchase more than 2,312,417 Shares in total, which represents 2% of the Shares issued and outstanding as of August 25, 2023.

All purchases of the Shares are to be made through the facilities of the Exchange, other designated exchanges and/or alternative Canadian trading systems, in accordance with their rules and regulations. The price which the Company will pay for such Shares will be the prevailing market price at the time of acquisition and all Shares will be purchased for cancellation. As of November 10, 2023, 95,500 common shares have been purchased and cancelled under this program.

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, 2023, lease liabilities include \$3.6 million (September 30, 2022 - \$4.2 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, 2023 were \$0.7 million (nine months ended September 30, 2022 - \$0.7 million).

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

5.11 Restatement of comparative period

As noted in Note 12 in the condensed consolidated interim financial statements.

During 2022, management identified that revenue from certain contracts with customers was recorded net of the costs incurred to reflect an agency relationship and to match the economic nature of the cash flows of the contracts. Under the terms of the contracts the Company was the principal in the arrangement. As a result, revenue and direct costs were understated. The error has been corrected by restating the comparative period. The following summarizes the impact of the change on the condensed consolidated statement of net income and comprehensive income for the three and nine months ended September 30, 2022.

Three months ended September 30, 2022	As previously		As restated
	reported	Adjustment	
Gross revenue	-	67,845	67,845
Less flow through subcontractor costs	-	8,706	8,706
Net revenue	59,139	-	59,139

Nine months ended September 30, 2022	As previously		As restated
	reported	Adjustment	
Gross revenue	-	185,495	185,495
Less flow through subcontractor costs	-	26,958	26,958
Net revenue	158,537	-	158,537

There is no impact to the Company's statement of financial position as at September 30, 2022, no impact on profit margin, net income, basic or diluted earnings per share, and no impact on operating, investing, or financing cash flows for the three and nine months ended September 30, 2022.

6.0 Critical Accounting Judgments, Estimates and Accounting Policy Developments

6.1 Critical Judgments in Applying the Company's Accounting Policies

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

The Company has:

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

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

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

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 that significantly impact Vertex.

6.3 Financial Instruments

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

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

The Company's most significant financial risk exposure and its financial risk management policies are discussed in Note 26 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 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, and share-based compensation. 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, 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.

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

ADJUSTED EBITDA	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net income for the period	1,167	2,477	3,782	3,337
Add:				
Depreciation and amortization	5,851	4,939	17,158	14,210
Finance costs	3,162	2,183	8,758	5,905
Share-based compensation	50	50	150	150
Income tax expense	359	763	312	1,027
ADJUSTED EBITDA	10,589	10,412	30,160	24,629
Environmental Consulting	2,747	2,942	5,751	7,803
Environmental Services	9,846	8,488	30,800	21,046
Corporate	(2,004)	(1,018)	(6,391)	(4,220)
	10,589	10,412	30,160	24,629

B) "Free cash flow" is a non-financial measure which is calculated by reducing adjusted EBITDA by maintenance capital expenditures, cash interest and taxes, depreciation of right of use assets – real property; net of disposal proceeds.

FREE CASH FLOW	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Adjusted EBITDA	10,589	10,412	30,160	24,629
Maintenance capex	(3,887)	(3,618)	(11,732)	(8,414)
Cash interest and taxes	(2,430)	(1,845)	(7,146)	(4,795)
Depreciation of right of use assets - real property	(1,394)	(705)	(3,528)	(2,436)
Proceeds from disposal of property and equipment	2,230	1,154	5,714	2,876
	5,108	5,398	13,468	11,860

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

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.

ADJUSTED WORKING CAPITAL	September 30,	December 31,
	2023	2022
Current assets	68,915	82,073
Current liabilities, less	67,087	74,176
Current portion of loans and borrowings	(15,160)	(18,508)
Current portion of lease liabilities	(12,700)	(9,711)
Current portion of other liabilities	(1,826)	(2,636)
Current liabilities (excluding current portion of loans and borrowings, lease liabilities, and other liabilities)	37,401	43,321
Adjusted working capital	31,514	38,752

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 2023; growth opportunities in 2023; supply and demand for the Company's services; anticipated savings in 2023; activity levels in the oil and gas industry and other industries in which the Company operates; annual gross maintenance capital expenditures for 2023; 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 2023; 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

Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

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 party 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.sedarplus.ca and the Company's website at www.vertex.ca.