

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2023

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number **001-11476**

VERTEX ENERGY, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

94-3439569

(I.R.S. Employer Identification No.)

1331 Gemini Street, Suite 250, Houston, Texas 77058

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **866-660-8156**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 Par Value Per Share	VTNR	The NASDAQ Stock Market LLC
		(Nasdaq Capital Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.

Yes No

As of August 8, 2023, there were 93,290,791 shares of common stock issued and outstanding, which does not include an aggregate of 113,040 Restricted Stock Shares agreed to be issued to the non-executive members of the Board of Directors on June 19, 2023, which are still in the process of being issued as of the date of this Report.

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GLOSSARY OF TERMS

Please see the “Glossary” beginning on page 6 of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission on March 1, 2023 (the “Annual Report”), for a list of abbreviations and definitions used throughout this Report. In addition, unless the context otherwise requires and for the purposes of this report only:

- “No. 2 Oil” is a high sulfur diesel oil, which is used in off-road equipment and in the marine industry such as tug boats and ships. It is also used to blend fuel oil and has multiple applications to fuel furnaces (“boilers”). It is a low viscosity, flammable liquid petroleum product.
- “No. 6 Oil” is a lesser grade of oil than No. 2 oil, it is used only in certain applications.
- “Adjusted gross margin” is gross profit (loss) plus unrealized gain or losses on hedging activities and inventory adjustments.
- “Adjusted gross margin per barrel of throughput” is calculated as adjusted gross margin divided by total throughput barrels for the period presented.
- “Adjusted EBITDA” represents net income (loss) from operations plus unrealized gain or losses on hedging activities, RFS costs (mainly RINs), and inventory adjustments, depreciation and amortization, interest expense, and certain other unusual or non-recurring charges included in selling, general, and administrative expenses.
- “Base oil” is a lubricant grade oil initially produced from refining crude oil or through chemical synthesis used in manufacturing lubricant products such as lubricating greases, motor oil, and metal processing fluids.
- “BBL” (also “bbl” or “Bbl”) is the abbreviated form for one barrel, 42 U.S. gallons of liquid volume.
- “BCD” (also “bcd”, “b/cd”) is the abbreviated form of barrels per calendar day; meaning the total number of barrels of actual throughput processed within 24 hours under typical operating conditions.
- “Black Oil” is a term used to describe used lubricating oils, which may be visually characterized as dark in color due to carbon and other residual elements and compounds which accumulate through use. This term can also refer to the business segment within the Company, which manages used motor oil related operations and processes such as purchase, sales, aggregation, processing, and re-refining.
- “Blendstock” is a bulk liquid component combined with other materials to produce a finished petroleum product.
- “BPD” (also “bpd”) is the abbreviated form for barrels per day. This can refer to designed or actual capacity/throughput.
- “Collectors” are typically local businesses that purchase used oil from generators and provide on-site collection services.
- “Crack” means breaking apart crude oil into its component products, including gases like propane, heating fuel, gasoline, light distillates like jet fuel, intermediate distillates like diesel fuel and heavy distillates like grease.
- “Cracking” refers to the process of breaking down larger, heavier, and more complex hydrocarbon molecules into simpler and lighter molecules through the use of heat, pressure, and sometimes a catalyst.
- “Crack spread” is a measure of the difference between market prices for refined products and crude oil, commonly used by the refining industry. We use crack spreads as a performance benchmark for our fuel gross margin and as a comparison with other industry participants. Crack spreads can fluctuate significantly, particularly when prices of refined products do not move in the same direction as the cost of crude oil.

- “Crack Spread USGC 2-1-1” represents the calculation of the crack spread that we believe most closely relates to the crude intakes and products at the Mobile Refinery, we use two barrels of Louisiana Light Sweet crude oil, producing one barrel of USGC CBOB gasoline and one barrel of USGC ULSD.
- “Cutterstock” also known as “cutter stock”, refers to any stream that is blended to adjust various properties of the resulting blend.
- “Distillates” are finished fuel products such as diesel fuels, jet fuel and kerosene.
- “Feedstock” is a product or a combination of products derived from crude oil and destined for further processing in the refining or re-refining industries. It is transformed into one or more components and/or finished products.
- “Fuel Gross Margin” is defined as gross profit (loss) plus operating expenses and depreciation attributable to cost of revenues and other non-fuel items included in cost of revenues including realized and unrealized gain or losses on hedging activities, Renewable Fuel Standard (RFS) costs (mainly related to Renewable Identification Numbers (RINs)), inventory adjustments, fuel financing costs and other revenues and cost of sales items.
- “Fuel Gross Margin Per Barrel of Throughput” is calculated as fuel gross margin divided by total throughput barrels for the period presented.
- “Gasoline Blendstock” is naphthas and various distillate products used for blending or compounding into finished motor gasoline. These components can include reformulated gasoline blendstock for oxygenate blending (RBOB) but exclude oxygenates (alcohols and ethers), butane, and pentanes (an organic compound with properties similar to a butane).
- “Generator” means any person, by site, whose act or process produces used oil or whose act first causes used oil to become subject to regulation. Generators can be service stations, governments or other businesses that produce or receive used oil.
- “Group III base oils” are greater than 90 percent saturates, with less than 0.03 percent sulfur and with a viscosity index above 120. Although made from crude oil, Group III base oils are sometimes described as synthesized hydrocarbons.
- “Hydrocarbons” are an organic compound consisting entirely of hydrogen and carbon. When used in the Company’s filings, the term generally refers to crude oil and its derivatives.
- “Hydrotreating” means processing feedstock with hydrogen to remove impurities such as sulfur, chlorine, and oxygen and to stabilize the end product.
- “Industrial fuel” is a distillate fuel oil, typically a blend of lower-quality fuel oils. It can include diesel fuels and fuel oils such as No. 1, No. 2, and No. 4 diesel fuels that are historically used for space heating and power generation. Industrial fuel is typically a fuel with low viscosity, as well as low sulfur, ash, and heavy metal content, making it an ideal blending agent.
- “LLS” means Louisiana Light Sweet Crude and is a grade of crude oil classified by its low sulfur content.
- “LPG” means liquefied petroleum gases.
- “Lubricant” or “lube” means a solvent-neutral paraffinic product used in commercial heavy-duty engine oils, passenger car oils, and specialty products for industrial applications such as heat transfer, metalworking, rubber, and other general process oil.
- “Lubricating Base Oil” is a crude oil derivative used for lubrication.
- “Marine Diesel Oil” is a blend of petroleum products that is used as a fuel in the marine industry.

- “MBL” means one thousand barrels.
- “Metals” consist of recoverable ferrous and non-ferrous recyclable metals from manufacturing and consumption. Scrap metal can be recovered from pipes, barges, boats, building supplies, surplus equipment, tanks, and other items consisting of metal composition. These materials are segregated, processed, cut up, and sent back to a steel mill for re-purposing.
- “Naphthas” refers to any of various volatile, highly flammable liquid hydrocarbon mixtures used chiefly as solvents and diluents and as raw materials for conversion to gasoline.
- “Oil collection services” include the collection, handling, treatment, and transacting of used motor oil and related products which contain used motor oil (such as oil filters and absorbents) acquired from customers.
- “Olefins” are hydrotreated VGO.
- “Other refinery products” include the sales of asphalt, condensate, recovered products, and other petroleum products.
- “Processors” are entities (usually re-refineries) which utilize a processing technology to convert used oil or petroleum by-products into a higher-value feedstock or end-product.
- “Pygas” or pyrolysis gasoline, is a product that can be blended with gasoline as an octane booster or distilled and separated into its components, including benzene and other hydrocarbons.
- “Re-Refined Base Oil” is the end product of used oil that is first cleansed of its contaminants, such as dirt, water, fuel, and used additives through vacuum distillation. The oil is also generally hydrotreated to remove any remaining chemicals. This process is very similar to what traditional oil refineries do to remove base oil from crude oil. Finally, the re-refined oil is combined with a fresh additive package by blenders to bring it up to industry performance levels.
- “Re-Refining” refers to the process or industry which uses refining processes and technology with used oil as a feedstock to produce high-quality base stocks and intermediate feedstocks for lubricants, fuels, and other petroleum products.
- “Refining” is the process of purification of a substance. The refining of liquids is often accomplished by distillation or fractionation. Gases can be refined in this way as well, by being cooled and/or compressed until they liquefy. Gases and liquids can also be refined by extraction with a selective solvent that dissolves away either the substance of interest, or the unwanted impurities.
- “Refining Adjusted EBITDA” represents income (loss) from operations plus depreciation and amortization, unrealized gains and losses on hedging activities, gain and loss on intermediation agreement, and certain other unusual or non-recurring charges included in selling, general, and administrative expenses.
- “Reformate” is a gasoline blending stock produced by catalytic reforming.
- “Renewable Diesel” or “RD” means a diesel fuel derived from vegetable oils or animal fats that is produced through various processes, most commonly through hydrotreating, reacting the feedstock with hydrogen under temperatures and pressure in the presence of a catalyst.
- “RINs” means renewable identification numbers and refers to serial numbers assigned to credits generated from renewable fuel production under the Environmental Protection Agency’s Renewable Fuel Standard (“RFS”) regulations, which require blending renewable fuels into the nation’s fuel supply. In lieu of blending, refiners may purchase these transferable credits to comply with the regulations.
- “Sour Crude Oil” refers to crude oil containing quantities of sulfur greater than 0.4 percent by weight.
- “Sweet Crude Oil” refers to crude oil containing quantities of sulfur equal to or less than 0.4 percent by weight.

- “Toll Processing/Third Party Processing” is refining or petrochemicals production done on a fee basis. A plant owner puts another party’s feedstock through his equipment and charges for this service. A portion of the product retained by the processor may constitute payment. This form of compensation occurs frequently in refining because the feedstock supplier often is interested in retaining only one part of the output slate.
- “Transmix” is a mix of transportation fuels, usually gasoline and diesel, created by mixing different specification products during pipeline transportation, stripping fuels from barges and bulk fuel terminals. Transmix processing plants distill the transmix back into specification products, such as unleaded gasoline and diesel fuel.
- “UMO” is the abbreviation for used motor oil.
- “USGC CBOB” is the abbreviation for U.S. Gulf Coast Conventional Blendstock for Oxygenate Blending, which means conventional gasoline blendstock intended for blending with oxygenates downstream of the refinery where it was produced.
- “USGC ULSD” is the abbreviation for U.S. Gulf Coast Ultra-low sulfur diesel (ULSD), which is diesel fuel containing a maximum of 15 parts per million (ppm) of sulfur.
- “Used Oil” is any oil that has been refined from crude oil, or any synthetic oil that has been used, and as a result of use or as a consequence of extended storage or spillage has been contaminated with physical or chemical impurities. Examples of used oil include used motor oil, hydraulic oil, transmission fluid, and diesel and transformer oil.
- “Vacuum Distillation” is the process of distilling vapor from liquid crudes, usually by heating and condensing the vapor below atmospheric pressure turning it back to a liquid in order to purify, fractionate or form the desired products.
- “Vacuum Gas Oil” or “VGO” is a product produced from a vacuum distillation column which is predominately used as an intermediate feedstock to produce transportation fuels and other by-products such as gasoline, diesel and marine fuels.
- “VTB” refers to vacuum tower bottoms, the leftover bottom product of distillation, which can be processed in cokers and used for upgrading into gasoline, diesel, and gas oil.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

VERTEX ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except number of shares and par value)
(UNAUDITED)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 48,532	\$ 141,258
Restricted cash	3,603	4,929
Accounts receivable, net	50,995	34,548
Inventory	215,672	135,473
Prepaid expenses and other current assets	52,929	36,660
Assets held for sale, current	—	20,560
Total current assets	371,731	373,428
Fixed assets, net	298,112	201,749
Finance lease right-of-use assets	66,301	44,081
Operating lease right-of-use assets	92,502	53,557
Intangible assets, net	12,241	11,827
Deferred taxes assets	10,975	2,498
Other assets	3,338	2,245
TOTAL ASSETS	\$ 855,200	\$ 689,385
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 41,373	\$ 20,997
Accrued expenses	87,642	81,711
Finance lease liability-current	2,320	1,363
Operating lease liability-current	25,588	9,012
Current portion of long-term debt, net	18,245	13,911
Obligations under inventory financing agreements, net	162,096	117,939
Derivative commodity liability	3,357	242
Liabilities held for sale, current	—	3,424
Total current liabilities	340,621	248,599
Long-term debt, net	123,653	170,010
Finance lease liability-long-term	67,290	45,164
Operating lease liability-long-term	66,914	44,545
Deferred tax liabilities	—	—
Derivative warrant liability	13,855	14,270
Other liabilities	1,377	1,377
Total liabilities	613,710	523,965
COMMITMENTS AND CONTINGENCIES (Note 4)	—	—

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value per share; 750,000,000 shares authorized; 93,236,563 and 75,668,826 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively.	93	76
Additional paid-in capital	381,776	279,552
Accumulated deficit	(143,431)	(115,893)
Total Vertex Energy, Inc. stockholders' equity	238,438	163,735
Non-controlling interest	3,052	1,685
Total equity	241,490	165,420
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 855,200	\$ 689,385

See accompanying notes to the consolidated financial statements.

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues	\$ 734,893	\$ 1,029,369	\$ 1,426,035	\$ 1,103,906
Cost of revenues (exclusive of depreciation and amortization shown separately below)	729,649	1,007,143	1,349,001	1,068,133
Depreciation and amortization attributable to costs of revenues	<u>6,630</u>	<u>4,063</u>	<u>10,967</u>	<u>5,090</u>
Gross profit (loss)	(1,386)	18,163	66,067	30,683
Operating expenses:				
Selling, general and administrative expenses (exclusive of depreciation and amortization shown separately below)	42,636	40,748	84,578	52,897
Depreciation and amortization attributable to operating expenses	<u>1,028</u>	<u>1,127</u>	<u>2,044</u>	<u>1,536</u>
Total operating expenses	<u>43,664</u>	<u>41,875</u>	<u>86,622</u>	<u>54,433</u>
Loss from operations	(45,050)	(23,712)	(20,555)	(23,750)
Other income (expense):				
Other income (loss)	(496)	171	1,156	643
Gain (loss) on change in value of derivative warrant liability	9,600	(945)	415	(4,524)
Interest expense	<u>(77,536)</u>	<u>(47,712)</u>	<u>(90,013)</u>	<u>(51,933)</u>
Total other expense	<u>(68,432)</u>	<u>(48,486)</u>	<u>(88,442)</u>	<u>(55,814)</u>
Loss from continuing operations before income tax	(113,482)	(72,198)	(108,997)	(79,564)
Income tax benefit (expense)	<u>28,688</u>	<u>—</u>	<u>27,676</u>	<u>—</u>
Loss from continuing operations	(84,794)	(72,198)	(81,321)	(79,564)
Income from discontinued operations, net of tax (see note 23)	3,340	8,416	53,680	14,973
Net loss	(81,454)	(63,782)	(27,641)	(64,591)
Net income (loss) attributable to non-controlling interest and redeemable non-controlling interest from continuing operations	(53)	137	(103)	64
Net income attributable to non-controlling interest and redeemable non-controlling interest from discontinued operations	<u>—</u>	<u>3,050</u>	<u>—</u>	<u>6,862</u>
Net loss attributable to Vertex Energy, Inc.	<u>(81,401)</u>	<u>(66,969)</u>	<u>(27,538)</u>	<u>(71,517)</u>
Accretion of redeemable noncontrolling interest to redemption value from continued operations	<u>—</u>	<u>(7)</u>	<u>—</u>	<u>(428)</u>
Net loss attributable to common stockholders from continuing operations	(84,741)	(72,342)	(81,218)	(80,056)
Net income attributable to common stockholders from discontinued operations, net of tax	3,340	5,366	53,680	8,111
Net loss attributable to common shareholders	<u>\$ (81,401)</u>	<u>\$ (66,976)</u>	<u>\$ (27,538)</u>	<u>\$ (71,945)</u>
Basic loss per common share				
Continuing operations	\$ (1.07)	\$ (1.07)	\$ (1.05)	\$ (1.22)
Discontinued operations, net of tax	0.04	0.08	0.69	0.12
Basic loss per common share	<u>\$ (1.03)</u>	<u>\$ (0.99)</u>	<u>\$ (0.36)</u>	<u>\$ (1.10)</u>
Shares used in computing earnings per share				
Basic	<u>79,519</u>	<u>67,923</u>	<u>77,615</u>	<u>65,660</u>
Diluted	<u>79,519</u>	<u>67,923</u>	<u>77,615</u>	<u>65,660</u>

See accompanying notes to the consolidated financial statements.

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except par value)
(UNAUDITED)

Six Months Ended June 30, 2023									
	Common Stock		Series A Preferred		Additional Paid-In Capital	Retained Earnings	Non-controlling Interest	Total Equity	
	Shares	\$0.001 Par	Shares	\$0.001 Par					
Balance on January 1, 2023	75,669	\$ 76	—	\$ —	\$ 279,552	\$ (115,893)	\$ 1,685	\$ 165,420	
Exercise of options	166	—	—	—	209	—	—	209	
Stock based compensation expense	—	—	—	—	365	—	—	365	
Non controlling shareholder contribution	—	—	—	—	—	—	980	980	
Net income (loss)	—	—	—	—	—	53,863	(50)	53,813	
Balance on March 31, 2023	75,835	76	—	—	280,126	(62,030)	2,615	220,787	
Exercise of options	195	—	—	—	169	—	—	169	
Stock based compensation expense	—	—	—	—	368	—	—	368	
Senior Note Converted	17,207	17	—	—	101,113	—	—	101,130	
Non-controlling shareholder contribution	—	—	—	—	—	—	490	490	
Net loss	—	—	—	—	—	(81,401)	(53)	(81,454)	
Balance on June 30, 2023	<u>93,237</u>	<u>\$ 93</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 381,776</u>	<u>\$ (143,431)</u>	<u>\$ 3,052</u>	<u>\$ 241,490</u>	

See accompanying notes to the consolidated financial statements.

Six Months Ended June 30, 2022

	Common Stock		Series A Preferred					
	Shares	\$0.001 Par	Shares	\$0.001 Par	Additional Paid-In Capital	Retained Earnings	Non-controlling Interest	Total Equity
Balance on January 1, 2022	63,288	\$ 63	386	\$ —	\$ 138,620	\$ (110,614)	\$ 1,997	\$ 30,066
Exercise of options	60	—	—	—	76	—	—	76
Exercise of warrants	1,113	1	—	—	(1)	—	—	—
Stock based compensation expense	—	—	—	—	250	—	—	250
Conversion of Series A Preferred stock to common	5	—	(5)	—	—	—	—	—
Equity component of the convertible note issuance, net	—	—	—	—	78,789	—	—	78,789
Accretion of redeemable non-controlling interest to redemption value	—	—	—	—	—	(422)	—	(422)
Net income (loss)	—	—	—	—	—	(4,547)	3,739	(808)
Less: amount attributable to redeemable non-controlling interest	—	—	—	—	—	(3,769)	—	(3,769)
Balance on March 31, 2022	64,466	64	381	—	217,734	(115,583)	1,967	104,182
Exercise of options to common	498	1	—	—	553	—	—	554
Exercise of options to common- unissued	—	—	—	—	3	—	—	3
Distribution to non-controlling shareholder	—	—	—	—	—	—	(380)	(380)
Adjustment of redeemable non controlling interest	—	—	—	—	29	(29)	—	—
Conversion of Convertible Senior Notes to common	10,164	10	—	—	59,812	—	—	59,822
Share based compensation expense	—	—	—	—	324	—	—	324
Conversion of Series A Preferred stock to common	381	1	(381)	—	—	—	—	1
Accretion of redeemable non-controlling interest to redemption value	—	—	—	—	—	(6)	—	(6)
Net income (loss)	—	—	—	—	—	(66,970)	3,188	(63,782)
Less: amount attributable to redeemable non-controlling interest	—	—	—	—	—	(3,023)	—	(3,023)
Balance on June 30, 2022	75,509	\$ 76	—	\$ —	\$ 278,455	\$ (182,588)	\$ 1,752	\$ 97,695

See accompanying notes to the consolidated financial statements.

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(UNAUDITED)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (27,641)	\$ (64,591)
Income from discontinued operations, net of tax	53,680	14,973
Loss from continuing operations	(81,321)	(79,564)
Adjustments to reconcile net loss from continuing operations to cash used in operating activities		
Stock based compensation expense	733	574
Depreciation and amortization	13,011	6,626
Deferred income tax benefit	(27,676)	—
Gain on sale of assets	(2)	(83)
Provision for environment clean up	—	1,429
Increase in allowance for bad debt	93	432
(Decrease) increase in fair value of derivative warrant liability	(415)	4,524
Loss on commodity derivative contracts	2,123	98,274
Net cash settlements on commodity derivatives	1,269	(70,951)
Amortization of debt discount and deferred costs	70,948	40,001
Changes in operating assets and liabilities		
Accounts receivable and other receivables	(18,589)	(89,207)
Inventory	(80,199)	(65,679)
Prepaid expenses and other current assets	(16,546)	(18,613)
Accounts payable	20,376	44,561
Accrued expenses	5,932	27,171
Other assets	(1,090)	29
Net cash used in operating activities from continuing operations	(111,353)	(100,476)
Cash flows from investing activities		
Purchase of intangible assets	(2,500)	(106)
Investment in Mobile Refinery assets	—	(227,525)
Purchase of fixed assets	(105,344)	(2,150)
Proceeds from sale of discontinued operation	92,034	—
Proceeds from sale of fixed assets	5	157
Net cash used in investing activities from continuing operations	(15,805)	(229,624)
Cash flows from financing activities		
Payments on finance leases	(908)	(402)
Proceeds from exercise of options and warrants to common stock	378	633
Distributions to noncontrolling interest	—	(380)
Contributions received from noncontrolling interest	1,470	—
Net change on inventory financing agreements	43,657	172,607
Redemption of noncontrolling interest	—	(50,666)
Proceeds from note payable	13,081	165,718
Payments on note payable	(24,422)	(7,716)
Net cash provided by financing activities from continuing operations	33,256	279,794
Discontinued operations:		
Net cash provided by (used in) operating activities	(150)	12,476
Net cash used in investing activities	—	(783)
Net cash provided by (used in) discontinued operations	(150)	11,693
Net decrease in cash, cash equivalents and restricted cash	(94,052)	(38,613)
Cash, cash equivalents, and restricted cash at beginning of the period	146,187	136,627
Cash, cash equivalents, and restricted cash at end of period	\$ 52,135	\$ 98,014

See accompanying condensed notes to the consolidated financial statements.

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(UNAUDITED)
(Continued)

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets to the same amounts shown in the consolidated statements of cash flows (in thousands).

	Six Months Ended	
	June 30, 2023	June 30, 2022
Cash and cash equivalents	\$ 48,532	\$ 97,914
Restricted cash	<u>3,603</u>	<u>100</u>
Cash and cash equivalents and restricted cash as shown in the consolidated statements of cash flows	<u><u>\$ 52,135</u></u>	<u><u>\$ 98,014</u></u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u><u>\$ 24,755</u></u>	<u><u>\$ 51,950</u></u>
Cash paid for taxes	<u><u>—</u></u>	<u><u>—</u></u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Equity component of the convertible note issuance	<u><u>\$ —</u></u>	<u><u>\$ 78,789</u></u>
ROU assets obtained from new finance lease obligation	<u><u>\$ 23,990</u></u>	<u><u>\$ 45,096</u></u>
Exchange of Convertible Senior Notes to common stock	<u><u>\$ 79,948</u></u>	<u><u>\$ 59,822</u></u>
ROU assets obtained from new operating lease obligation	<u><u>\$ 38,945</u></u>	<u><u>\$ —</u></u>
Accretion of redeemable non-controlling interest to redemption value	<u><u>—</u></u>	<u><u>\$ 428</u></u>

See accompanying notes to the consolidated financial statements.

VERTEX ENERGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION AND NATURE OF OPERATIONS

Vertex Energy, Inc. (the "Company" or "Vertex Energy") is an energy transition company focused on the production and distribution of conventional and alternative fuels. We operate used motor oil processing plants in Houston, Texas, Port Arthur, Texas, Marrero, Louisiana, and Columbus, Ohio.

As of April 1, 2022, we own a refinery in Mobile, Alabama (the "Mobile Refinery") with an operable refining capacity of 75,000 barrels per day ("bpd") and more than 3.2 million barrels of storage capacity. The total purchase consideration was \$75.0 million in cash plus \$16.3 million in previously agreed upon capital expenditures and miscellaneous prepaid and reimbursable items. At the time of the acquisition, the Company also purchased \$130.0 million in hydrocarbon inventories of which \$124.0 million were financed under an inventory financing agreement. See [Note 3 "Mobile Refinery Acquisition"](#) and [Note 10 "Inventory Financing Agreement"](#) for additional information.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("[SEC](#)") and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2022, contained in the Company's annual report, as filed with the SEC on Form 10-K on March 1, 2023 (the "[Form 10-K](#)").

The June 30, 2022 Consolidated Statement of Operations were retroactively restated from the unaudited financial statements of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, to account for the change for our discontinued business, see [Note 23 "Discontinued Operations"](#). In the opinion of management all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of financial position and the results of operations for the interim periods presented, have been reflected herein. All significant intercompany transactions have been eliminated in consolidation. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements which would substantially duplicate the disclosures contained in the audited consolidated financial statements for the most recent fiscal year 2022 as reported in Form 10-K have been omitted.

Used Motor Oils Business ("UMO Business")

As of December 31, 2022, our UMO Business consisted of our used oil refinery in Marrero, Louisiana, our Heartland used oil refinery in Ohio, our H&H and Heartland used motor oil (UMO) collections business; our oil filters and absorbent materials recycling facility in East Texas; and the rights to a lease at the Cedar Marine terminal in Baytown, Texas. The UMO Business is presented as part of our Black Oil segment in our consolidated financial statements.

On February 1, 2023, HPRM LLC ("[HPRM](#)"), which is indirectly wholly-owned by the Company, entered into a Sale and Purchase Agreement (the "[Sale Agreement](#)") with GFL Environmental Services USA, Inc. ("[GFL](#)") whereby HPRM agreed to sell to GFL, and GFL agreed to purchase from HPRM, all of HPRM's equity interest in Vertex Refining OH, LLC ("[Vertex OH](#)"), our wholly-owned subsidiary, which owns the Heartland refinery located in Columbus, Ohio (the "[Heartland Refinery](#)"). Vertex Operating, LLC, our wholly-owned subsidiary ("[Vertex Operating](#)") and GFL Environmental Inc. ("[GFL Environmental](#)"), an affiliate of GFL, were also parties to the Sale Agreement, solely for the purpose of providing certain guarantees of the obligations of HPRM and GFL as discussed in greater detail below.

The sale also includes all property and assets owned by Vertex OH, including inventory associated with the Heartland Refinery, and all real and leased property and permits owned by Vertex OH, and all used motor oil collection and recycling assets and operations owned by Vertex OH (collectively with the Heartland Refinery, the "[Heartland Assets and Operations](#)").

The transactions contemplated by the Sale Agreement closed on February 1, 2023 with a net cash settlement of \$92.0 million.

Vertex Operating guaranteed all of the obligations of HPRM pursuant to the terms of the Sale Agreement and GFL Environmental guaranteed all of the obligations of GFL pursuant to the terms of the Sale Agreement.

As a result of the above, the Company determined to present the Heartland Assets and Operations as discontinued operations as of December 31, 2022 and for the three and six months ended June 30, 2023 and 2022.

Use of Estimates

The preparation of financial statements in conforming with generally accepted accounting principles in the United States (“GAAP”) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses. Actual results could differ from these estimates. Any effects on the business, financial position or results of operations from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Reclassification of Prior Year Presentation

Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on the reported results of operations. The Company decided to keep the operations of some of the division, which was reclassified as discontinued in 2022, and thus reclassified \$16.7 million of net income from discontinued operations to continued operations in the accompanying six months ended June 30, 2022 Consolidated Statements of Operations. Refer to “[Note 23, Discontinued Operations](#)” for more detailed information.

NOTE 2. SUMMARY OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

With the exception of the accounting policies below, there have been no new or material changes to the significant accounting policies discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted cash as of June 30, 2023, consisted of a \$2.0 million deposit in a bank for financing of a short-term equipment lease, a \$1.5 million deposit in a bank for possible liabilities related to the Heartland Assets and Operations sale, and a \$0.1 million deposit in a money market account to serve as collateral for payment of a credit card. Restricted cash as of December 31, 2022, consisted of a \$4.8 million deposit in a bank for financing of a short-term equipment lease, and a \$0.1 million deposit in a money market account to serve as collateral for payment of a credit card.

Convertible Instruments

In August 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-06, Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity to simplify the accounting for convertible debt and other equity-linked instruments. The new guidance simplifies the accounting for convertible instruments by eliminating the cash conversion and beneficial conversion feature models used to separately account for embedded conversion features as a component of equity. Instead, the entity will account for the convertible debt or convertible preferred stock securities as a single unit of account, unless the conversion feature requires bifurcation and recognition as derivatives. Additionally, the guidance requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of potential share settlement for instruments that may be settled in cash or shares.

New Accounting Pronouncements

The Company has not identified any recent accounting pronouncements that are expected to have a material impact on our financial condition, results of operations or cash flows upon adoption.

NOTE 3. MOBILE REFINERY ACQUISITION

On April 1, 2022, the Company completed the acquisition of a 75,000 bpd crude oil refinery located ten miles north of Mobile, in Saraland, Alabama (the “Mobile Refinery”) from Equilon Enterprises LLC d/b/a Shell Oil Products US, Shell Oil Company and Shell Chemical LP, subsidiaries of Shell plc (“Shell”) (the “Mobile Acquisition”), which provided the Company the opportunity to enter the crude oil refining industry. Total consideration for the acquisition was approximately \$227.5 million, of which \$124.3 million was paid by Macquarie Energy North America Trading, Inc (“Macquarie”) as a result of the simultaneous sale of such inventory to Macquarie pursuant to an Inventory Sales Agreement between our wholly-owned subsidiary, Vertex Refining, NV, LLC (“Vertex Refining”), and Macquarie. Refer to “[Note 10, Inventory Financing Arrangement](#)” for more detailed information.

The following table summarizes the determination and recognition of assets acquired (in thousands):

	Financing Agreement	Vertex Acquisition	Total
Inventory	\$ 124,311	\$ 5,909	\$ 130,220
Prepaid assets	—	147	147
Fixed assets	—	97,158	97,158
Total purchase price	\$ 124,311	\$ 103,214	\$ 227,525

The following table presents summarized results of operations of the Mobile Refinery for the three and six months ended June 30, 2023 and 2022, which are included in the accompanying consolidated statement of operations for the period ended June 30, 2023 and 2022 (in thousands):

	For Three Months Ended June 30,		For Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 626,455	\$ 922,196	\$ 1,257,214	\$ 922,196
Net income (loss)	\$ (21,651)	\$ (23,961)	\$ 14,526	\$ (23,961)

The following table presents unaudited pro forma results of operations reflecting the acquisition of the Mobile Refinery as if the acquisition had occurred as of January 1, 2022. This information has been compiled from current and historical financial statements and is not necessarily indicative of the results that actually would have been achieved had the transaction occurred at the beginning of the periods presented or that may be achieved in the future (in thousands):

	For Six Months Ended June 30,	
	2023	2022
Revenue	\$ 1,257,214	\$ 1,673,096
Net income	\$ 14,526	\$ 31,138

NOTE 4. COMMITMENTS AND CONTINGENCIES

Litigation

The Company, in its normal course of business, is involved in various other claims and legal action. In the opinion of management, the outcome of these claims and actions will not have a material adverse impact upon the financial position of the Company. We are currently party to the following material litigation proceedings:

Doucet litigation:

Vertex Refining LA, LLC (“Vertex Refining LA”), the wholly-owned subsidiary of Vertex Operating was named as a defendant, along with numerous other parties, in five lawsuits filed on or about February 12, 2016, in the Second Parish Court for the Parish of Jefferson, State of Louisiana, Case No. 121749, by Russell Doucet et. al., Case No. 121750, by Kendra Cannon et. al., Case No. 121751, by Lashawn Jones et. al., Case No. 121752, by Joan Strauss et. al. and Case No. 121753, by Donna Allen et. al. The suits relate to alleged noxious and harmful emissions from our facility located in Marrero, Louisiana. The suits

seek damages for physical and emotional injuries, pain and suffering, medical expenses and deprivation of the use and enjoyment of plaintiffs' homes. We intend to vigorously defend ourselves and oppose the relief sought in the complaints, provided that at this stage of the litigation, the Company has no basis for determining whether there is any likelihood of material loss associated with the claims and/or the potential and/or the outcome of the litigation.

Penthal litigation:

On November 17, 2020, Vertex Energy Operating, LLC ("Vertex") filed a lawsuit against Penthol LLC ("Penthal") in the 61st Judicial District Court of Harris County, Texas, Cause No. 2020-65269, for breach of contract and simultaneously sought a Temporary Restraining Order and Temporary Injunction enjoining Penthol from, among other things, circumventing Vertex in violation of the terms of that certain June 5, 2016 Sales Representative and Marketing Agreement entered into between Vertex Operating and Penthol (the "Penthal Agreement"). Thereafter, Penthol terminated the Penthol Agreement more than a year prior to the contractual termination date. Vertex seeks damages, attorneys' fees, costs of court, and all other relief to which it may be entitled.

On February 8, 2021, Penthol filed a complaint against Vertex in the United States District Court for the Southern District of Texas; Civil Action No. 4:21-CV-416 (the "Complaint"). Penthol sought damages from Vertex for alleged violations of the Sherman Act, breach of contract, business disparagement, fraud, and misappropriation of trade secrets under the Defend Trade Secrets Act and Texas Uniform Trade Secrets Act. On August 12, 2021, United States District Judge Andrew S. Hanen dismissed Penthol's Sherman Act claim. Penthol is seeking a declaration that Vertex has materially breached the agreement; an injunction that prohibits Vertex from using Penthol's alleged trade secrets and requires Vertex to return any of Penthol's alleged trade secrets; awards of actual, consequential and exemplary damages, attorneys' fees and costs of court; and other relief to which it may be entitled. Vertex denies Penthol's allegations. Vertex contends Penthol's claims are completely without merit, and that Penthol's termination of the Penthol Agreement was wrongful and resulted in damages to Vertex. Further, Vertex contends that Penthol's termination of the Penthol Agreement constitutes a breach by Penthol under the express terms of the Penthol Agreement, and that Vertex remains entitled to payment of the amounts due Vertex under the Penthol Agreement for unpaid commissions and unpaid performance incentives. Vertex disputes Penthol's allegations of wrongdoing and intends to vigorously defend itself in this matter.

The parties agreed to move the pending claims and defenses in the Texas state court lawsuit into the federal court lawsuit. All pending claims between the parties are now in the federal court action.

The parties conducted numerous depositions and substantial document discovery. Vertex filed a motion for summary judgment, and Judge Hanen granted it in part, dismissing Penthol's claims for business disparagement and fraud. Penthol's remaining claims are pending. The case is currently set for a bench trial on October 30, 2023.

Putative Class Action Litigation:

On April 13, 2023, William C. Passmore filed a putative class action lawsuit against the Company; Benjamin P. Cowart, our Chief Executive Officer and Chairman; and Chris Carlson, our Chief Financial Officer, in the United States District Court for the Southern District of Alabama (Southern Division). In May 2023 and June 2023, additional plaintiffs filed virtually identical putative class action lawsuits against the same three defendants, the first of which was filed in the same courthouse and the second of which was filed in the United States District Court for the Southern District of Texas (Houston Division). These three putative class action lawsuits are substantially similar and allege that the Company, through Messrs. Cowart and Carlson, issued materially false and misleading statements, or omitted material information, regarding the projected future financial performance of the Mobile Refinery in 2022. The plaintiffs have asserted claims for violations of Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act, against all defendants. The Company anticipates that the three pending putative class actions will be consolidated into one putative class action following the Court's pending resolution of the respective plaintiffs' competing motions to become lead plaintiff and lead plaintiff's counsel in the putative class actions.

Shareholder Derivative Lawsuits:

In June 2023, a plaintiff, derivatively on behalf of the Company, filed a shareholder derivative lawsuit against certain Directors (both current and former) and Officers. The suit alleges that the Directors and Officers of the Company breached duties owed to the Company by allowing the Company to issue materially false and misleading statements, or failing to disclose material information, regarding the projected future financial performance of the Mobile Refinery in 2022. The plaintiff has asserted claims for breach of fiduciary duty and for unjust enrichment against all defendants. Plaintiff is seeking multiple forms of relief,

including high-level resolutions for amendments to the Company's corporate governance documents. On July 19, 2023, the Court granted the plaintiff's notice of non-suit as to two current Directors, dismissing them from the lawsuit without prejudice. On July 27, 2023, the parties filed a joint motion to stay the derivative lawsuit pending the outcome of an anticipated motion to dismiss in the putative securities class action (post-consolidation of the cases).

The Company has also been informed that a second shareholder derivative lawsuit was filed in late-June 2023. While the named defendants in the second-filed shareholder derivative lawsuit vary slightly from the first-filed shareholder derivative lawsuit, the allegations are virtually identical. Notwithstanding the fact that the Company and the defendants have not yet been served in this action, the Company anticipates potential litigation related to plaintiff's filing of this lawsuit.

The Company has retained counsel to respond to the putative class actions and the shareholder derivative lawsuits, and its assessment of the respective allegations is ongoing; however, the Company believes that the class action lawsuits and the derivative lawsuits are without merit, and all defendants intend to vigorously defend against the allegations.

At this stage of the lawsuits, we are unable to anticipate the ultimate impact, if any, that the legal proceedings may have on the consolidated financial position, liquidity, results of operations, or cash flows of the Company. As a result, we have not estimated a range of potential exposure for amounts, if any, that might become payable in connection with these matters and reserves have not been established. It is possible that an adverse outcome in any of the matters may have a material adverse impact on the Company.

Environmental Matters

Like other petroleum refiners, we are subject to federal, state, and local environmental laws and regulations. These laws generally provide for control of pollutants released into the environment and require responsible parties to undertake remediation of hazardous waste disposal. These governmental entities may also propose or assess fines or require corrective actions for these asserted violations. Except as disclosed below, we do not anticipate that any such matters currently known to management will have a material impact on our financial condition, results of operations, or cash flows. As of June 30, 2023 and December 31, 2022, we have \$1.4 million recorded in accrued liabilities for anticipated environment clean-up costs.

NOTE 5. REVENUES

The following tables present our revenues disaggregated by geographical market and revenue source (in thousands):

Three Months Ended June 30, 2023					
	Refining & Marketing	Black Oil & Recovery *	Corporate and Eliminations	Consolidated	
Primary Geographical Markets					
Gulf Coast	\$ 711,419	\$ 25,885	\$ (2,411)	\$ 734,893	
Sources of Revenue					
Refined products:					
Gasolines	\$ 170,386	\$ —	\$ —	\$ 170,386	
Jet Fuels	106,474	—	—	106,474	
Diesel	158,819	—	—	158,819	
Renewable	55,303	—	—	55,303	
Other refinery products ⁽¹⁾	1,127	21,797	149	23,073	
Re-refined products:					
Pygas	5,011	—	—	5,011	
Metals ⁽²⁾	—	3,027	—	3,027	
Other re-refined products ⁽³⁾	210,497	509	(2,560)	208,446	
Services:					
Terminalling	3,802	—	—	3,802	
Oil collection services	—	552	—	552	
Total revenues	\$ 711,419	\$ 25,885	\$ (2,411)	\$ 734,893	

Three Months Ended June 30, 2022					
	Refining & Marketing	Black Oil & Recovery *	Corporate and Eliminations	Consolidated	
Primary Geographical Markets					
Gulf Coast	\$ 966,390	\$ 62,979	\$ —	\$ 1,029,369	
Sources of Revenue					
Refined products:					
Gasolines	\$ 253,602	\$ —	\$ —	\$ 253,602	
Jet Fuels	143,688	—	—	143,688	
Diesel	322,317	—	—	322,317	
Other refinery products ⁽¹⁾	—	56,520	—	56,520	
Re-refined products:					
Pygas	20,685	—	—	20,685	
Metals ⁽²⁾	—	4,962	—	4,962	
Other re-refined products ⁽³⁾	223,791	994	—	224,785	
Services:					
Terminalling	2,307	—	—	2,307	
Oil collection services	—	503	—	503	
Total revenues	\$ 966,390	\$ 62,979	\$ —	\$ 1,029,369	

Six Months Ended June 30, 2023					
	Refining & Marketing	Black Oil & Recovery *	Corporate and Eliminations	Consolidated	
Primary Geographical Markets					
Gulf Coast	\$ 1,370,747	\$ 60,431	\$ (5,143)	\$ 1,426,035	
Sources of Revenue					
Refined products:					
Gasolines	\$ 318,107	\$ —	\$ —	\$ 318,107	
Jet Fuels	248,849	—	—	248,849	
Diesel	341,275	—	—	341,275	
Renewable	55,303	—	—	55,303	
Other refinery products ⁽¹⁾	1,127	51,220	(570)	51,777	
Re-refined products:					
Pygas	8,847	—	—	8,847	
Metals ⁽²⁾	—	6,440	—	6,440	
Other re-refined products ⁽³⁾	391,505	1,507	(4,573)	388,439	
Services:					
Terminalling	5,734	—	—	5,734	
Oil collection services	—	1,264	—	1,264	
Total revenues	<u>\$ 1,370,747</u>	<u>\$ 60,431</u>	<u>\$ (5,143)</u>	<u>\$ 1,426,035</u>	

Six Months Ended June 30, 2022					
	Refining & Marketing	Black Oil & Recovery *	Corporate and Eliminations	Consolidated	
Primary Geographical Markets					
Gulf Coast	\$ 1,001,109	\$ 102,797	\$ —	\$ 1,103,906	
Sources of Revenue					
Refined products:					
Gasolines	\$ 261,150	\$ —	\$ —	\$ 261,150	
Jet Fuels	143,688	—	—	143,688	
Diesel	344,225	—	—	344,225	
Other refinery products ⁽¹⁾	—	91,471	—	91,471	
Re-refined products:					
Pygas	25,376	—	—	25,376	
Metals ⁽²⁾	—	9,019	—	9,019	
Other re-refined products ⁽³⁾	224,363	1,253	—	225,616	
Services:					
Terminalling	2,307	—	—	2,307	
Oil collection services	—	1,054	—	1,054	
Total revenues	<u>\$ 1,001,109</u>	<u>\$ 102,797</u>	<u>\$ —</u>	<u>\$ 1,103,906</u>	

* Beginning during the quarter ended September 30, 2022, the Company decided to combine the Black Oil and Recovery segments due to the revenue from such segment being less than 10% of the Company's total revenue. The Black Oil segment excludes the Heartland Assets and Operations, which is presented herein as discontinued operations.

⁽¹⁾ Other refinery products include the sales of renewable diesel, base oil, cutterstock and hydrotreated VGO, LPGs, sulfur and vacuum tower bottoms (VTB).

⁽²⁾ Metals consist of recoverable ferrous and non-ferrous recyclable metals from manufacturing and consumption. Scrap metal can be recovered from pipes, barges, boats, building supplies, surplus equipment, tanks, and other items consisting of metal composition. These materials are segregated, processed, cut-up and sent back to a steel mill for re-purposing.

⁽³⁾ Other re-refinery products include the sales of asphalt, condensate, recovered products, and other petroleum products.

NOTE 6. SEGMENT REPORTING

The Refining and Marketing segment consists primarily of the sale of gasoline, diesel and jet fuel produced at the Mobile Refinery as well as pygas and industrial fuels, which are produced at a third-party facility.

The Black Oil and Recovery segment consists primarily of the sale of (a) petroleum products which include base oil and industrial fuels—which consist of used motor oils, cutterstock and fuel oil generated by our facilities; (b) oil collection services—which consist of used oil sales, burner fuel sales, antifreeze sales and service charges; (c) the sale of other re-refinery products including asphalt, condensate, recovered products, and used motor oil; (d) transportation revenues; (e) the sale of VGO/marine fuel; (f) the sale of ferrous and non-ferrous recyclable metal(s) products that are recovered from manufacturing and consumption; and (g) revenues generated from trading/marketing of Group III Base Oils. The Black Oil and Recovery segment excludes the Heartland Assets and Operations, which are presented herein as discontinued operations.

We also disaggregate our revenue by product category for each of our segments, as we believe such disaggregation helps depict how our revenue and cash flows are affected by economic factors.

Segment information for the three and six months ended June 30, 2023 and 2022 is as follows (in thousands):

	Three Months Ended June 30, 2023				
	Refining & Marketing	Black Oil & Recovery	Corporate and Eliminations	Total	
Revenues:					
Refined products	\$ 492,109	\$ 21,797	\$ 149	\$ 514,055	
Re-refined products	215,508	3,536	(2,560)	216,484	
Services	3,802	552	—	4,354	
Total revenues	711,419	25,885	(2,411)	734,893	
Cost of revenues (exclusive of depreciation and amortization shown separately below)	710,958	23,263	(4,572)	729,649	
Depreciation and amortization attributable to costs of revenues	5,568	1,062	—	6,630	
Gross profit (loss)	(5,107)	1,560	2,161	(1,386)	
Selling, general and administrative expenses	32,969	4,504	5,163	42,636	
Depreciation and amortization attributable to operating expenses	822	38	168	1,028	
Loss from operations	\$ (38,898)	\$ (2,982)	\$ (3,170)	\$ (45,050)	
Capital expenditures	\$ 27,762	\$ 2,827	—	\$ 30,589	

Three Months Ended June 30, 2022

	Refining & Marketing	Black Oil & Recovery	Corporate and Eliminations	Total
Revenues:				
Refined products	\$ 719,607	\$ 56,520	\$ —	\$ 776,127
Re-refined products	244,476	5,956	—	250,432
Services	2,307	503	—	2,810
Total revenues	<u>966,390</u>	<u>62,979</u>	—	1,029,369
Cost of revenues (exclusive of depreciation and amortization shown separately below)	959,684	47,459	—	1,007,143
Depreciation and amortization attributable to costs of revenues	<u>3,105</u>	<u>958</u>	—	4,063
Gross profit	3,601	14,562	—	18,163
Selling, general and administrative expenses	23,679	4,199	12,870	40,748
Depreciation and amortization attributable to operating expenses	829	46	252	1,127
Income (loss) from operations	<u><u>\$ (20,907)</u></u>	<u><u>\$ 10,317</u></u>	<u><u>\$ (13,122)</u></u>	<u><u>\$ (23,712)</u></u>
Capital expenditures	\$ 1,568	\$ 194	\$ —	\$ 1,762
Six Months Ended June 30, 2023				
	Refining & Marketing	Black Oil & Recovery	Corporate and Eliminations	Total
Revenues:				
Refined products	\$ 964,661	\$ 51,220	\$ (570)	\$ 1,015,311
Re-refined products	400,352	7,947	(4,573)	403,726
Services	<u>5,734</u>	<u>1,264</u>	—	6,998
Total revenues	<u>1,370,747</u>	<u>60,431</u>	<u>(5,143)</u>	1,426,035
Cost of revenues (exclusive of depreciation and amortization shown separately below)	1,300,770	53,681	(5,450)	1,349,001
Depreciation and amortization attributable to costs of revenues	<u>8,862</u>	<u>2,105</u>	—	10,967
Gross profit	61,115	4,645	307	66,067
Selling, general and administrative expenses	59,455	9,303	15,820	84,578
Depreciation and amortization attributable to operating expenses	1,630	76	338	2,044
Income (loss) from operations	<u><u>\$ 30</u></u>	<u><u>\$ (4,734)</u></u>	<u><u>\$ (15,851)</u></u>	<u><u>\$ (20,555)</u></u>
Capital expenditures	\$ 97,670	\$ 7,674	\$ —	\$ 105,344

Six Months Ended June 30, 2022

	Refining & Marketing	Black Oil & Recovery	Corporate and Eliminations	Total
Revenues:				
Refined products	\$ 749,063	\$ 91,471	\$ —	\$ 840,534
Re-refined products	249,739	10,272	—	260,011
Services	2,307	1,054	—	3,361
Total revenues	<u>1,001,109</u>	<u>102,797</u>	—	<u>1,103,906</u>
Cost of revenues (exclusive of depreciation and amortization shown separately below)	992,770	75,363	—	1,068,133
Depreciation and amortization attributable to costs of revenues	<u>3,228</u>	<u>1,862</u>	—	<u>5,090</u>
Gross profit	5,111	25,572	—	30,683
Selling, general and administrative expenses	24,804	8,322	19,771	52,897
Depreciation and amortization attributable to operating expenses	934	104	498	1,536
Income (loss) from operations	<u><u>\$ (20,627)</u></u>	<u><u>\$ 17,146</u></u>	<u><u>\$ (20,269)</u></u>	<u><u>\$ (23,750)</u></u>
Capital expenditures	\$ 1,956	\$ 194	—	\$ 2,150

Total assets by segment were as follows (in thousands):

As of June 30, 2023				
	Refining & Marketing	Black Oil & Recovery	Corporate and Eliminations	Consolidated
Total assets	<u>\$ 683,661</u>	<u>\$ 99,228</u>	<u>\$ 72,311</u>	<u>\$ 855,200</u>
As of December 31, 2022				
	Refining & Marketing	Black Oil & Recovery	Corporate and Eliminations	Consolidated
Total assets	<u>\$ 410,975</u>	<u>\$ 105,109</u>	<u>\$ 173,301</u>	<u>\$ 689,385</u>

Segment assets for the Refining and Marketing and Black Oil and Recovery segments consist of property, plant, and equipment, right-of-use assets, intangible assets, accounts receivable, inventories and other assets. Assets for the corporate unallocated amounts consist of property, plant, and equipment used at the corporate headquarters, intangible assets, derivative commodity assets, assets held for sale as of June 30, 2022 and cash.

NOTE 7. ACCOUNTS RECEIVABLE

Accounts receivable, net, consists of the following at June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
Accounts receivable trade	\$ 52,626	\$ 36,098
Allowance for doubtful accounts	(1,631)	(1,550)
Accounts receivable, net	<u>\$ 50,995</u>	<u>\$ 34,548</u>

Accounts receivable trade represents amounts due from customers. Accounts receivable trade are recorded at invoiced amounts, net of reserves and allowances and do not bear interest.

Bad debt recovery was \$788.3 thousand for the three months ended June 30, 2023 and bad debt expenses was \$454.4 thousand for the three months ended June 30, 2022, for the continued operations.

Bad debt expense was \$93.4 thousand and \$432.3 thousand for the six months ended June 30, 2023 and 2022, respectively, for the continued operations.

NOTE 8. CONCENTRATIONS OF RISK AND SIGNIFICANT CUSTOMERS

The Company has concentrated credit risk for cash by maintaining deposits in two banks. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time during the quarter ended June 30, 2023 and year ended December 31, 2022, the Company's cash balances exceeded the federally insured limits. No losses have been incurred relating to this concentration.

At June 30, 2023 and 2022 and for each of the six months then ended, the Company's revenues and receivables were comprised of the following customer concentrations:

	As of and for the Six Months Ended			
	June 30, 2023		June 30, 2022	
	% of Revenues	% of Receivables	% of Revenues	% of Receivables
Customer 1	37%	1%	39%	1%
Customer 2	35%	19%	16%	17%

For each of the six months ended June 30, 2023 and 2022, the Company's segment revenues were comprised of the following customer concentrations:

	% of Revenue by Segment		% Revenue by Segment	
	June 30, 2023		June 30, 2022	
	Refining	Black Oil and Recovery	Refining	Black Oil and Recovery
Customer 1	38%	—%	43%	—%
Customer 2	36%	—%	18%	—%

The Company had one vendor that represented 36% and 49% of total purchases for the six months ended June 30, 2023, and 2022, respectively, and 40% and 66% of total payables at June 30, 2023, and 2022, respectively.

NOTE 9. INVENTORY

The following table describes the Company's inventory balances by category (in thousands):

	As of June 30, 2023	As of December 31, 2022
Crude oil	\$ 64,552	\$ 59,131
Refined products	149,838	74,311
Re-refined products	1,282	2,031
Total hydrocarbon inventories	<u>\$ 215,672</u>	<u>\$ 135,473</u>

NOTE 10. INVENTORY FINANCING AGREEMENT

On May 26, 2023, pursuant to an Inventory Sales Agreement entered into between Vertex Renewables Alabama LLC, an affiliate indirectly wholly-owned by Vertex Energy, Inc. ("Vertex Renewables") and Macquarie, Macquarie purchased from Vertex Renewables all renewable biomass feedstocks and renewable fuels meeting agreed specifications and held in inventory and located at the Mobile Refinery and in certain third party storage terminals on such date, which purchase was based on agreed upon market values (the "Mobile Refinery Inventory"), which Mobile Refinery Inventory then became subject to the terms of the RD Supply and Offtake Agreement.

The following table summarizes our outstanding obligations under our inventory financing agreements (in thousands):

	June 30, 2023	December 31, 2022
Obligations under inventory financing agreement	\$ 162,846	\$ 119,189
Unamortized financing cost	(750)	(1,250)
Obligations under inventory financing agreement, net	\$ 162,096	\$ 117,939

The valuation of our obligations at the end of each reporting period requires that we make estimates of the prices and differentials for our then monthly forward purchase obligations.

Supply and Offtake Agreement

On April 1, 2022 (the “Commencement Date”), Vertex Refining entered into a Supply and Offtake Agreement (the “Supply and Offtake Agreement”) with Macquarie, pertaining to crude oil supply and offtake of finished products located at the Mobile Refinery acquired on April 1, 2022.

Under the Supply and Offtake Agreement, Macquarie purchases the majority of the crude oil utilized at the Mobile Refinery and holds legal title prior to its sale to Vertex Refining for consumption within the Mobile Refinery processing units. Also pursuant to the Supply and Offtake Agreement, Macquarie purchases from Vertex Refining substantially all of the Mobile Refinery’s output of certain refined products and owns such refined products while they are located within certain specified locations at the Mobile Refinery. Macquarie takes title to the refined products stored in our storage tanks until they are sold. We record the inventory owned by Macquarie on our behalf as inventory with a corresponding accrued liability on our balance sheet because we maintain the risk of loss until the refined products are sold to third parties and we have an obligation to repurchase it.

Pursuant to the Supply and Offtake Agreement and subject to the terms and conditions therein, Macquarie may during the term of the Supply and Offtake Agreement procure crude oil and refined products from certain third parties which may be sold to Vertex Refining or third parties (including customers of Vertex Refining) pursuant to the Supply and Offtake Agreement.

The Supply and Offtake Agreement expires March 31, 2024, subject to the performance of customary covenants, and certain events of default and termination events provided therein, for a facility of that size and type. Additionally, either party may terminate the agreement at any time, for any reason, with no less than 180 days prior notice to the other.

Amendment No. 1 to Supply and Offtake Agreement

In connection with the entry into the RD Supply and Offtake Agreement, see below, Macquarie, Vertex Refining and the Company, entered into Amendment Agreement No. 1 to the Supply and Offtake Agreement (“Amendment 1”). Pursuant to Amendment 1, the Supply and Offtake Agreement was amended to include certain additional documents relating to the RD Supply and Offtake Agreement as transaction documents, and to update such Supply and Offtake Agreement in connection therewith, to amend the unwind procedures associated with the Supply and Offtake Agreement, and to update or revise certain other covenants set forth in the Supply and Offtake Agreement relating to cross defaults, finance agreements, minimum liquidity, and guarantor requirements, to be conformed with changes made to analogous provisions in, or to otherwise account for, the RD Supply and Offtake Agreement terms. Amendment 1 also made conforming amendments to certain other agreements relating to the Supply and Offtake Agreement.

Renewables RD Supply and Offtake Agreement

On May 26, 2023 (the “Commencement Date”), Vertex Renewables entered into a Supply and Offtake Agreement (the “RD Supply and Offtake Agreement”) with Macquarie, pertaining to the supply and financing of renewable biomass feedstocks used for the production of renewable fuels, the offtake and financing of renewable diesel, and the provision of certain financing accommodations with respect to certain agreed environmental attributes associated with the operation of such renewable diesel unit (including Renewable Identification Numbers (RINs), tax credits, and low carbon fuel credits) at the Mobile Refinery acquired on April 1, 2022.

The RD Supply and Offtake Agreement has a 24 month term following the Effective Date, which was May 26, 2023, subject to the performance of customary covenants, and may be terminated earlier following the occurrence of certain events of default and termination events provided therein that are customary for a facility of this size and type and subject to applicable cure periods in certain events. Additionally, either party may terminate the agreement at any time, for any reason, with not less than

180 days prior notice to the other. In the event Vertex Renewables is the terminating party, Vertex Refining must also at the same time, terminate that certain Supply and Offtake Agreement entered into with Macquarie dated April 1, 2022.

Pursuant to the Supply and Offtake Agreement, we pay or receive certain fees from Macquarie based on changes in market prices over time. The following table summarizes the inventory intermediation fees, interest expenses and financing costs (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Intermediation fee	\$ 4,161	\$ 23,180	\$ 6,225	\$ 23,180
Inventory financing fees (include over/under)	\$ (29)	\$ 1,235	\$ 2,266	\$ 1,235
Interest expense and financing costs, net	\$ 2,583	\$ 1,730	\$ 5,103	\$ 1,730

NOTE 11. PREPAID EXPENSES AND OTHER CURRENT ASSETS

The following table describes the Company's prepaid expenses and other current assets balances (in thousands):

	June 30, 2023	December 31, 2022
Prepaid insurance	\$ 15,039	\$ 8,356
Commodity derivative advance	5,195	5,472
Renewable volume obligation (RVO) assets	1,444	2,001
Other prepaid expenses	6,748	5,160
Independent deposit	18,325	10,329
Other current assets	6,178	5,342
Total prepaid expenses	\$ 52,929	\$ 36,660

NOTE 12. FIXED ASSETS, NET

Fixed assets consist of the following (in thousands):

	Useful Life (in years)	June 30, 2023	December 31, 2022
Equipment	7	\$ 246,151	\$ 97,120
Furniture and fixtures	7	55	86
Leasehold improvements	15	2,852	2,852
Office equipment	5	1,391	1,433
Vehicles	5	11,952	9,212
Building	20	3,014	2,334
Turnarounds	4	21,170	18,964
Construction in progress		46,196	96,765
Land		9,339	9,168
Total fixed assets		\$ 342,120	\$ 237,934
Less accumulated depreciation		(44,008)	(36,185)
Net fixed assets		\$ 298,112	\$ 201,749

The increase in fixed assets is due to the investment in the Renewable Diesel unit project at the Mobile Refinery, which began April 1, 2022, and which includes construction in progress. Depreciation expense was \$5.6 million and \$3.3 million for the three months ended June 30, 2023 and 2022, respectively, for the continued operations. Depreciation expense was \$9.2 million and \$4.3 million for the six months ended June 30, 2023 and 2022, respectively, for the continued operations.

Asset Retirement Obligations:

The Company has asset retirement obligations with respect to certain of its refinery assets due to various legal obligations to clean and/or dispose of various component parts of each refinery at the time they are retired. However, these component parts can be used for extended and indeterminate periods of time as long as they are properly maintained and/or upgraded. It is the Company's practice and current intent to maintain its refinery assets and continue making improvements to those assets based on technological advances. As a result, the Company believes that its refinery assets have indeterminate lives for purposes of estimating asset retirement obligations because dates, or ranges of dates, upon which the Company would retire refinery assets cannot reasonably be estimated. When a date or range of dates can reasonably be estimated for the retirement of any component part of a refinery, the Company estimates the cost of performing the retirement activities and records a liability for the fair value of that cost using established present value techniques.

NOTE 13. INTANGIBLE ASSETS, NET

Components of intangible assets (subject to amortization) consist of the following items:

	Useful Life (in years)	June 30, 2023			December 31, 2022		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relations	5	\$ 978	\$ 978	\$ —	\$ 978	\$ 974	\$ 4
Vendor relations	10	4,778	4,607	171	4,778	4,575	203
Trademark/Trade name	15	887	632	255	887	608	279
TCEP Technology/Patent	15	13,287	9,281	4,006	13,287	8,838	4,449
Non-compete	3	197	197	—	197	197	—
Software	3	9,344	4,021	5,323	9,387	2,495	6,892
Licensing Fee	30	2,500	14	2,486	—	—	—
		<u>\$ 31,971</u>	<u>\$ 19,730</u>	<u>\$ 12,241</u>	<u>\$ 29,514</u>	<u>\$ 17,687</u>	<u>\$ 11,827</u>

Intangible assets are amortized on a straight-line basis. We continually evaluate the amortization period and carrying basis of intangible assets to determine whether subsequent events and circumstances warrant a revised estimated useful life or reduction in value.

Total amortization expense of intangibles was \$1.0 million and \$1.1 million for the three months ended June 30, 2023 and 2022, respectively. Total amortization expense of intangibles was \$2.0 million and \$1.5 million for the six months ended June 30, 2023 and 2022, respectively.

Estimated future amortization expense is as follows (in thousands):

June 30,	Balance
2024	\$ 4,125
2025	3,363
2026	1,042
2027	1,034
2028	469
Thereafter	2,208
	<u>\$ 12,241</u>

NOTE 14. ACCRUED LIABILITIES

Accrued expenses and other current liabilities consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Accrued purchases	\$ 29,314	\$ 21,185
Accrued interest	238	1,488
Accrued compensation and benefits	3,758	6,530
Accrued income, real estate, sales and other taxes	2,699	1,102
RINS liabilities	51,567	51,355
Environmental liabilities - current	66	51
	<u><u>\$ 87,642</u></u>	<u><u>\$ 81,711</u></u>

NOTE 15. FINANCING AGREEMENTS

The Company's long-term debt consisted of the following as of June 30, 2023 and December 31, 2022 (in thousands):

Creditor	Loan Type	Balance at June 30, 2023	Balance at December 31, 2022
Convertible Senior Note	Convertible note	\$ 15,230	\$ 95,178
Term Loan 2025	Loan	150,075	165,000
SBA Loan	SBA Loan	—	59
Various institutions	Insurance premiums financed	9,995	5,602
Principal amount of long-term debt		175,300	265,839
Less: unamortized discount and deferred financing costs		(33,402)	(81,918)
Total debt, net of unamortized discount and deferred financing costs		141,898	183,921
Less: current maturities, net of unamortized discount and deferred financing costs		(18,245)	(13,911)
Long-term debt, net of current maturities		<u><u>\$ 123,653</u></u>	<u><u>\$ 170,010</u></u>

Future maturities of long-term debt, excluding financing lease obligations, as of June 30, 2023, are summarized as follows (in thousands):

Period Ended June 30,	Amount Due
2024	\$ 18,245
2025	141,825
2026	—
2027	—
2028	15,230
Total	<u><u>\$ 175,300</u></u>

Insurance Premiums

The Company financed insurance premiums through various financial institutions bearing interest at rates ranging from 3.24% to 6.25% per annum. All such premium finance agreements have maturities of less than one year and have a balance of \$10.0 million at June 30, 2023 and \$5.6 million at December 31, 2022.

Term Loans

Vertex Refining, the Company, as a guarantor, substantially all of the Company's direct and indirect subsidiaries, as guarantors, certain funds as lenders (the "Lenders"), and Cantor Fitzgerald Securities, in its capacity as administrative agent and collateral agent for the Lenders (the "Agent"), entered into a Loan and Security Agreement on April 1, 2022 (as amended from time to time, the "Loan and Security Agreement").

Pursuant to the Loan and Security Agreement, the Lenders agreed to provide a \$165 million term loan to Vertex Refining (the "Term Loan"). The Company paid off \$14.9 million owed under the term loan during the six months ended June 30, 2023.

On September 30, 2022, the parties entered into a second amendment to the Loan and Security Agreement which (a) extended the date that the Company was required to begin initial commercial production of renewable diesel at the Mobile Refinery, from February 28, 2023 to April 28, 2023, and provided other corresponding extensions of the milestones required to complete the Company's capital project designed to modify the Mobile Refinery's existing hydrocracking unit to produce renewable diesel fuel on a standalone basis, which as previously described, mechanical completion was achieved in connection with in March 2023; and (b) waived and extended certain deadlines and time periods for the Company to take other actions in connection with the Loan and Security Agreement.

Warrant Agreement and Derivative Liabilities

In connection with the April 1, 2022 Loan and Security Agreement, and as additional consideration for the Lenders agreeing to loan funds to the Company thereunder, the Company granted warrants to purchase 2.75 million shares of common stock of the Company to the Lenders (and/or their affiliates) (the "Initial Warrants"). The terms of the warrants are set forth in a Warrant Agreement entered into on April 1, 2022, between the Company and Continental Stock Transfer & Trust Company as warrant agent.

In connection with the entry into an Amendment No. One to Loan Agreement, and as a required term and condition thereof, on May 26, 2022, the Company granted warrants (the "Additional Warrants" and together with the Initial Warrants, the "Warrants") to purchase 250 thousand shares of the Company's common stock to certain of the Lenders and their affiliates. The terms of the Additional Warrants are set forth in a Warrant Agreement entered into on May 26, 2022, between the Company and Continental Stock Transfer & Trust Company as warrant agent.

Each Warrant holder has a put right to require the Company to repurchase any portion of the Warrants held by such holder concurrently with the consummation of a fundamental transaction, as defined in the Warrant Agreement. The fundamental transaction clause requires the Warrants to be classified as liabilities. The fair value of the Warrants is presented in "[Note 19. Fair Value Measurements](#)", and warrant activities are presented in "[Note 17. Equity](#)".

Indenture and Convertible Senior Notes

On November 1, 2021, we issued \$155 million aggregate principal amount at maturity of our 6.25% Convertible Senior Notes due 2027 (the "Convertible Senior Notes") pursuant to an Indenture (the "Indenture"), dated November 1, 2021, between the Company and U.S. Bank National Association, as trustee (the "Trustee"), in a private offering to persons reasonably believed to be "qualified institutional buyers" and/or to "accredited investors" in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, pursuant to Securities Purchase Agreements. The issue price was 90% of the face amount of each note.

On June 12, 2023, pursuant to the terms of certain separate, privately negotiated exchange agreements, the holders of \$79.9 million principal amount of the Convertible Senior Notes due 2027, exchanged such principal amount of notes for an aggregate of 17.2 million newly issued shares of common stock. The Company also paid an aggregate of \$1.0 million in cash to satisfy accrued and unpaid interest on the converted notes to the closing date of the exchanges. Upon the exchange, the Company recognized \$40.7 million unamortized deferred loan cost and discount and \$21.2 million inducement cost as interest expense.

The components of the Convertible Senior Notes are presented as follows (in thousands):

	June 30, 2023	December 31, 2022
Principal amounts at beginning of period	\$ 95,178	\$ 155,000
Conversion of principal into common stock	(79,948)	(59,822)
Outstanding principal amount	15,230	95,178
Unamortized discount and issuance costs	(7,699)	(51,005)
Net carrying amount at end of period	<u>\$ 7,531</u>	<u>\$ 44,173</u>

Our Convertible Senior Notes will mature on October 1, 2027, unless earlier repurchased, redeemed or converted. Interest is payable semiannually in arrears on April 1 and October 1 of each year, beginning on April 1, 2022.

NOTE 16. LEASES

Finance Leases

The Company's finance lease liabilities consisted of the following as of June 30, 2023 and December 31, 2022 (in thousands):

Creditor	Loan Type	June 30, 2023	December 31, 2022
Matheson	Finance Lease	\$ 44,739	\$ 45,311
Plaquemines	Finance Lease	1,096	1,169
Harvey Ford	Finance Lease	43	47
DLL financial	Finance Lease	21	—
Centerpoint Blakely	Finance Lease	23,711	—
		<u>\$ 69,610</u>	<u>\$ 46,527</u>

Future maturities of finance lease obligations, as of June 30, 2023, are summarized as follows (in thousands):

Period Ended June 30,	Amount Due
2024	\$ 8,409
2025	8,409
2026	8,404
2027	8,400
2028	27,330
Thereafter	61,152
Total lease payments	122,104
Less: interest	(52,494)
Present value of financing lease liabilities	<u>\$ 69,610</u>

The following table summarizes the lease cost recognized in our consolidated statements of operations (in thousands):

Lease Cost Type	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Amortization of finance lease ROU assets	\$ 984	\$ 780	\$ 1,769	\$ 808
Interest on lease liabilities	1,551	1,366	2,934	1,378
Net finance lease costs	<u>\$ 2,535</u>	<u>\$ 2,146</u>	<u>\$ 4,703</u>	<u>\$ 2,186</u>

Operating Leases

Operating leases are included in operating lease right-of-use lease assets, and operating current and long-term lease liabilities on the consolidated balance sheets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Variable lease expense is recognized in the period in which the obligation for those payments is incurred. Lease expense for

equipment is included in cost of revenues and other rents are included in selling, general and administrative expense on the unaudited consolidated statements of operations and are reported net of lease income.

The following table summarizes the operating lease costs recognized (in thousands):

Lease Cost Type	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 4,962	\$ 1,530	\$ 8,032	\$ 2,964
Variable lease cost	609	306	869	351
Short-term lease cost	181	2,114	2,110	3,978
Net lease cost	<u>\$ 5,752</u>	<u>\$ 3,950</u>	<u>\$ 11,011</u>	<u>\$ 7,293</u>

Cash Flows

The following table summarizes the supplemental cash flow information related to leases as follows (in thousands):

Lease Cost Type	Six Months Ended June 30,	
	2023	2022
Cash paid for amounts included in the measurement of liabilities		
Payments on financing lease	\$ 908	\$ 402
Payments on operating lease	\$ 8,032	\$ 3,819
Non-cash supplemental amounts		
ROU assets obtained from new finance lease liabilities	\$ 23,990	\$ 45,096
ROU assets obtained from new operating lease liabilities	\$ 38,945	\$ —

Maturities of our lease liabilities for all operating leases are as follows as of June 30, 2023 (in thousands):

For the period ending June 30,	Facilities	Equipment	Plant	Railcar	Total
2024	\$ 535	\$ 16,776	\$ 7,421	\$ 856	\$ 25,588
2025	418	13,579	7,421	654	22,072
2026	333	5,058	7,421	485	13,297
2027	300	5,058	7,440	306	13,104
2028	300	2,185	7,477	49	10,011
Thereafter	1,300	—	83,553	—	84,853
Total lease payments	3,186	42,656	120,733	2,350	168,925
Less: interest	(952)	(6,136)	(69,098)	(237)	(76,423)
Present value of operating lease liabilities	<u>\$ 2,234</u>	<u>\$ 36,520</u>	<u>\$ 51,635</u>	<u>\$ 2,113</u>	<u>\$ 92,502</u>

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of June 30, 2023:

Remaining lease term and discount rate:	June 30, 2023
Weighted average remaining lease terms (years)	
Lease facilities	4.95
Lease equipment	3.60
Lease plant	16.52
Lease railcar	2.14
Weighted average discount rate	
Lease facilities	9.26 %
Lease equipment	11.90 %
Lease plant	12.24 %
Lease railcar	8.47 %

There are two plant leases that have multiple 5-year extension options for a total of 20 years, three plant leases with multiple 1-year extension options for a total of 20 years and eleven equipment leases with a 3-year extension option. These extension options have been included in the lease right-of-use asset and lease obligation.

The Company will reassess the lease terms and purchase options when there is a significant change in circumstances or when the Company elects to exercise an option that had previously been determined that it was not reasonably certain to do so.

NOTE 17. EQUITY

Common Stock

The total number of authorized shares of the Company's common stock is 750 million shares, \$0.001 par value per share. As of June 30, 2023 and December 31, 2022, there were 93,236,563 and 75,668,826, respectively, shares of common stock issued and outstanding.

Each share of the Company's common stock is entitled to equal dividends and distributions per share with respect to the common stock when, as and if declared by the Company's board of directors. No holder of any shares of the Company's common stock has a preemptive right to subscribe for any of the Company's securities, nor are any shares of the Company's common stock subject to redemption or convertible into other securities. Upon liquidation, dissolution or winding-up of the Company and after payment of creditors and preferred shareholders of the Company, if any, the assets of the Company will be divided pro rata on a share-for-share basis among the holders of the Company's common stock. Each share of the Company's common stock is entitled to one vote. Shares of the Company's common stock do not possess any cumulative voting rights.

During the six months ended June 30, 2023, the Company issued 0.4 million shares of common stock in connection with the exercise of options, and issued 17.2 million shares of the Company's common stock in exchange for \$79.9 million in Convertible Senior Notes.

During the six months ended June 30, 2022, the Company issued 0.4 million shares of common stock in connection with the conversion of Series A Convertible Preferred Stock, pursuant to the terms of such securities; issued 1.1 million shares of the Company's common stock in exchange for warrants to purchase 1.5 million shares of the Company's common stock with an exercise price of \$2.25 per share (discussed in greater detail below); and issued 10.2 million shares of the Company's common stock in conversion of \$59.8 million in Convertible Senior Notes. In addition, the Company issued 0.6 million shares of common stock in connection with the exercise of options.

Warrant Exchange Agreement

On March 24, 2022, the Company entered into an Exchange Agreement with Tensile Capital Partners Master Fund LP ("Tensile"). Tensile exchanged outstanding warrants to purchase 1.5 million shares of the Company's common stock with an exercise price of \$2.25 per share and an expiration date of July 25, 2029, for 1.1 million shares of the Company's common stock, effectively resulting in a net cashless exercise of the warrants (which were cancelled in connection with the transaction), with the value of such surrendered shares based on the 5 day trailing volume weighted average price of the Company's common stock.

Conversion of Convertible Senior Notes

On May 26, 2022, May 27, 2022, May 31, 2022, and June 1, 2022, holders of \$59.8 million of the Company's 6.25% Convertible Senior Notes due 2027, converted such notes into 10.2 million shares of common stock of the Company pursuant to the terms of the Indenture.

Exchange of Convertible Senior Notes

On June 12, 2023, holders of \$79.9 million of the Company's 6.25% Convertible Senior Notes due 2027, exchanged such principal amount of notes for an aggregate of 17.2 million newly issued shares of common stock, pursuant to the terms of certain separate, privately negotiated exchange agreements. The Company also paid an aggregate of \$1.0 million in cash to satisfy accrued and unpaid interest on the converted notes to the closing date of the exchanges.

NOTE 18. EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator for basic and diluted income (loss) per share for the three months and six months ended June 30, 2023 and 2022 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Basic income (loss) per Share				
Numerator:				
Loss attributable to shareholders from continuing operations	\$ (84,741)	\$ (72,342)	\$ (81,218)	\$ (80,056)
Net income attributable to shareholders from discontinued operations, net of tax	3,340	5,366	53,680	8,111
Loss attributable to common shareholders	\$ (81,401)	\$ (66,976)	\$ (27,538)	\$ (71,945)
Denominator:				
Weighted-average common shares outstanding*	79,519	67,923	77,615	65,660
Basic income (loss) per common shares				
Continuing operations	\$ (1.07)	\$ (1.07)	\$ (1.05)	\$ (1.22)
Discontinued operations, net of tax	0.04	0.08	0.69	0.12
Basic loss per share	\$ (1.03)	\$ (0.99)	\$ (0.36)	\$ (1.10)

* Excludes 3.6 million and 36.2 million shares of common stock for the period ended June 30, 2023 and 2022, respectively, which may be issued upon conversion of the Convertible Senior Notes, based on the initial maximum conversion rate of 233,6449 shares of the Company's common stock per \$1,000 principal amount of Convertible Senior Notes. These were excluded due to their anti-dilutive effect.

NOTE 19. FAIR VALUE MEASUREMENTS

The following tables present assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Derivative instruments, liabilities				
Commodity	\$ 3,357	\$ —	\$ —	\$ 3,357
Derivative warrants	—	—	13,855	13,855
Derivative instruments, liabilities	3,357	—	13,855	17,212
Total	\$ (3,357)	\$ —	\$ (13,855)	\$ (17,212)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Derivative instruments, liabilities				
Commodity	\$ 242	\$ —	\$ —	\$ 242
Derivative warrants	—	—	14,270	14,270
Derivative instruments, liabilities	242	—	14,270	14,512
Total	\$ (242)	\$ —	\$ (14,270)	\$ (14,512)

Level 3 instruments include the Initial Warrants and Additional Warrants granted in connection with the Loan and Security Agreement, see [Note 15 "Financing Agreements"](#). We revalued the 2.8 million warrants granted and outstanding at June 30, 2023 using the Dynamic Black-Scholes model that computes the impact of a possible change in control transaction upon the exercise of the warrant shares. The Dynamic Black-Scholes Merton unobservable inputs used were as follows:

Dynamic Black-Scholes Merton Unobservable Inputs	Initial Warrants	Additional Warrants
Expected dividend rate	— %	— %
Expected volatility	112.74 %	108.72 %
Risk free interest rate	4.31 %	4.13 %
Expected term	4.0	4.5

The following is an analysis of changes in the derivative liability classified as level 3 in the fair value hierarchy as of June 30, 2023 and December 31, 2022 (in thousands):

Level Three Roll-Forward	June 30, 2023	December 31, 2022
Balance at beginning of period	\$ 14,270	\$ 75,211
Warrants granted	—	25,669
Equity component of the convertible senior note	—	(78,789)
Change in valuation of warrants included in net income	(415)	(7,821)
Balance at end of period	<u><u>\$ 13,855</u></u>	<u><u>\$ 14,270</u></u>

See [Note 20 "Commodity Derivative Instruments"](#), below for information on the impact on results of operations of our commodity derivative instruments.

NOTE 20. COMMODITY DERIVATIVE INSTRUMENTS

The Company utilizes derivative instruments to manage its exposure to fluctuations in the underlying commodity prices of its inventory. The Company's management sets and implements hedging policies, including volumes, types of instruments and counterparties, to support oil prices at targeted levels and manage its exposure to fluctuating prices.

The Company's derivative instruments consist of option and futures arrangements for oil. For option and futures arrangements, the Company receives the difference positive or negative between an agreed-upon strike price and the market price.

The mark-to-market effects of these contracts as of June 30, 2023 and December 31, 2022, are summarized in the following table. The notional amount is equal to the total net volumetric derivative position during the period indicated. The fair value of the crude oil futures agreements is based on the difference between the strike price and the New York Mercantile Exchange and Brent Complex futures price for the applicable trading months.

As of June 30, 2023					
Contract Type	Contract Period	Weighted Average Strike Price (Barrels)	Remaining Volume (Barrels)		Fair Value
			(in thousands)	(in thousands)	
Futures	Jun 2023 - Aug 2023	\$ 29.53	56	\$ (18)	
Futures	Jun. 2023 - Sept. 2023	\$ 31.39	20	\$ (14)	
Futures	May 2023 - Aug. 2023	\$ 20.55	9	\$ (69)	
Futures	May 2023 - Dec. 2023	\$ 20.22	438	\$ (2,844)	
Swap	Jun 2023 - Aug 2023	\$ 2.56	5	\$ (13)	
Swap	Jun 2023 - Aug 2023	\$ 2.87	5	\$ (14)	
Swap	Jun. 2023 - Sept. 2023	\$ 2.02	8	\$ (16)	
Swap	Jun. 2023 - Jul. 2023	\$ 4.55	48	\$ (218)	
Swap	Jun. 2023 - Aug. 2023	\$ 3.14	48	\$ (151)	

As of December 31, 2022					
Contract Type	Contract Period	Weighted Average Strike Price (Barrels)	Remaining Volume (Barrels)		Fair Value
			(in thousands)	(in thousands)	
Swap	Nov. 2022 - Feb. 2023	\$ 4.19	5	\$ (42)	
Swap	Nov. 2022 - Feb. 2023	\$ 5.51	3	\$ (27)	
Futures	Sept. 2022 - Dec. 2022	\$ 32.14	25	\$ 76	
Futures	Sept. 2022 - Dec. 2022	\$ 23.57	35	\$ (92)	
Futures	Nov. 2022 - Feb. 2023	\$ 33.71	10	\$ (23)	
Futures	Sept. 2022 - Dec. 2022	\$ 23.75	10	\$ 30	
Futures	Dec. 2022 - Mar. 2023	\$ 36.08	35	\$ (74)	
Futures	Dec. 2022 - Apr. 2023	\$ 35.97	1,000	\$ (1,100)	
Futures	Dec. 2022 - May. 2023	\$ 35.81	1,000	\$ (1,070)	
Futures	Dec. 2022 - Jun. 2023	\$ 35.60	1,000	\$ 2,080	

The carrying values of the Company's derivatives positions and their locations on the consolidated balance sheets as of June 30, 2023 and December 31, 2022 are presented in the table below (in thousands):

Balance Sheet Classification	Contract Type	June 30, 2023	December 31, 2022
	Crude oil futures	\$ —	\$ 2,186
	Soybean oil futures	(2,913)	(69)
	Crude oil futures	(32)	(2,359)
	Gas swap	(383)	—
	ULSD swap	(29)	—
Derivative commodity asset(liability)		<u>\$ (3,357)</u>	<u>\$ (242)</u>

For the three months ended June 30, 2023 and 2022, we recognized \$3.6 million and \$94.8 million of loss, respectively, on commodity derivative contracts on the consolidated statements of operations as part of our cost of revenues.

For the six months ended June 30, 2023 and 2022, we recognized \$2.1 million and \$98.3 million of loss, respectively, on commodity derivative contracts on the consolidated statements of operations as part of our cost of revenues.

NOTE 21. INCOME TAXES

The Company recognized income tax benefit of \$28.7 million and \$0 on continued operations for the three months ended June 30, 2023 and 2022. The Company recognized income tax benefit of \$27.7 million and \$0 on continued operations for the six months ended June 30, 2023 and 2022. At the end of each interim period, the Company estimates the effective tax rate expected to be applicable for the full fiscal year and this rate is applied to the results for the year-to-date period, and then adjusted for any discrete period items. For the six-month period ended June 30, 2023, the variance between the Company's effective tax rate and the U.S. statutory rate of 21% is primarily attributable to state tax, non-deductible expenses and income attributable to non-controlling interest. For the same period in 2022, the variance was also due to a full valuation allowance.

The Company also recognized income tax expense of \$1.5 million on discontinued operations for the three months ended June 30, 2023. The Company also recognized income tax expense of \$19.2 million on discontinued operations for the six months ended June 30, 2023, refer to "[Note 23. Discontinued Operations](#)" for more information.

The Company believes it has enough net operating loss (NOL) carryforwards and previously disallowed interest expenses to fully offset current taxable income. As such, all of the tax expense for the period ended June 30, 2023 is being recorded as deferred, to offset the reduction of the NOLs and interest expense deferred tax assets (DTAs) being utilized.

NOTE 22. NON-CONTROLLING INTERESTS

Heartland Re-refining Complex

On May 26, 2022, the Company, through Vertex Splitter Corporation ("Vertex Splitter"), a wholly-owned subsidiary of the Company, acquired the 65% noncontrolling interest of HPRM LLC, a Delaware limited liability company ("[Heartland SPV](#)") held by Tensile-Heartland Acquisition Corporation, a Delaware corporation ("[Tensile-Heartland](#)") from Tensile-Vertex Holdings LLC ("[Tensile-Vertex](#)"), an affiliate of Tensile, for \$43.5 million, which was based on the value of the Class B Unit preference of Heartland SPV held by Tensile-Heartland, plus capital invested by Tensile-Heartland in Heartland SPV (which had not been returned as of the date of payment), plus cash and cash equivalents held by Tensile-Heartland as of the closing date. As a result, the Company acquired 100% of Heartland SPV, which in turn owns the Company's Columbus, Ohio, re-refining complex.

[Heartland Redeemable Noncontrolling Interest](#). In accordance with ASC 480-10-S99-3A, the Company applied a two-step approach to measure noncontrolling interests associated with Heartland SPV at the redemption date. First, the Company applied the measurement guidance in ASC 810-10 by attributing a portion of the subsidiary's net income of \$6.8 million to the noncontrolling interest. Second, the Company applied the subsequent measurement guidance in ASC 480-10-S99-3A, which indicates that the noncontrolling interest's carrying amount is the higher of (1) the cumulative amount that would result from applying the measurement guidance in ASC 810-10 in the first step or (2) the redemption value. At May 26, 2022, the cumulative amount resulting from the application of the measurement guidance in ASC 810-10 was \$43.5 million. On May 26, 2022, the Company acquired a 65% interest in Heartland SPV from Tensile for \$43.5 million.

The amount of accretion of redeemable noncontrolling interest to redemption value of \$0.4 million is presented as an adjustment to net income (loss) attributable to Vertex Energy, Inc., to arrive at net income (loss) attributable to common shareholders on the consolidated statements of operations which represent the Vertex Refining Myrtle Grove LLC ("[MG SPV](#)") held by Tensile-Myrtle Grove Acquisition Corporation ("[Tensile-MG](#)"), an affiliate of Tensile and Heartland SPV accretion of redeemable noncontrolling interest to redemption value combined for the six months ended June 30, 2022.

Vertex Recovery Management LA, LLC

On May 25, 2016, Vertex Recovery Management, LLC, our wholly-owned subsidiary ("[VRM](#)") and Industrial Pipe, Inc. ("[Industrial Pipe](#)"), formed a joint venture Louisiana limited liability company, Vertex Recovery Management LA, LLC ("[VRMLA](#)"). VRM owns 51% and Industrial Pipe owns 49% of VRMLA. VRMLA is currently buying and preparing ferrous and non-ferrous scrap intended for large haul barge sales. We consolidated 100% of VRMLA's net income (loss) for the three and six months ended June 30, 2023 and 2022, and then added the loss or deducted the net income, attributable to the non-controlling interest back to the Company's "[Net income attributable to Vertex Energy, Inc.](#)" in the Consolidated Statement of Operations. The below table represents the net income (loss) of VRMLA for the three and six months ended June 30, 2023 and 2022 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income (loss) consolidated	\$ (107.7)	\$ 281.1	\$ (209.4)	\$ 209.1
Income (loss) attributed to Non-controlling entity	\$ (52.8)	\$ 137.7	\$ (102.6)	\$ 102.4

NOTE 23. DISCONTINUED OPERATIONS

The Company continued to explore opportunities for the sale of the UMO Business. On February 1, 2023, the Company sold all of its equity interests in Vertex OH, which owned our Heartland refinery located in Columbus, Ohio (the “Heartland Refinery”) for \$87.3 million net cash settlement. The sale also included all property and assets owned by Vertex OH, including inventory associated with the Heartland Refinery, and all real and leased property and permits owned by Vertex OH, and all used motor oil collection and recycling assets and operations owned by Vertex OH. On June 9, 2023, the Company received \$4.8 million as a net working capital adjustment settlement pursuant to the sale agreement.

Accordingly, the Company has presented this division (i.e., the Heartland Assets and Operations) as discontinued operations while reclassifying the other UMO Business operations out of assets held for sale, and all liabilities of the UMO Business out of liabilities held for sale, other than in connection with the Heartland Assets and Operations. See “[Note 1. Basis of Presentation and Nature of Operations](#)” for financial information that has been reclassified as continued operations.

The following summarized financial information has been reclassified as continued operations for the three months ended June 30, 2022 (in thousands):

	June 30, 2022
Assets and liabilities changes:	
Assets held for sale to assets held and used	\$ 71,585
Liabilities held for sale to liabilities held and paid	\$ (33,033)
Net income changes:	
Net income from discontinued operations to continued operations	\$ 16,670

The following summarized financial information has been segregated from continuing operations and reported as discontinued operations for the three and six months ended June 30, 2023, and 2022 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues	\$ —	\$ 23,832	\$ 7,366	\$ 42,759
Cost of revenues (exclusive of depreciation shown separately below)	—	12,735	4,589	22,918
Depreciation and amortization attributable to costs of revenues	—	391	124	782
Gross profit	—	10,706	2,653	19,059
Operating expenses:				
Selling, general and administrative expenses (exclusive of depreciation shown separately below)	—	2,220	632	3,938
Depreciation and amortization expense attributable to operating expenses	—	62	21	125
Total operating expenses	—	2,282	653	4,063
Income from operations	—	8,424	2,000	14,996
Other income (expense)				
Interest expense	—	(8)	—	(23)
Total other expense	—	(8)	—	(23)
Income before income tax	—	8,416	2,000	14,973
Income tax expense	—	—	(528)	—
Gain on sale of discontinued operations, net of \$1,453 and \$18,671 of tax for three and six months ended June 30, 2023	3,340	—	52,208	—
Income from discontinued operations, net of tax	\$ 3,340	\$ 8,416	\$ 53,680	\$ 14,973

The assets and liabilities held for sale on the Consolidated Balance Sheets as of December 31, 2022 are as follows (in thousands):

	December 31, 2022
ASSETS	
Accounts receivable, net	\$ 7,490
Inventory	1,674
Prepaid expenses	183
Total current assets	9,347
Fixed assets, at cost	19,746
Less accumulated depreciation	(9,140)
Fixed assets, net	10,606
Operating lease right-of use assets	44
Intangible assets, net	563
Total noncurrent assets	11,213
Assets held for sale	<u><u>\$ 20,560</u></u>
LIABILITIES AND EQUITY	
Current liabilities	
Accounts payable	\$ 2,750
Accrued expenses	629
Operating lease liability	45
Liabilities held for sale	<u><u>\$ 3,424</u></u>

NOTE 24. RELATED PARTY TRANSACTIONS

Related Parties

From time to time, the Company consults Ruddy Gregory, PLLC., a related party law firm of which James Gregory, a former member of the Board of Directors and the General Counsel and Secretary of the Company, serves as a partner. During the six months ended June 30, 2023 and 2022, we paid \$379 thousand and \$382 thousand, respectively, to such law firm for services rendered, which services include the drafting and negotiation of, and due diligence associated with, the September 2021 Asset

Purchase Agreement whereby the Company originally planned to sell its UMO Business, which was subsequently terminated in January 2023, and agreement related to the Mobile Refinery acquisition, and related transactions, including the Loan and Security Agreement and Supply and Offtake Agreements.

NOTE 25. SUBSEQUENT EVENTS

Option exercises

In July, 2023, the Company issued 100,000 shares of common stock in connection with the cash exercise of options to purchase 100,000 shares of common stock, issued 54,228 shares of common stock in connection with the cashless exercise of options to purchase 65,610 shares of common stock, which shares were covered by a Form S-8 Registration Statement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided in addition to the accompanying unaudited consolidated financial statements and notes thereto on the basis of management's assessment to assist readers in understanding our results of operations, financial condition, and cash flows. As such, it should be read in conjunction with the interim unaudited financial statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the audited financial statements and notes thereto and "[Part II](#)", "[Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)" contained in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission on March 1, 2023 (the "[Annual Report](#)"). Unless the context requires otherwise, references to the "Company," "we," "us," "our," "Vertex", "Vertex Energy" and "Vertex Energy, Inc." refer specifically to Vertex Energy, Inc. and its consolidated subsidiaries.

Certain capitalized terms used below and otherwise defined below, have the meanings given to such terms in the footnotes to our unaudited consolidated financial statements included above under "Part I – Financial Information" – "Item 1. Financial Statements".

Our logo and some of our trademarks and tradenames are used in this Report. This Report also includes trademarks, tradenames and service marks that are the property of others. Solely for convenience, trademarks, tradenames and service marks referred to in this Report may appear without the ®, ™ and SM symbols. References to our trademarks, tradenames and service marks are not intended to indicate in any way that we will not assert to the fullest extent under applicable law our rights or the rights of the applicable licensors if any, nor that respective owners to other intellectual property rights will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend the use or display of other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

In this Quarterly Report on Form 10-Q, we may rely on and refer to information regarding the refining, re-refining, used oil and oil and gas industries in general from market research reports, analyst reports and other publicly available information, none of which we have commissioned. Although we believe that this information is reliable, we cannot guarantee the accuracy and completeness of this information, we have not independently verified any of it, and we have not commissioned any such reports or information.

The majority of the numbers presented below are rounded numbers and should be considered as approximate.

Unless the context otherwise requires and for the purposes of this report only:

- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
- "SEC" or the "Commission" refers to the United States Securities and Exchange Commission; and
- "Securities Act" refers to the Securities Act of 1933, as amended.

Where You Can Find Other Information

We file annual, quarterly, and current reports, proxy statements and other information with the Securities and Exchange Commission ("[SEC](#)"). Our SEC filings (reports, proxy and information statements, and other information) are available to the public over the Internet at the SEC's website at www.sec.gov and are available for download, free of charge, soon after such reports are filed with or furnished to the SEC, on the "[Investor Relations](#)," "[SEC Filings](#)" page of our website at www.vertexenergy.com. Information on our website is not part of this Report, and we do not desire to incorporate by reference such information herein. Copies of documents filed by us with the SEC are also available from us without charge, upon oral or written request to our Secretary, who can be contacted at the address and telephone number set forth on the cover page of this Report.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995, regarding future events and the future results of the Company that are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the management of the Company. In some cases, you can identify

forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. Forward-looking statements are not a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time the statements are made and involve known and unknown risks, uncertainties and other factors that may cause our results, levels of activity, performance or achievements to be materially different from the information expressed or implied by the forward-looking statements in this Report. Factors that might cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Report, including under "[Risk Factors](#)", and in other reports the Company files with the Securities and Exchange Commission ("[SEC](#)" or the "[Commission](#)"), including the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 1, 2023 (under the heading "[Risk Factors](#)" and in other parts of that report), which factors include:

- our need for additional funding, the availability of, and terms of, such funding, our ability to pay amounts due on such indebtedness, covenants of such indebtedness and security interests in connection therewith;
- risks associated with our outstanding indebtedness, including our outstanding Convertible Senior Notes, including amounts owed, restrictive covenants and security interests in connection therewith, and our ability to repay such debts and amounts due thereon (including interest) when due, and mandatory and special redemption provisions thereof, and conversion rights associated therewith, including dilution caused thereby (in connection with the Convertible Senior Notes);
- security interests, guarantees and pledges associated with our outstanding Loan and Security Agreement and Supply and Offtake Agreement, and risks associated with such agreements in general;
- risks associated with Pase 2 of the capital project currently in process at our Mobile, Alabama refinery, including costs, timing, delays and unanticipated problems associated therewith;
- health, safety, security and environment risks;
- the level of competition in our industry and our ability to compete;
- our ability to respond to changes in our industry;
- the loss of key personnel or failure to attract, integrate and retain additional personnel;
- our ability to protect our intellectual property and not infringe on others' intellectual property;
- our ability to scale our business;
- our ability to maintain supplier relationships and obtain adequate supplies of feedstocks;
- our ability to obtain and retain customers;
- our ability to produce our products at competitive rates;
- our ability to execute our business strategy in a very competitive environment;
- trends in, and the market for, the price of oil and gas and alternative energy sources;
- our ability to maintain our relationships with Macquarie Energy North America Trading Inc., and Shell;
- the impact of competitive services and products;
- our ability to complete and integrate future acquisitions;
- our ability to maintain insurance;

- pending and future litigation, potential adverse judgments and settlements in connection therewith, and resources expended in connection therewith;
- rules and regulations making our operations more costly or restrictive;
- changes in environmental and other laws and regulations and risks associated with such laws and regulations;
- economic downturns both in the United States and globally;
- risk of increased regulation of our operations and products;
- negative publicity and public opposition to our operations;
- disruptions in the infrastructure that we and our partners rely on;
- an inability to identify attractive acquisition opportunities and successfully negotiate acquisition terms;
- liabilities associated with acquired companies, assets or businesses;
- interruptions at our facilities;
- unexpected changes in our anticipated capital expenditures resulting from unforeseen required maintenance, repairs, or upgrades;
- our ability to acquire and construct new facilities;
- prohibitions on borrowing and other covenants of our debt facilities;
- our ability to effectively manage our growth;
- decreases in global demand for, and the price of, oil;
- repayment of and covenants in our future debt facilities;
- rising inflation, rising interest rates, the effects of war, and governmental responses thereto and possible recessions caused thereby;
- risks associated with our hedging activities, or our failure to hedge production;
- the volatility in the market price of compliance credits (primarily RINs needed to comply with the RFS) under Renewable and Low-Carbon Fuel Programs and emission credits needed under other environmental emissions programs, the requirement for us to purchase RINs in the secondary market to the extent we do not generate sufficient RINs internally, and the timing of such required purchases, if any;
- the lack of capital available on acceptable terms to finance our continued growth; and
- other risk factors included under “[Risk Factors](#)” in our latest Annual Report on Form 10-K and set forth below under “[Risk Factors](#)”.

In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements.

You should read the matters described in, and incorporated by reference in, “[Risk Factors](#)” and the other cautionary statements made in this Report, and incorporated by reference herein, as being applicable to all related forward-looking statements wherever they appear in this Report. We cannot assure you that the forward-looking statements in this Report will prove to be accurate and therefore prospective investors are encouraged not to place undue reliance on forward-looking statements. All forward-looking statements included herein speak only as of the date of the filing of this Report. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified

in their entirety by the cautionary statements above. Other than as required by law, we undertake no obligation to update or revise these forward-looking statements, even though our situation may change in the future.

Overview and Business Activities

We are an energy transition company specializing in refining and marketing high-value conventional and lower-carbon alternative transportation fuels. We are engaged in operations across the petroleum value chain, including refining, collection, aggregation, transportation, storage and sales of aggregated feedstock and refined products to end-users. All of these products are commodities that are subject to various degrees of product quality and performance specifications.

We currently provide our collection services in six states, primarily in the Gulf Coast region of the United States. For the rolling twelve-month period ending June 30, 2023, we aggregated approximately 86.9 million gallons of used motor oil and other petroleum by-product feedstocks and managed the re-refining of approximately 80.4 million gallons of used motor oil with our proprietary vacuum gas oil (“VGO”) and Base Oil processes.

Heartland Assets and Operations Sale. On February 1, 2023, HPRM LLC, a Delaware limited liability company (“Heartland SPV”), which is indirectly wholly-owned by the Company, entered into a Sale and Purchase Agreement with GFL Environmental Services USA, Inc. (“GFL” and the “Sale Agreement”), whereby Heartland SPV agreed to sell to GFL, and GFL agreed to purchase from Heartland SPV, all of Heartland SPV’s equity interest in Vertex Refining OH, LLC (“Vertex OH”), our former wholly-owned subsidiary, which owns the Heartland refinery located in Columbus, Ohio. Vertex Operating, LLC, our wholly-owned subsidiary (“Vertex Operating”) and GFL Environmental Inc., an affiliate of GFL, were also parties to the Sale Agreement, solely for the purpose of providing certain guarantees of the obligations of Heartland SPV and GFL as discussed in greater detail below. The sale also includes all property and assets owned by Vertex OH, including inventory associated with the Heartland Refinery, and all real and leased property and permits owned by Vertex OH, and all used motor oil collection and recycling assets and operations owned by Vertex OH. See “[Note 23. Discontinued Operations](#)” of our Condensed Notes to Consolidated Financial Statements, included under “[Item 1 Financial Statements](#)”.

The transactions contemplated by the Sale Agreement closed on February 1, 2023.

The purchase price for the transaction was \$90 million, subject to certain customary adjustments for net working capital, taxes and assumed liabilities. We also entered into a transition services agreement, restrictive covenant agreement and, through our wholly-owned subsidiary Vertex Refining LA, LLC (“Vertex LA”), a used motor oil supply agreement with GFL in connection with the sale.

Vertex Operating guaranteed all of the obligations of HPRM pursuant to the terms of the Sale Agreement and GFL Environmental guaranteed all of the obligations of GFL pursuant to the terms of the Sale Agreement. See “[Note 23. Discontinued Operations](#)” of our Condensed Notes to Consolidated Financial Statements, included under “[Item 1 Financial Statements](#)”.

Mobile Refinery acquisition. Effective April 1, 2022, we completed the acquisition of a 75,000 bpd crude oil refinery located ten miles north of Mobile, in Saraland, Alabama (the “Mobile Refinery”) and related logistics assets, which include a deep-water draft, bulk loading terminal facility with 600,000 Bbls of storage capacity for crude oil and associated refined petroleum products located in Mobile, Alabama (the “Blakeley Island Terminal”). The terminal includes a dock for loading and unloading vessels with a pipeline tie-in, as well as the related logistics infrastructure of a high-capacity truck rack with 3-4 loading heads per truck, each rated at 600 gallons per minute (the “Mobile Truck Rack”). The Mobile Refinery currently processes light and sweet crude to produce different grades of gasoline, diesel fuel, jet fuel, and heavy olefin feed.

The Company paid a total of \$75.0 million in consideration for the acquisition of the Mobile Refinery. In addition, we paid \$16.4 million for previously agreed upon capital expenditures, miscellaneous prepaids and reimbursable items and an \$8.7 million technology solution comprising the ecosystem required for the Company to run the Mobile Refinery after the acquisition. The Company also purchased certain crude oil and finished products inventories for \$130.2 million owned by Shell at the Mobile Refinery.

As a result of the Mobile Refinery purchase, Vertex Refining and Shell Trading (US) Company (“STUSCO”) entered into a Crude Oil & Hydrocarbon Feedstock Supply Agreement (the “Crude Supply Agreement”) pursuant to which STUSCO agreed to sell to Vertex Refining, and Vertex Refining agreed to buy from STUSCO, all of the crude oil and hydrocarbon feedstock requirements of the Mobile Refinery, subject to certain exceptions set forth therein. The agreement provides that STUSCO is the exclusive supplier for the Mobile Refinery’s requirement for crude oil and hydrocarbon feedstock.

On May 27, 2023, the Mobile Refinery began processing soybean oil into renewable diesel (“RD”).

Additionally, as a result of the Mobile Refinery purchase, we entered into several agreements with Macquarie Energy North America Trading Inc (“Macquarie”). Under these agreements (together, the “Inventory Financing Agreement”), Macquarie agreed to finance the Mobile Refinery’s crude supply and inventories, and Vertex agreed to provide storage and terminalling services to Macquarie. At the time of the acquisition, Macquarie agreed to finance \$124.3 million of the \$130.2 million of opening inventories. See [Note 3 “Mobile Refinery Acquisition”](#) of our Condensed Notes to Consolidated Financial Statements, included under [“Item 1 Financial Statements”](#).

Myrtle Grove Facility Purchase. On April 1, 2022, the Company, through Vertex Splitter acquired the 15% noncontrolling interest of Vertex Refining Myrtle Grove LLC (“MG SPV”) held by Tensile-Myrtle Grove Acquisition Corporation (“Tensile-MG”), an affiliate of Tensile Capital Partners Master Fund LP, an investment fund based in San Francisco, California (“Tensile”) from Tensile-Vertex for \$7.2 million, which was based on the value of the Class B Unit preference of MG SPV held by Tensile-MG, plus capital invested by Tensile-MG in MG SPV (which had not been returned as of the date of payment), plus cash and cash equivalents held by Tensile-MG as of the closing date. As a result, the Company acquired 100% of MG SPV, which in turn owns the Company’s Belle Chasse, Louisiana, re-refining complex. See [Note 22 “Non-Controlling Interests”](#) of our Condensed Notes to Consolidated Financial Statements, included under [“Item 1 Financial Statements”](#).

Heartland Re-refining Complex. On May 26, 2022, the Company, through Vertex Splitter acquired the 65% noncontrolling interest of HPRM LLC, a Delaware limited liability company (“Heartland SPV”) held by Tensile-Heartland Acquisition Corporation, a Delaware corporation (“Tensile-Heartland”) from Tensile-Vertex Holdings LLC (“Tensile-Vertex”), an affiliate of Tensile for \$43.5 million, which was based on the value of the Class B Unit preference of Heartland SPV held by Tensile-Heartland, plus capital invested by Tensile-Heartland in Heartland SPV (which had not been returned as of the date of payment), plus cash and cash equivalents held by Tensile-Heartland as of the closing date. As a result, the Company acquired 100% of Heartland SPV, which in turn owned the Company’s Columbus, Ohio, re-refining complex. See [Note 22 “Non-Controlling Interests”](#) of our Condensed Notes to Consolidated Financial Statements, included under [“Item 1 Financial Statements”](#).

Heartland Assets and Operations Sale. On February 1, 2023, Heartland SPV, which is indirectly wholly-owned by the Company, entered into a Sale and Purchase Agreement with GFL Environmental Services USA, Inc. (“GFL” and the “[Sale Agreement](#)”), whereby Heartland SPV agreed to sell to GFL, and GFL agreed to purchase from Heartland SPV, all of Heartland SPV’s equity interest in Vertex Refining OH, LLC (“[Vertex OH](#)”), our former wholly-owned subsidiary, which owns the Heartland refinery located in Columbus, Ohio. Vertex Operating and GFL Environmental Inc., an affiliate of GFL, were also parties to the Sale Agreement, solely for the purpose of providing certain guarantees of the obligations of Heartland SPV and GFL as discussed in greater detail below. The sale also includes all property and assets owned by Vertex OH, including inventory associated with the Heartland Refinery, and all real and leased property and permits owned by Vertex OH, and all used motor oil collection and recycling assets and operations owned by Vertex OH. See [“Note 23. Discontinued Operations”](#) of our Condensed Notes to Consolidated Financial Statements, included under [“Item 1 Financial Statements”](#).

The transactions contemplated by the Sale Agreement closed on February 1, 2023.

The purchase price for the transaction was \$90 million, subject to certain customary adjustments for net working capital, taxes and assumed liabilities. We also entered into a transition services agreement, restrictive covenant agreement and, through our wholly-owned subsidiary Vertex Refining LA, LLC (“[Vertex LA](#)”), a used motor oil supply agreement with GFL in connection with the sale.

Vertex Operating guaranteed all of the obligations of HPRM pursuant to the terms of the Sale Agreement and GFL Environmental guaranteed all of the obligations of GFL pursuant to the terms of the Sale Agreement. See [“Note 23. Discontinued Operations”](#) of our Condensed Notes to Consolidated Financial Statements, included under [“Item 1 Financial Statements”](#).

We operate two business segments: the Refining and Marketing segment and the Black Oil and Recovery segment. For further description of the business and products of our segments, see “Results of Operations”, below.

Strategy and Plan of Operations

The principal elements of our strategy include:

Completion of Renewable Diesel (RD) Conversion Project. Beginning in the second quarter of 2022, we began a conversion project designed to modify the Mobile Refinery's hydrocracking unit to produce renewable diesel fuel on a standalone basis. The renewable diesel unit was commissioned on April 28, 2023, and on May 27, 2023, the Mobile Refinery began processing soybean oil into renewable diesel. The Company has closed out Phase I of the RD project as of June 30, 2023 which was funded entirely through existing cash on-hand and cash flow from operations. As of June 30, 2023, the Company has started on Phase II of the RD project.

Increase Renewable Diesel Production. The Mobile Refinery began producing production of RD in May 2023 and achieved the Phase I installed capacity target of 8,000 barrels per day as anticipated. In Phase II, we expect production volumes to ramp up to approximately 14,000 bpd by the mid-year of 2024. This project seeks to capitalize on the rapidly growing demand for advanced sustainable fuels, while further expanding upon our commitment to supply lower carbon fuels solutions.

Expand Feedstock Supply Volume. We intend to expand our feedstock supply volume by growing our collection and aggregation operations. We plan to increase the volume of feedstock we collect directly by developing new relationships with generators and working to displace incumbent collectors; increasing the number of collection personnel, vehicles, equipment, and geographical areas we serve; and acquiring collectors in new or existing territories. We intend to increase the volume of feedstock we aggregate from third-party collectors by expanding our existing relationships and developing new vendor relationships. We believe that our ability to acquire large feedstock volumes will help to cultivate new vendor relationships because collectors often prefer to work with a single, reliable customer rather than manage multiple relationships and the uncertainty of excess inventory.

Broaden Existing Customer Relationships and Secure New Large Accounts. We intend to broaden our existing customer relationships by increasing sales of used motor oil and re-refined products to these accounts. In some cases, we may also seek to serve as our customers' primary or exclusive supplier. We also believe that as we increase our supply of feedstock and re-refined products that we will be in a position to secure larger customer accounts that require a partner who can consistently deliver high volumes.

Re-Refine Higher Value End Products. We intend to develop, lease, or acquire technologies to re-refine our feedstock supply into higher-value end products. We believe that the expansion of our facilities and our technology, and investments in additional technologies, will enable us to upgrade feedstock into end products, such as lubricating base oil, that command higher market prices than the current re-refined products we produce.

Pursue Selective Strategic Relationships or Acquisitions. We plan to grow market share by consolidating feedstock supply through partnering with, or acquiring, collection and aggregation assets. Such acquisitions and/or partnerships could increase our revenue and provide better control over the quality and quantity of feedstock available for resale and/or upgrading as well as providing additional locations. In addition, we intend to pursue further vertical integration opportunities by acquiring complementary processing technologies where we can realize synergies by leveraging our customer and vendor relationships, infrastructure, and personnel, and by eliminating duplicative overhead costs.

Results of Operations

We are engaged in operations across the petroleum value chain, including crude oil refining, collection, aggregation, transportation, storage, and sales of refined and re-refined products and aggregated feedstock. Our margins are a function of the difference between what we are able to pay for raw materials and the market prices for the range of products produced. The various petroleum products produced are typically a function of crude oil indices and are quoted on multiple exchanges such as the New York Mercantile Exchange (“[NYMEX](#)”). These prices are determined by a global market and can be influenced by many factors, including but not limited to supply/demand, weather, politics, tax incentives, and global/regional inventory levels. As such, we cannot provide any assurances regarding results of operations for any future periods, as numerous factors outside of our control affect the prices paid for raw materials and the prices (for the most part keyed to the NYMEX) that can be charged for such products. These factors include the supply of, and demand for, crude oil, and refined products, which in turn depend on changes in domestic and foreign economies; weather conditions; domestic and foreign political affairs; production levels; the marketing of competitive fuels; and government regulation. Additionally, for the near term, results of operations will be subject to further uncertainty, as the global markets and exchanges, including the NYMEX, continue to experience volatility.

During the second quarter of 2023, average refining margins continued shrinking compared to the last three quarters of 2022 and the first quarter 2023. Global prices for refined products, especially distillates, are falling as the economy slows, more refineries come onstream, and exports from Russia are re-routed and replaced by fuel from the Middle East. During the twelve months ended June 30, 2023, the Consumer Price Energy Index in the United States decreased 16.7% impacting our gross margins. The Consumer Price All Items Index increased 3.0% for the same period impacting our operating expenses and slowing economic growth.

The following table sets forth the high and low spot prices during the six months ended June 30, 2023, for our key benchmarks.

2023					
Benchmark	High	Date	Low	Date	
Crackspread 2-1-1 (dollars per barrel) ⁽¹⁾	\$ 44.50	January 23	\$ 18.29	April 28	
U.S. Gulfcoast No. 2 Waterborne (dollars per gallon)	\$ 3.23	January 23	\$ 1.97	May 4	
U.S. Gulfcoast Unleaded 87 Waterborne (dollars per gallon)	\$ 2.84	April 11	\$ 2.26	May 3	
U.S. Gulfcoast Residual Fuel No. 6 3% (dollars per barrel)	\$ 69.96	June 30	\$ 50.48	January 4	
NYMEX Crude oil (dollars per barrel)	\$ 83.26	April 12	\$ 66.74	March 17	

Reported in Platt's US Marketscan (Gulf Coast)

⁽¹⁾ *The Gulf Coast 2-1-1 crack spread is calculated using two barrels of LLS (Louisiana Light Sweet crude oil) producing one barrel of USGC CBOB gasoline and one barrel of USGC ultra-low sulfur diesel.*

The following table sets forth the high and low spot prices during the six months ended June 30, 2022, for our key benchmarks.

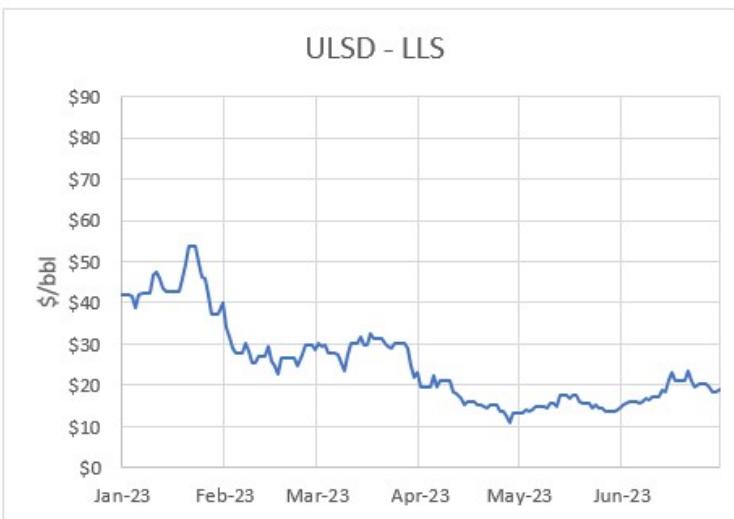
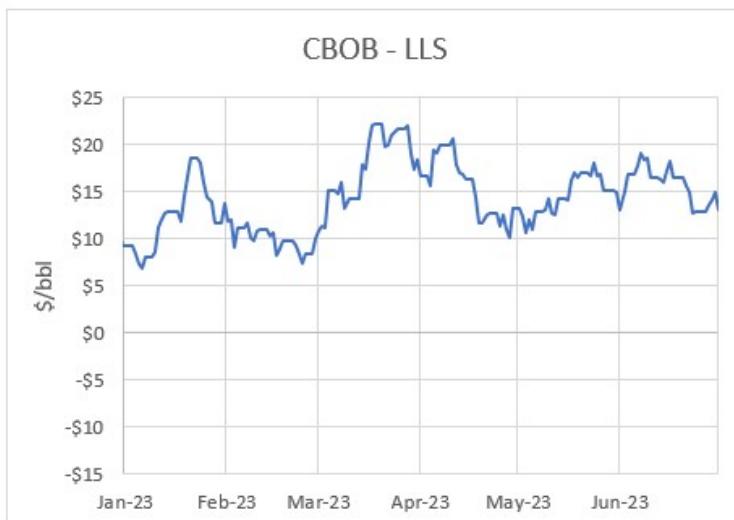
2022					
Benchmark	High	Date	Low	Date	
Crackspread 2-1-1 (dollars per barrel) (1)	\$ 56.47	June 22	\$ 32.91	April 11	
U.S. Gulfcoast No. 2 Waterborne (dollars per gallon)	\$ 4.36	March 8	\$ 2.15	January 3	
U.S. Gulfcoast Unleaded 87 Waterborne (dollars per gallon)	\$ 4.35	June 3	\$ 2.26	January 3	
U.S. Gulfcoast Residual Fuel No. 6 3% (dollars per barrel)	\$ 112.93	March 8	\$ 67.84	January 3	
NYMEX Crude oil (dollars per barrel)	\$ 123.70	March 8	\$ 76.08	January 3	

Reported in Platt's US Marketscan (Gulf Coast)

⁽¹⁾ *The Gulf Coast 2-1-1 crack spread is calculated using two barrels of LLS (Louisiana Light Sweet crude oil) producing one barrel of USGC CBOB gasoline and one barrel of USGC ultra-low sulfur diesel. 2022 shows data beginning on April 1, 2022.*

The following charts sets forth the price indexes for our crude purchases and main finished products, (a) USGC ULSD – U.S. Gulf Coast Ultra-low sulfur diesel (ULSD), which is diesel fuel containing a maximum of 15 parts per million (ppm) of sulfur; (b) USGC CBOB – U.S. Gulf Coast Conventional Blendstock for Oxygenate Blending, which means conventional

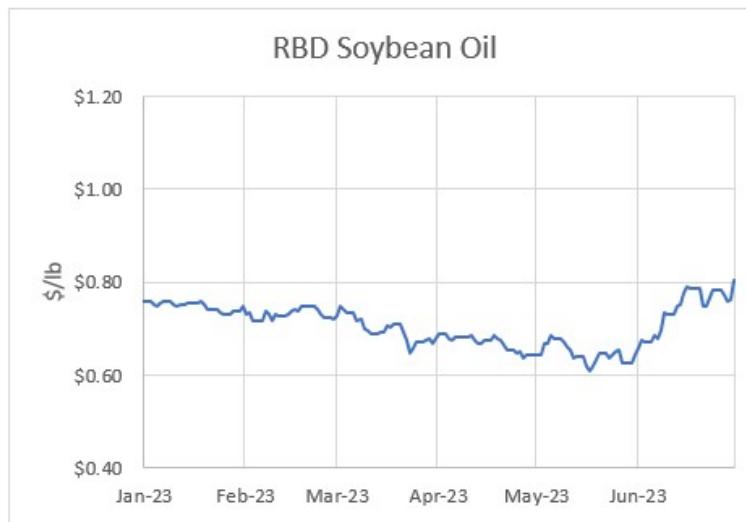
gasoline blendstock intended for blending with oxygenates downstream of the refinery where it was produced; and (c) Jet fuel produced at our Mobile Refinery, during the six months ended June 30, 2023:

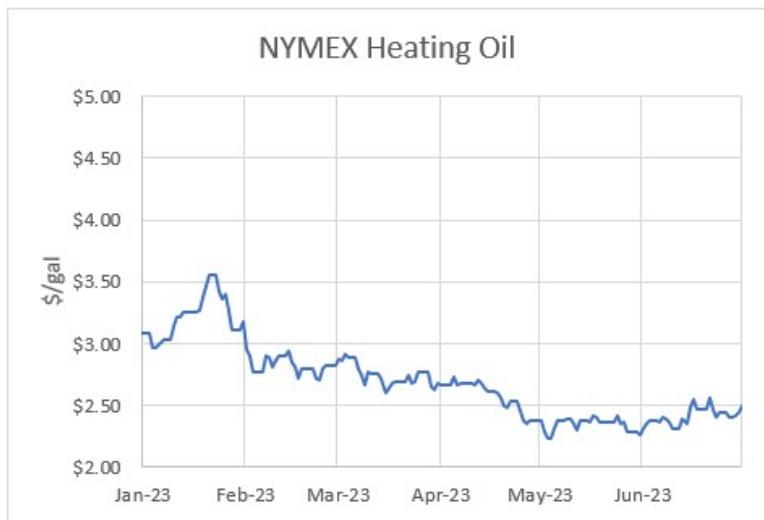




Source: Argus Media, daily benchmarking price

The following charts sets forth the price indexes for our renewable fuel feedstock purchases and main finished products, (a) RBD Soybean Oil per million (ppm) of sulfur; and (b) NYMEX Heating Oil, at our Renewable Diesel unit, during the six months ended June 30, 2023:





Source: Argus Media, daily benchmarking price

Our production and sales of lower value products such as naphtha, VGO, LPGs and sulfur also impact our results of operations, especially when crude prices are high. Our results of operations are also significantly affected by our direct operating expenses, especially our labor costs. Safety, reliability and the environmental performance of our refineries' operations are critical to our financial performance.

We operate two business segments: the Refining and Marketing segment and the Black Oil and Recovery segment. The table below shows our product categories by segment. For a further description of individual products, please refer to the Glossary of terms at the beginning of this document.

	Refining and Marketing ⁽¹⁾	Black Oil and Recovery ⁽²⁾
Gasolines	X	
Jet Fuel	X	
Distillates	X	
Base oil		X
VGO/Marine fuel	X	X
Other refined products ⁽³⁾	X	X
Pygas	X	
Metals ⁽⁴⁾		X
Other re-refined products ⁽⁵⁾	X	X
Terminalling	X	
Oil collection services		X

⁽¹⁾ The Refining and Marketing segment consists primarily of the sale of refined hydrocarbon products such as gasoline, distillates, jet fuel, and intermediates refined at the Mobile Refinery and pygas; and industrial fuels, which are produced at a third-party facility (Monument Chemical). During the second quarter of 2023, the Mobile Refinery began processing soybean oil into renewable diesel.

⁽²⁾ The Black Oil segment continued operations consist primarily of the sale of (a) other re-refinery products, recovered products, and used motor oil; (b) specialty blending and packaging of lubricants, (c) transportation revenues; and (d) the sale of VGO (vacuum gas oil)/marine fuel; (e) petroleum products which include base oil and industrial fuels—which consist of used motor oils, cutterstock and fuel oil generated by our facilities; (f) oil collection services—which consist of used oil sales, burner

fuel sales, antifreeze sales and service charges; (g) the sale of other re-refinery products including asphalt, condensate, recovered products, and used motor oil; (h) sale of ferrous and non-ferrous recyclable Metal(s) products that are recovered from manufacturing and consumption; and (i) revenues generated from trading/marketing of Group III Base Oils. On February 1, 2023, the Company sold its Heartland Assets and Operations (which formed a part of the Black Oil segment), and as such, has determined to present only the Company's Heartland Assets and Operations as discontinued operations.

(3) Other refinery products include the sales of renewable diesel, base oil, cutterstock and hydrotreated VGO, naphtha, LPGs, sulfur and vacuum tower bottoms (VTB).

(4) Metals consist of recoverable ferrous and non-ferrous recyclable metals from manufacturing and consumption. Scrap metal can be recovered from pipes, barges, boats, building supplies, surplus equipment, tanks, and other items consisting of metal composition. These materials are segregated, processed, cut-up and sent back to a steel mill for re-purposing.

(5) Other re-refinery products include the sales of asphalt, condensate, recovered products, and other petroleum products.

Results of Operations

The following discussion includes comments and analysis relating to our results of operations. This discussion should be read in conjunction with “[Item 1, Financial Statements](#)” and is intended to provide investors with a reasonable basis for assessing our historical operations, however, it should not serve as the only criteria for predicting our future performance.

Consolidated Results of Operations

Set forth below are our results of operations for the three and six months ended June 30, 2023, as compared to the same periods in 2022 (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Variance	2023	2022	Variance
Revenues	\$ 734,893	\$ 1,029,369	\$ (294,476)	\$ 1,426,035	\$ 1,103,906	\$ 322,129
Cost of revenues (exclusive of depreciation and amortization shown separately below)	729,649	1,007,143	(277,494)	1,349,001	1,068,133	280,868
Depreciation and amortization attributable to costs of revenues	6,630	4,063	2,567	10,967	5,090	5,877
Gross profit (loss)	(1,386)	18,163	(19,549)	66,067	30,683	35,384
Operating expenses:						
Selling, general and administrative expenses	42,636	40,748	1,888	84,578	52,897	31,681
Depreciation and amortization attributable to operating expenses	1,028	1,127	(99)	2,044	1,536	508
Total operating expenses	43,664	41,875	1,789	86,622	54,433	32,189
Loss from operations	(45,050)	(23,712)	(21,338)	(20,555)	(23,750)	3,195
Other income (expense):						
Other income (loss)	(496)	171	(667)	1,156	643	513
Gain (loss) on change in value of derivative warrant liability	9,600	(945)	10,545	415	(4,524)	4,939
Interest expense	(77,536)	(47,712)	(29,824)	(90,013)	(51,933)	(38,080)
Total other expense	(68,432)	(48,486)	(19,946)	(88,442)	(55,814)	(32,628)
Loss from continuing operation before income tax	(113,482)	(72,198)	(41,284)	(108,997)	(79,564)	(29,433)
Income tax benefit	28,688	—	28,688	27,676	—	27,676
Loss from continuing operations	(84,794)	(72,198)	(12,596)	(81,321)	(79,564)	(1,757)
Income from discontinued operations, net of tax	3,340	8,416	(5,076)	53,680	14,973	38,707
Net loss	(81,454)	(63,782)	(17,672)	(27,641)	(64,591)	36,950
Net income (loss) attributable to non-controlling interest and redeemable non-controlling interest from continuing operations	(53)	137	(190)	(103)	64	(167)
Net income attributable to non-controlling interest and redeemable non-controlling from discontinued operations	—	3,050	(3,050)	—	6,862	(6,862)
Net loss attributable to Vertex Energy, Inc.	\$ (81,401)	\$ (66,969)	\$ (14,432)	\$ (27,538)	\$ (71,517)	\$ 43,979

Our revenues and cost of revenues are significantly impacted by the Mobile Refinery, which was acquired on April 1, 2022, and fluctuations in commodity prices. Increases (decreases) in commodity prices typically result in increases (decreases)

in revenue and cost of revenues (i.e., feedstock costs). Additionally, from time to time, we have used hedging instruments to manage our exposure to underlying commodity prices.

Second Quarter 2023 Compared to Second Quarter 2022 Discussion

During the three months ended June 30, 2023, compared to the same period in 2022, we saw a 9.2% increase in the volume of products we manage through our facilities, driven by the increased production rates at our Mobile Refinery. In addition, as a result of start up procedures in our renewable diesel facility, we experienced approximately \$20 million of one-time expenses incurred as a result of the repair and resumed start-up procedures. We also saw an increase in operating costs (inclusive of depreciation and amortization) on a per barrel basis for the second quarter of 2023 as compared to the same period in 2022 due to increases in prices of direct materials and indirect costs. Management of operating costs is critical to our ability to remain competitive in the marketplace, we continue to experience inflationary pressures across numerous cost categories. The key areas of impact are around transportation, labor, as well as fuel and energy related expenses.

During the three months ended June 30, 2023, total revenues decreased approximately \$294.5 million compared to the same period in 2022, which was the result of decreased finished product prices; of which the highs and lows are disclosed in the charts above.

During the three months ended June 30, 2023, total cost of revenues (exclusive of depreciation and amortization) decreased approximately \$277.5 million, which was the result of a decrease in commodity price, compared to the same period ended June 30, 2022, which impacted our feedstock costs. Our cost of revenues is a function of the ultimate price we pay to acquire feedstocks, principally crude oil, inventory financing costs, and RD volume obligation expenses.

Total operating expenses (excluding depreciation and amortization) increased approximately \$1.9 million for the three months ended June 30, 2023, compared to the same prior year's period, the increase is caused by the operation of the Renewable Diesel unit.

For the three months ended June 30, 2023, total depreciation and amortization expense attributable to cost of revenues decreased \$2.6 million compared to the three months ended June 30, 2022, the increase is due to the Renewable Diesel unit, which was placed in service in April 2023.

Additionally, our per barrel margin decreased 141% for the three months ended June 30, 2023, relative to the three months ended June 30, 2022. Our per barrel margin is calculated by dividing the total volume of product sold (in bbls) by total gross profit for the applicable period (a \$1.4 million loss for the quarter ended June 30, 2023, versus an \$18.2 million margin for the quarter ended June 30, 2022). This decrease was largely a result of the inflation during the three months ended June 30, 2023, as well as compression in product spreads compared to the same period during 2022.

The Gulf Coast 2-1-1 crack spread averaged \$23.60 per barrel during the three months ended June 30, 2023. We use crack spreads as a performance benchmark for our Mobile refining gross margin and as a comparison with other industry participants. The Gulf Coast 2-1-1 crack spread is calculated using two barrels of LLS (Louisiana Light Sweet crude oil) producing one barrel of USGC CBOB gasoline and one barrel of USGC ultra-low sulfur diesel.

Overall, commodity prices were lower for the three months ended June 30, 2023, compared to the same period in 2022. For example, the average posting (U.S. Gulfcoast Residual Fuel No. 6 3%) for the three months ended June 30, 2023, decreased 33% per barrel from a three-month average of \$94.11 for the three months ended June 30, 2022, to \$63.15 per barrel for the three months ended June 30, 2023. The average posting (U.S. Gulfcoast Unleaded 87 Waterborne) for the three months ended June 30, 2023 decreased \$48.93 per barrel from a three-month average of \$154.35 for the three months ended June 30, 2022 to \$105.42 per barrel for the three months ended June 30, 2023.

We had interest expense of \$77.5 million for the three months ended June 30, 2023, compared to interest expense of \$47.7 million for the three months ended June 30, 2022, an increase of \$29.8 million. This increase was due to the accretion of Convertible Senior Note costs and interest expenses associated with the \$79.9 million Convertible Senior Note exchange which closed on June 12, 2023.

We had an approximately \$9.6 million gain on change in value of derivative liability for the three months ended June 30, 2023, in connection with the warrants granted in connection with the Term Loan issued on April 1, 2022 (warrants to purchase 2.75 million shares) and May 26, 2022 (warrants to purchase 0.25 million shares), compared to a loss on change in the value of our warrant derivative liability of \$0.9 million in the prior year's period. This change was mainly due to the fluctuation in the market price of our common stock (and more specifically the decrease in the market price of our common stock during

the current period, compared to the prior period), warrant exchanges, and non-cash accounting adjustments in connection therewith.

We had a net loss from continuing operations of approximately \$84.8 million for the three months ended June 30, 2023, compared to a net loss from continuing operations of \$72.2 million for the three months ended June 30, 2022, an increase in net loss from continuing operations of \$12.6 million. The main reason for the increase in net loss from continuing operations for the three months ended June 30, 2023, compared to the three months ended June 30, 2022, was attributable to accretion related to the exchange of convertible notes and decreased margins due to lower crackspreads in the refined products we sell.

Year To Date 2023 Compared to Year To Date 2022 Discussion

Comparability of consolidated results of operations between the six months ended June 30, 2023 and 2022 are affected by the operations of the Mobile Refinery, which we owned for only three of the six months ended June 30, 2022. See Refining and Marketing segment tables that segregate the impact of the Mobile Refinery for this period.

During the six months ended June 30, 2023, compared to the same period in 2022, we saw a 51.6% increase in the volume of products we manage through our facilities (mainly as a result of the Mobile Refinery acquisition and increased volumes processed through such facility). In addition, we saw an increase in operating costs (inclusive of depreciation and amortization) on a per barrel basis for the first six months of 2023 as compared to the same period in 2022, due to the increased price of direct material and indirect costs, as well as the addition of the Mobile Refinery during the second quarter of 2022. Management of operating costs is critical to our ability to remain competitive in the marketplace, we continue to experience inflationary pressures across numerous cost categories. The key areas of impact are around transportation, labor, as well as fuel and energy related expenses.

During the six months ended June 30, 2023, total revenues increased approximately \$322.1 million compared to the same period in 2022, which was mainly due to the operation from the Mobile Refinery for only three months in 2022.

During the six months ended June 30, 2023, total cost of revenues (exclusive of depreciation and amortization) increased approximately \$280.9 million, mainly due to the operation of the Mobile Refinery for only three months in 2022. Our cost of revenues is a function of the ultimate price we are required to pay to acquire feedstocks, principally crude oil, inventory financing costs, and other maintenance as well as logistics costs at our facilities.

For the six months ended June 30, 2023, total depreciation and amortization expense attributable to cost of revenues was \$11.0 million, compared to \$5.1 million for the six months ended June 30, 2022, an increase of \$5.9 million, mainly due to Mobile Refinery assets and additional investments in rolling stock and facility assets acquired during 2022, partially offset by depreciation of the RD project capitalized in May 2023.

Total operating expenses (excluding depreciation and amortization) increased approximately \$31.7 million for the six months ended June 30, 2023, compared to the same prior year's period, of which \$24.7 million was associated with the Q1 operation of Mobile Refinery in 2023 and \$7.1 million was associated with the operation of the Renewable Diesel unit in Q2 2023.

Additionally, our per barrel margin increased 93% for the six months ended June 30, 2023, relative to the six months ended June 30, 2022. Our per barrel margin is calculated by dividing the total volume of product sold (in bbls) by total gross profit for the applicable period (\$66.1 million for the period ended June 30, 2023, versus \$30.7 million for the period ended June 30, 2022). This increase was largely a result of the operation of the Mobile Refinery during the first quarter of 2023, which was not part of our operations during the first quarter of 2022.

The Gulf Coast 2-1-1 crack spread averaged \$27.59 per barrel during the six months ended June 30, 2023. We use crack spreads as a performance benchmark for our Mobile refining gross margin and as a comparison with other industry participants. The Gulf Coast 2-1-1 crack spread is calculated using two barrels of LLS (Louisiana Light Sweet crude oil) producing one barrel of USGC CBOB gasoline and one barrel of USGC ultra-low sulfur diesel.

Overall, commodity prices were lower for the six months ended June 30, 2023, compared to the same period in 2022. For example, the average posting (U.S. Gulfcoast Residual Fuel No. 6 3%) for the six months ended June 30, 2023, decreased 32% per barrel from a six-month average of \$88.78 for the six months ended June 30, 2022, to \$60.22 per barrel for the six months ended June 30, 2023. The average posting (U.S. Gulfcoast Unleaded 87 Waterborne) for the six months ended June 30, 2023, decreased \$29.46 per barrel from a six-month average of \$135.47 for the six months ended June 30, 2022 to \$106.01 per barrel for the six months ended June 30, 2023.

We had interest expense of \$90.0 million for the six months ended June 30, 2023, compared to interest expense of \$51.9 million for the six months ended June 30, 2022, an increase of \$38.1 million. This increase was due to the accretion of deferred loan costs associated with the exchange of Convertible Senior Notes on June 12, 2023.

We had an approximately \$0.4 million gain on change in value of warrant derivative liability for the six months ended June 30, 2023, in connection with the warrants granted in connection with the Term Loan issued on April 1, 2022 (warrants to purchase 2.75 million shares, of which warrants to purchase 2.58 million shares remain outstanding) and May 26, 2022 (warrants to purchase 0.25 million shares), compared to a loss on change in the value of our warrant derivative liability of \$4.5 million in the prior year's period. This change was mainly due to the fluctuation in the market price of our common stock (and more specifically the increase in the market price of our common stock during the current period, compared to the prior period), warrant exchanges, and non-cash accounting adjustments in connection therewith.

We had a net loss from continuing operations of approximately \$81.3 million for the six months ended June 30, 2023, compared to net loss from continuing operations of \$79.6 million for the six months ended June 30, 2022, an increase in net loss from continuing operations of \$1.8 million. The main reason for the increase in net loss from continuing operations for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, was attributable to the loss from the Renewable Diesel unit operation and low commodity prices for the six months ended June 30, 2023.

Refining and Marketing Segment

Since April 1, 2022, the Refining and Marketing segment has generated most of its revenues from the sales of petroleum refined products processed at the Mobile Refinery. The Mobile Refinery processes crude oils into refined finished products which include gasolines, distillates including jet fuel, LPGs, and other residual fuels such as VTBs, VGO, olefins, reformate and sulfur. On May 27, 2023, the Mobile Refinery began processing soybean oil into RD. We market these finished products across the southeastern United States through a high-capacity truck rack, together with deep and shallow water distribution points capable of supplying waterborne vessels. Most of the Mobile Refinery production is sold to Macquarie Energy North America Trading Inc ("Macquarie"), under the Inventory Financing Agreement. See "[Note 10. Inventory Financing Agreement](#)" of our Notes to Consolidated Financial Statements, included under "[Item 1 Financial Statements](#)".

The Refining and Marketing segment also includes revenues from gathering hydrocarbon streams in the form of petroleum distillates, transmix and other chemical products that have become off-specification during the transportation or refining process. These feedstock streams are purchased from pipeline operators, refineries, chemical processing facilities and third-party providers, and then processed at a third-party facility under our direction. The end products are typically three distillate petroleum streams (gasoline blendstock, pygas and fuel oil cutterstock), which are sold to major oil companies or to large petroleum trading and blending companies. The end products are delivered by barge and truck to customers. Additionally, this segment includes the wholesale distribution of gasoline, blended gasoline, and diesel for use as engine fuel to operate automobiles, trucks, locomotives, and construction equipment.

Results from operations from the Mobile Refinery have substantially changed our overall revenue, cost of revenue, net income, and earnings before interest, taxes, depreciation, and amortization. During the three months ended June 30, 2023, the Mobile Refinery generated 93% of our total consolidated revenue. Set forth below are our results of operations and certain key performance indicators disaggregated to show the Mobile Refinery on a stand-alone basis to facilitate comparability between periods (in thousands, except key performance indicators):

Refining and Marketing Segment (in thousands)	Three Months Ended June 30,					
	2023			2022		
	Mobile Refinery	Legacy Refining and Marketing	Total Refining and Marketing	Mobile Refinery	Legacy Refining and Marketing	Total Refining and Marketing
Revenues	\$ 683,604	\$ 27,815	\$ 711,419	\$ 922,196	\$ 44,194	\$ 966,390
Cost of revenues (exclusive of variable production costs and depreciation and amortization shown separately below)	655,934	26,261	682,195	900,694	42,524	943,218
Variable production costs attributable to costs of revenues	28,763	—	28,763	16,466	—	16,466
Depreciation and amortization attributable to costs of revenues	5,369	199	5,568	2,986	119	3,105
Gross profit (loss)	(6,462)	1,355	(5,107)	2,050	1,551	3,601
Operating expenses						
Selling general and administrative expense	30,375	2,594	32,969	22,043	1,636	23,679
Depreciation and amortization attributable to operating expenses	750	72	822	736	93	829
Total operating expenses	31,125	2,666	33,791	22,779	1,729	24,508
Loss from operations	(37,587)	(1,311)	(38,898)	(20,729)	(178)	(20,907)
Other income (expenses)						
Interest income	—	—	—	18	—	18
Interest expense	(4,529)	—	(4,529)	(3,250)	—	(3,250)
Net loss	\$ (42,116)	\$ (1,311)	\$ (43,427)	\$ (23,961)	\$ (178)	\$ (24,139)
Refining adjusted EBITDA *	\$ (28,207)	\$ (1,015)	\$ (29,222)	\$ 77,752	\$ 34	\$ 77,786
Key performance indicators:						
Fuel Gross Margin *	\$ 52,650	n/a	n/a	\$ 157,906	n/a	n/a
Adjusted Gross Margin*	\$ (3,201)	n/a	n/a	\$ 73,003	n/a	n/a
Fuel Gross Margin Per Barrel of Throughput ^{(2)*}	\$ 7.34	n/a	n/a	\$ 24.14	n/a	n/a
Adjusted Gross Margin Per Barrel of Throughput ^{(2)*}	\$ (0.45)	n/a	n/a	\$ 11.12	n/a	n/a
USGC 2-1-1 Crack Spread Per Barrel ⁽³⁾	\$ 23.60	n/a	n/a	\$ 45.06	n/a	n/a
Variable Production Costs Per Barrel of Throughput	\$ 4.01	n/a	n/a	\$ 2.60	n/a	n/a
Operating Expenses Per Barrel of Throughput ⁽⁴⁾	\$ 4.23	n/a	n/a	\$ 3.36	n/a	n/a

Refining and Marketing Segment (in thousands)	Six Months Ended June 30,					
	2023			2022		
	Mobile Refinery ⁽¹⁾	Legacy Refining and Marketing	Total Refining and Marketing	Mobile Refinery	Legacy Refining and Marketing	Total Refining and Marketing
Revenues	\$ 1,316,296	\$ 54,451	\$ 1,370,747	\$ 922,196	\$ 78,913	\$ 1,001,109
Cost of revenues (exclusive of variable production costs and depreciation and amortization shown separately below)	1,198,760	51,995	1,250,755	900,694	75,610	976,304
Variable production costs attributable to costs of revenues	50,015	—	50,015	16,466	—	16,466
Depreciation and amortization attributable to costs of revenues	8,513	349	8,862	2,986	242	3,228
Gross profit	59,008	2,107	61,115	2,050	\$ 3,061	\$ 5,111
Operating expenses						
Selling general and administrative expense	55,056	4,399	59,455	22,043	2,761	24,804
Depreciation and amortization attributable to operating expenses	1,486	144	1,630	736	198	934
Total operating expenses	56,542	4,543	61,085	22,779	2,959	25,738
Income (loss) from operations	2,466	(2,436)	30	(20,729)	102	(20,627)
Other income (expenses)						
Interest income	—	—	—	18	—	18
Interest expense	(8,405)	—	(8,405)	(3,250)	—	(3,250)
Net income (loss)	\$ (5,939)	\$ (2,436)	\$ (8,375)	\$ (23,961)	\$ 102	\$ (23,859)
Refining adjusted EBITDA *	\$ 13,624	\$ (1,984)	\$ 11,640	\$ 77,752	\$ 543	\$ 78,295
Key performance indicators:						
Fuel Gross Margin *	\$ 156,452	n/a	n/a	\$ 157,906	n/a	n/a
Adjusted Gross Margin*	\$ 60,167	n/a	n/a	\$ 73,003	n/a	n/a
Fuel Gross Margin Per Barrel of Throughput ^{(2)*}	\$ 11.51	n/a	n/a	\$ 24.14	n/a	n/a
Adjusted Gross Margin Per Barrel of Throughput ^{(2)*}	\$ 4.43	n/a	n/a	\$ 11.12	n/a	n/a
USGC 2-1-1 Crack Spread Per Barrel ⁽³⁾	\$ 27.59	n/a	n/a	\$ 45.06	n/a	n/a
Variable Production Costs Per Barrel of Throughput ⁽⁵⁾	\$ 3.68	n/a	n/a	\$ 2.60	n/a	n/a
Operating Expenses Per Barrel of Throughput ⁽⁴⁾	\$ 4.05	n/a	n/a	\$ 3.36	n/a	n/a

* See “Non-GAAP Financial Measures” below.

⁽¹⁾ Includes the operations of the renewable diesel unit beginning in May 27, 2023.

⁽²⁾ Fuel gross margin per throughput barrel is calculated as fuel gross margin divided by total throughput barrels for the period presented. Adjusted gross margin per throughput barrel is calculated as adjusted gross margin divided by total throughput barrels for the periods presented. These calculations are nominal to the legacy business.

⁽³⁾ The crack spread USGC 2-1-1 is a measure of the difference between market prices for refined products and crude oil, commonly used by the refining industry. We use crack spreads as a performance benchmark for our fuel gross margin and as a comparison with other industry participants. Crack spreads can fluctuate significantly, particularly when prices of refined products do not move in the same direction as the cost of crude oil. To calculate the crack spread we believe most closely relates to the crude intakes and products at the Mobile Refinery, we use two barrels of Louisiana Light Sweet crude oil, producing one barrel of USGC CBOB gasoline (U.S. Gulf Coast Conventional Blendstock for Oxygenate Blending, which means conventional gasoline blendstock intended for blending with oxygenates downstream of the refinery where it was

produced) and one barrel of USGC ULSD (U.S. Gulf Coast Ultra-low sulfur diesel (ULSD), which is diesel fuel containing a maximum of 15 parts per million (ppm) of sulfur). These calculations are nominal to the legacy business.

⁽⁴⁾ Operating expenses per throughput barrel are calculated as operating expenses minus depreciation and amortization divided by total throughput barrels for the period presented. These calculations are nominal to the legacy business.

⁽⁵⁾ Variable production costs per barrel of throughput are calculated by dividing variable production costs attributable to cost of revenues by total throughput barrels for the period presented. Included in variable production costs attributable to cost of revenues are personnel costs, utilities, repair and maintenance costs, and other miscellaneous costs to operate the refinery. These calculations are nominal to the legacy business.

The following table shows average throughput and product yield at the Mobile Refinery for the three and six months ended June 30, 2023 and 2022.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Refinery throughput (bpd)				
Crude oil	76,330	72,133	73,843	72,133
Soybean oil ⁽¹⁾	2,490	—	1,252	—
Total throughput	78,820	72,133	75,095	72,133
Refinery Yields (bpd)				
Gasolines	17,812	17,997	16,774	17,997
Distillates	15,618	19,420	15,171	19,420
Jet fuel	13,570	10,692	13,182	10,692
Other ⁽²⁾	29,828	23,646	27,983	23,646
Renewable diesel	2,208	—	1,110	—
Total yields	79,036	71,755	74,220	71,755

⁽¹⁾ The renewable diesel unit became operational on May 27, 2023. Total throughput barrels from May 27 through June 30, 2023 were 226,614. Total production of soybean oil for the period was 200,908 bbls.

⁽²⁾ Other includes intermediates and LPGs.

Second Quarter 2023 Compared to Second Quarter 2022 Discussion

Revenues from the Mobile Refinery were \$683.6 million during the second quarter in 2023, compared to revenues of \$922.2 million during the same period in 2022. Production volume increased 9.98% from 6.5 million barrels in 2022 to 7.2 million barrels in 2023. Legacy Refining and Marketing revenues decreased \$16.4 million, volumes were up 1 percent while commodity prices decreased during the three months ended June 30, 2023, as compared to the same period in 2022.

Gross loss for the segment was \$5.1 million for three months ended June 30, 2023, of which \$6.5 million was related to the Mobile Refinery, offset by income on our legacy operations. Our Legacy Refining and Marketing business experienced a decrease in gross profit of \$0.2 million primarily due to lower commodity prices.

The Mobile Refinery had \$30.4 million in operational expenses excluding depreciation and amortization expenses for the 2023 period, representing 92.1% of the total segment. The increase of \$1.0 million quarter-over-quarter from the legacy Refining and Marketing business was primarily due to the higher inflation in 2023, compared to the same period in 2022.

Interest expense for the segment of \$4.5 million for the second quarter 2023 included \$2.6 million related to our inventory financing agreement and \$1.5 million related to a capitalized equipment lease. Interest expense was \$3.3 million for the same period of 2022, of which \$1.8 million related to inventory financing agreement and \$1.4 million related to a capitalized equipment lease.

Renewable Diesel - The previously disclosed feed system repairs and subsequent longer-than-expected startup period for the renewable diesel unit contributed to higher operational expenses for the second quarter of 2023. This, combined with the increased soybean oil feedstock costs experience in recent months, resulted in diminished profitability on a per-barrel basis for our renewable diesel production during the quarter ended June 30, 2023. We remain optimistic about the profitability of renewable fuels on an longer term, which is expected to benefit from the receipt of all available credits for renewable diesel production, optimized steady-state operations, and implementation of a flexible, lower-cost variable feedstock strategy. Due to the transitory nature of renewable diesel operations for the second quarter of 2023, financial results derived from renewable diesel production have been incorporated with conventional production collectively under our Mobile Refinery segment. Going forward, the Company expects to report financials for renewable fuels under a separate renewables segment, beginning with the third quarter of 2023 and on an on-going basis.

Year To Date 2023 Compared to Year To Date 2022 Discussion

Revenues from the Mobile Refinery were \$1,316.3 million for the six months ended June 30, 2023, compared to \$922.2 million of revenue for the same period in 2022. Production volume decreased 0.1% from 14.0 million barrels in 2022 to 13.1 million barrels in 2023. Legacy Refining and Marketing revenues decreased \$24.5 million, volumes were down 1 percent while commodity prices decreased during the six months ended June 30, 2023, as compared to the same period in 2022.

Gross profit for the segment was \$61.1 million for the six months ended June 30, 2023, of which \$59.0 million was related to the Mobile Refinery. Our Legacy Refining and Marketing business experienced a decrease in gross profit of \$1.0 million primarily due to lower commodity prices.

The Mobile Refinery had \$55.1 million in operational expenses excluding depreciation and amortization expenses for the 2023 period, representing 93.6% of the total segment. The increase of \$1.6 million for the six months ended June 30, 2023, compared to the 2022 period, from the legacy Refining and Marketing business was primarily due to the higher inflation in 2023, compared to the same period in 2022.

Interest expense for the segment of \$8.4 million for the six months ended June 30, 2023 included \$5.1 million related to our inventory financing agreement and \$2.9 million related to a capitalized equipment lease. There was no comparable activity for the same period in 2022, due to the Mobile Refinery acquired on April 1, 2022.

Non-GAAP Financial Measures

In addition to our results calculated under generally accepted accounting principles in the United States (“GAAP”), in this Report we also present Adjusted Gross Margin, Fuel Gross Margin, Fuel Gross Margin Per Barrel of Throughput, Adjusted Gross Margin Per Barrel of Throughput and Refining Adjusted EBITDA collectively, the “Non-GAAP Financial Measures”), each as discussed in greater detail below. The Non-GAAP Financial Measures are “non-GAAP financial measures” presented as supplemental measures of the Company’s performance. They are not presented in accordance with GAAP. We use the Non-GAAP Financial Measures as supplements to GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, to allocate resources and to compare our performance relative to our peers. Additionally, these measures, when used in conjunction with related GAAP financial measures, provide investors with an additional financial analytical framework which management uses, in addition to historical operating results, as the basis for financial, operational and planning decisions and present measurements that third parties have indicated are useful in assessing the Company and its results of operations. The Non-GAAP Financial Measures are presented because we believe they provide additional useful information to investors due to the various noncash items during the period. Non-GAAP financial information similar to the Non-GAAP Financial Measures is also frequently used by analysts, investors and other interested parties to evaluate companies in our industry.

The Non-GAAP Financial Measures are unaudited, and have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our operating results as reported under U.S. GAAP. Some of these limitations are: the Non-GAAP Financial Measures do not reflect cash expenditures, or future requirements for capital expenditures, or contractual commitments; the Non-GAAP Financial Measures do not reflect changes in, or cash requirements for, working capital needs; the Non-GAAP Financial Measures do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on debt or cash income tax payments; although depreciation and amortization are noncash charges, the assets being depreciated and amortized will often have to be replaced in the future, the Non-GAAP Financial Measures do not reflect any cash requirements for such replacements; the Non-GAAP Financial Measures represent only a portion of our total operating results; and other companies in this industry may calculate the Non-GAAP Financial Measures differently than we do, limiting their usefulness as a comparative measure.

You should not consider the Non-GAAP Financial Measures in isolation, or as substitutes for analysis of the Company's results as reported under U.S. GAAP. The Company's presentation of these measures should not be construed as an inference that future results will be unaffected by unusual or nonrecurring items. We compensate for these limitations by providing a reconciliation of each of these non-U.S. GAAP measures to the most comparable U.S. GAAP measure below. We encourage investors and others to review our business, results of operations, and financial information in their entirety, not to rely on any single financial measure, and to view these non-U.S. GAAP measures in conjunction with the most directly comparable U.S. GAAP financial measure.

Adjusted Gross Margin.

Adjusted Gross Margin is defined as gross profit (loss) plus unrealized gain or losses on hedging activities and inventory valuation adjustments.

Fuel Gross Margin

Fuel Gross Margin is defined as gross profit (loss) plus operating expenses and depreciation attributable to cost of revenues and other non-fuel items included in costs of revenues including realized and unrealized gain or losses on hedging activities, Renewable Fuel Standard (RFS) costs (mainly related to Renewable Identification Numbers (RINs)), inventory valuation adjustments, fuel financing costs and other revenues and cost of sales items.

Fuel Gross Margin Per Barrel of Throughput.

Fuel Gross Margin Per Barrel of Throughput is calculated as fuel gross margin divided by total throughput barrels for the period presented.

Adjusted Gross Margin Per Barrel of Throughput.

Adjusted Gross Margin Per Barrel Throughput is calculated as adjusted gross margin divided by total throughput barrels for the period presented.

Refining Adjusted EBITDA.

Refining Adjusted EBITDA represents net income (loss) from operations plus unrealized gain or losses on hedging activities, RFS costs (mainly RINs), and inventory adjustments, depreciation and amortization, interest expense, and certain other unusual or non-recurring charges included in selling, general, and administrative expenses.

The following tables reconcile GAAP gross profit to Adjusted Gross Margin, Fuel Gross Margin, Fuel Gross Margin per Barrel of Throughput, Adjusted Gross Margin per Barrel of Throughput and Refining Adjusted EBITDA for the periods presented (in thousands):

Three Months Ended June 30,						
	2023			2022		
	Mobile Refinery	Legacy Refining and Marketing	Total Refining and Marketing	Mobile Refinery	Legacy Refining and Marketing	Total Refining and Marketing
Gross profit (loss)	\$ (6,462)	\$ 1,355	\$ (5,107)	\$ 2,050	\$ 1,551	\$ 3,601
Unrealized loss on hedging activities	3,762	25	3,787	47,773	—	47,773
Inventory valuation adjustments	(501)	—	(501)	23,180	—	23,180
Adjusted Gross Margin	(3,201)	1,380	(1,821)	73,003	1,551	74,554
Variable production costs included in cost of revenues	28,763	—	28,763	16,466	—	16,466
Depreciation and amortization attributable to costs of revenues	5,369	199	5,568	2,986	119	3,105
RFS expense (mainly RINs)	25,410	—	25,410	20,388	—	20,388
Realized loss on hedging activities	138	(50)	88	46,135	—	46,135
Financing costs (include over/under)	(29)	—	(29)	1,235	—	1,235
Other revenues	(3,800)	—	(3,800)	(2,307)	—	(2,307)
Fuel Gross Margin	<u>\$ 52,650</u>	<u>\$ 1,529</u>	<u>\$ 54,179</u>	<u>\$ 157,906</u>	<u>\$ 1,670</u>	<u>\$ 159,576</u>
Throughput (bpd)	78,820	n/a	n/a	72,133	n/a	n/a
Fuel Gross Margin Per Barrel of Throughput	<u>\$ 7.34</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 24.14</u>	<u>n/a</u>	<u>n/a</u>
Adjusted Gross Margin Per Barrel of Throughput	<u>\$ (0.45)</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 11.12</u>	<u>n/a</u>	<u>n/a</u>
Net loss	\$ (42,116)	\$ (1,311)	\$ (43,427)	\$ (23,961)	\$ (178)	\$ (24,139)
Unrealized loss on hedging activities	3,762	25	3,787	47,773	—	47,773
Depreciation and amortization	6,119	271	6,390	3,722	212	3,934
Interest expenses	4,529	—	4,529	3,250	—	3,250
Inventory valuation adjustment	(501)	—	(501)	23,180	—	23,180
Acquisition costs	—	—	—	9,078	—	9,078
Environmental reserve	—	—	—	1,428	—	1,428
Loss opportunity on initial purchase of inventory	—	—	—	13,282	—	13,282
Refining Adjusted EBITDA	<u>\$ (28,207)</u>	<u>\$ (1,015)</u>	<u>\$ (29,222)</u>	<u>\$ 77,752</u>	<u>\$ 34</u>	<u>\$ 77,786</u>

Six Months Ended June 30,						
	2023			2022		
	Mobile Refinery	Legacy Refining and Marketing	Total Refining and Marketing	Mobile Refinery	Legacy Refining and Marketing	Total Refining and Marketing
Gross profit	\$ 59,008	\$ 2,107	\$ 61,115	\$ 2,050	\$ 3,061	\$ 5,111
Unrealized (gain) loss on hedging activities	3,192	(42)	3,150	47,773	—	47,773
Inventory valuation adjustments	(2,033)	—	(2,033)	23,180	—	23,180
Adjusted Gross Margin	60,167	2,065	62,232	73,003	3,061	76,064
Variable production costs included in cost of revenues	50,015	—	50,015	16,466	—	16,466
Depreciation and amortization attributable to costs of revenues	8,513	349	8,862	2,986	242	3,228
RFS expense (mainly RINs)	41,525	—	41,525	20,388	—	20,388
Realized (gain) loss on hedging activities	(301)	(81)	(382)	46,135	—	46,135
Financing costs	2,266	—	2,266	1,235	—	1,235
Other revenues	(5,733)	—	(5,733)	(2,307)	—	(2,307)
Fuel Gross Margin	<u>\$ 156,452</u>	<u>\$ 2,333</u>	<u>\$ 158,785</u>	<u>\$ 157,906</u>	<u>\$ 3,303</u>	<u>\$ 161,209</u>
Throughput (bpd)	75,095	n/a	n/a	72,133	n/a	n/a
Fuel Gross Margin Per Barrel of Throughput	<u>\$ 11.51</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 24.14</u>	<u>n/a</u>	<u>n/a</u>
Adjusted Gross Margin Per Barrel of Throughput	<u>\$ 4.43</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 11.12</u>	<u>n/a</u>	<u>n/a</u>
Net income (loss)	\$ (5,939)	\$ (2,436)	\$ (8,375)	\$ (23,961)	\$ 102	\$ (23,859)
Unrealized gain on hedging activities	3,192	(42)	3,150	47,773	—	47,773
Depreciation and amortization	9,999	494	10,493	3,722	441	4,163
Interest expenses	8,405	—	8,405	3,250	—	3,250
Inventory valuation adjustment	(2,033)	—	(2,033)	23,180	—	23,180
Acquisition costs	—	—	—	9,078	—	9,078
Environmental reserve	—	—	—	1,428	—	1,428
Loss opportunity on initial purchase of inventory	—	—	—	13,282	—	13,282
Refining Adjusted EBITDA	<u>\$ 13,624</u>	<u>\$ (1,984)</u>	<u>\$ 11,640</u>	<u>\$ 77,752</u>	<u>\$ 543</u>	<u>\$ 78,295</u>

Black Oil and Recovery Segment

After the acquisition of the Mobile Refinery on April 1, 2022, the revenue of our Black Oil and Recovery segments became less than 10% of consolidated revenue. As a result, beginning with the third quarter of 2022, we decided to combine our Black Oil and Recovery segment into one segment, which is engaged in operations across the entire used motor oil recycling value chain, including refinement, collection, aggregation, transportation, storage, recovery, and sales of aggregated feedstock and re-refined products to end-users. We collect and purchase used oil directly from generators such as oil change service stations, automotive repair shops, manufacturing facilities, petroleum refineries, petrochemical manufacturing operations, and a diverse network of suppliers who operate similar collection businesses to ours. We own a fleet of collection vehicles, which routinely visit generators to collect and purchase used motor oil.

We operate a refining facility in Baytown, Texas that uses our proprietary Thermal Chemical Extraction Process (“TCEP”), and we also utilize third-party processing facilities. We use TCEP to pre-treat used oil feedstock; prior to shipping to our facility in Marrero, Louisiana, where we re-refine used motor oil and produce VGO, which is then sold via barge to crude refineries to be utilized as an intermediate feedstock in the refining process, as well as to the marine fuels market. We also operate a re-refining complex located in Belle Chasse, Louisiana (the “Myrtle Grove facility”). This facility includes ground storage tanks with over 8.6 million gallons of storage capacity. These assets are used by both the Black Oil and Refining and Marketing segments. In addition, we also utilize third parties for the transportation and storage of used oil feedstocks. In many

cases, we have contractual purchase and sale agreements with our suppliers and customers, respectively. We believe these contracts are beneficial to all parties involved because it ensures that a minimum volume is purchased from collectors and generators, a minimum volume is sold to our customers, and we are able to minimize our inventory risk by a spread between the costs to acquire used oil and the revenues received from the sale and delivery of used oil.

We also operate a generator solutions company for the proper recovery and management of hydrocarbon streams and other petroleum-based products, together with the recovery, processing and sale of ferrous and non-ferrous recyclable metal(s) products that are recovered from manufacturing and consumption.

The Black Oil and Recovery Segment includes our used motor oil business (the “UMO Business”), which includes the Heartland Assets and Operations, which is presented as discontinued operations. Refer to “[Note 23. Discontinued Operations](#)” of our Condensed Notes to Consolidated Financial Statements, included under “[Item 1. Financial Statements](#)”.

The table below shows the operating results of Black Oil and Recovery Segment for the three months and six months ended June 30, 2023 and 2022, including revenues by product (in thousands):

Black Oil and Recovery	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Variance	2023	2022	Variance
Revenues						
Refined products:						
Other refinery products (1)	\$ 21,797	\$ 56,520	\$ (34,723)	\$ 51,220	\$ 91,471	\$ (40,251)
Re-refined products:						
Metals (2)	3,027	4,962	(1,935)	6,440	9,019	(2,579)
Other re-refined products (3)	509	994	(485)	1,507	1,253	254
Services:						
Oil collection services	552	503	49	1,264	1,054	210
Revenues	25,885	62,979	(37,094)	60,431	102,797	(42,366)
Cost of revenues (exclusive of depreciation and amortization shown separately below)	23,263	47,459	(24,196)	53,681	75,363	(21,682)
Depreciation and amortization attributable to costs of revenues	1,062	958	104	2,105	1,862	243
Gross profit	1,560	14,562	(13,002)	4,645	25,572	(20,927)
Operating expenses						
Selling general and administrative expense	4,504	4,199	305	9,303	8,322	981
Depreciation and amortization attributable to operating expenses	38	46	(8)	76	104	(28)
Total operating expenses	4,542	4,245	297	9,379	8,426	953
Income (loss) from operations	(2,982)	10,317	(12,705)	(4,734)	17,146	(19,974)
Other income (expenses)						
Other income (expenses)	(499)	153	(652)	1,156	625	531
Interest expense	(28)	(51)	23	(85)	(51)	(34)
Net income (loss)	\$ (3,509)	\$ 10,419	\$ (13,334)	\$ (3,663)	\$ 17,720	\$ (19,477)

⁽¹⁾ Other refinery products are finished refined products such as VGO, LPGs, sulfur and vacuum tower bottoms (VTB).

⁽²⁾ Metals consist of recoverable ferrous and non-ferrous recyclable metals from manufacturing and consumption. Scrap metal can be recovered from pipes, barges, boats, building supplies, surplus equipment, tanks, and other items consisting of metal composition. These materials are segregated, processed, cut-up and sent back to a steel mill for re-purposing.

⁽³⁾ Other re-refinery products include the sales of asphalt, condensate, recovered products, and other petroleum products.

Second Quarter 2023 to Second Quarter 2022 Highlights:

Revenue from operations for our Black Oil and Recovery Segment decreased \$37.1 million for the three months ended June 30, 2023, compared to the same period in 2022, as a result of decreases in commodity prices and reduced volume.

Cost of revenues (exclusive of depreciation and amortization) for our Black Oil and Recovery Segment decreased \$24.2 million for the three months ended June 30, 2023, compared to the same period in 2022, primarily due to decreases in commodity prices and reduced volume.

The total loss from operation from the Black Oil and Recovery Segment was \$3.0 million for the three months ended June 30, 2023, compared to income from operations of \$10.3 million in the same period ended June 30, 2022. The change was due to the lower commodity prices and increased operating costs which were caused by the increases in inflation.

Year To Date 2023 to Year To Date 2022 Highlights:

Revenue from operations for our Black Oil and Recovery Segment decreased \$42.4 million for the six months ended June 30, 2023, compared to the same period in 2022, as a result of decreases in commodity prices and volume.

Cost of revenues (exclusive of depreciation and amortization) for our Black Oil and Recovery Segment decreased \$21.7 million for the six months ended June 30, 2023, compared to the same period in 2022, primarily due to the decreased commodity price and volume.

The total loss from operation from the Black Oil and Recovery Segment was \$4.7 million for the six months ended June 30, 2023, compared to income from operations of \$17.1 million in the same period ended June 30, 2022. The change was due to the lower commodity prices and increased salary and operating costs which were caused by the increases in inflation.

Liquidity and Capital Resources

Our primary sources of liquidity have historically included cash flow from operations, proceeds from note offerings, bank borrowings, term loans, public and private equity offerings and other financial arrangements. Uses of cash have included capital expenditures, acquisitions and general working capital needs.

The success of our business operations has been dependent on our ability to manage our margins which are a function of the difference between what we are able to pay or charge for raw materials and the market prices for the range of products produced. We also must maintain relationships with feedstock suppliers and end-product customers (including Shell, Macquarie and others), and operate with efficient management of overhead costs. Through these relationships, we have historically been able to achieve volume discounts in the procurement of our feedstock, thereby increasing the margins of our segments' operations. The resulting operating cash flow is crucial to the viability and growth of our existing business lines.

We had total assets of approximately \$855.2 million as of June 30, 2023, compared to \$689.4 million at December 31, 2022. The increase was mainly due to the investment in our RD project at the Mobile Refinery, right of use assets that were acquired via operating lease and financing leases, and increases in accounts receivable and inventory levels, due to the increases in product volumes during the six months ended June 30, 2023.

We had total current liabilities of approximately \$340.6 million as of June 30, 2023, compared to \$248.6 million at December 31, 2022. We had total liabilities of \$613.7 million as of June 30, 2023, compared to total liabilities of \$524.0 million as of December 31, 2022. The increase in current liabilities was mainly due to increases in accounts payable, accrued liabilities and inventory financing obligation as a result of the timing schedule of payments, and the increase in long-term liabilities was mainly due to the increased right of use liabilities related to operating and finance leases, during the three and six months ended June 30, 2023, compared to December 31, 2022.

We had working capital of approximately \$31.1 million as of June 30, 2023, compared to working capital of \$124.8 million as of December 31, 2022. The decrease in working capital from December 31, 2022, to June 30, 2023, is mainly due to the decrease in cash and increase in accounts payable, accrued liabilities and obligations under the inventory financing agreement during the three and six months ended June 30, 2023, offset by the increase in accounts receivable, inventory and prepaid expenses.

During the first half of 2023, average refining margins continued shrinking compared to the last three quarters of 2022. Global prices for refined products, especially distillates, are falling as the economy slows, more refineries come onstream, and exports from Russia are re-routed and replaced by fuel from the Middle East. During the twelve months ended June 30, 2023, the Consumer Price Energy Index in the United States decreased 16.7% impacting our gross margins. The Consumer Price All Items Index increased 3.0% for the same period impacting our operating expenses and slowing economic growth. Also, market conditions were unstable through the end of 2022 and into 2023, and we are still seeing extreme volatility in commodity pricing. Generally, the decrease in refined product pricing has had a negative impact on our business and overall liquidity.

Our future operating cash flows will vary based on a number of factors, many of which are beyond our control, including the effects of inflation, interest rates, commodity prices, the cost of recovered oil, and the ability to turn our inventory. Other factors that have affected and are expected to continue to affect earnings and cash flow are transportation, processing, and storage costs. Over the long term, our operating cash flows will also be impacted by our ability to effectively manage our administrative and operating costs. Additionally, we may incur more capital expenditures related to the Mobile Refinery in the future.

Cash Flows from Operating, Investing and Financing Activities

We believe that we have sufficient liquid assets, cash flow from operations, borrowing capacity and adequate access to capital markets to meet our financial commitments, debt service obligations and anticipated capital expenditures for at least the next 12 months. We expect that our short-term liquidity needs which include debt service, working capital, and capital expenditures related to currently planned growth projects (including Phase 2 of the ongoing renewable diesel conversion project designed to modify the Mobile Refinery's hydrocracking unit to produce renewable diesel fuel on a standalone basis) will be met through projected cash flow from operations, borrowings under our various facilities (if necessary) and asset sales, however, we may also sell equity in the future.

Our current near term plans include continuing to transition the majority of our assets and operations away from used motor oil and towards several important objectives, the combination of which we believe will advance our strategy of becoming a leading pure-play energy transition company of scale in connection with the acquisition of the Mobile Refinery. The refinery, which has a long track record of safe, reliable operations and consistent financial performance, has, effective on April 1, 2022, upon the closing of the acquisition, become our flagship refining asset, which we believe positions us to become a pure-play producer of renewable and conventional products. The addition of renewable fuels production associated with the refinery upon completion of the ongoing capital project at the refinery is anticipated to accelerate our strategic focus on "clean" refining.

The renewable diesel unit was commissioned on April 28, 2023, and mechanical completion was achieved in March 2023. The capital project modified the Mobile Refinery's existing hydrocracking unit to produce renewable diesel fuel on a standalone basis. The refinery commenced production of approximately 8,000 - 10,000 barrels per day (bpd) of renewable diesel in the second quarter of 2023, with production volumes anticipated to subsequently ramp up to approximately 14,000 bpd by the first quarter of 2024. This project seeks to capitalize on the rapidly growing demand for advanced sustainable fuels, while further expanding upon our commitment to supply lower carbon fuels solutions.

Additionally, we or our affiliates may, at any time and from time to time, retire or repurchase our outstanding Convertible Senior Notes in open-market purchases, privately negotiated transactions, refinancing or otherwise, through cash purchases and/or exchanges for equity or debt. Such repurchases, refinancings or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions, and other factors. The amounts involved may be material.

We anticipate that the market for our common stock will be subject to wide fluctuations in response to several factors moving forward, including, but not limited to:

- (1) actual or anticipated variations in our results of operations;
- (2) the market for, and volatility in, the market for oil and gas;
- (3) our ability or inability to generate new revenues; and
- (4) the status of planned acquisitions and divestitures and ongoing capital projects at our facilities.

Furthermore, because our common stock is traded on The NASDAQ Capital Market, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely

affect the market price of our common stock. Additionally, there could be extreme fluctuations in the price of our common stock.

Shareholders and potential investors in our common stock should exercise caution before making an investment in our common stock, and should not rely on the publicly quoted or traded stock prices in determining our common stock value, but should instead determine the value of our common stock based on the information contained in our public reports and industry information.

Cash flows for the six months ended June 30, 2023 and 2022, were as follows (in thousands):

	Six Months Ended June 30,	
	2023	2022
Beginning cash, cash equivalents and restricted cash	\$ 146,187	\$ 136,627
Net cash provided by (used in):		
Operating activities	(111,503)	(88,000)
Investing activities	(15,805)	(230,407)
Financing activities	33,256	279,794
Net decrease in cash, cash equivalents and restricted cash	(94,052)	(38,613)
Ending cash, cash equivalents and restricted cash	\$ 52,135	\$ 98,014

The analysis of cash flow activities below and the table above, is combined for both continued and discontinued operations, whereas the consolidated statement of cash flows included in this report includes only cash flow information for our continued operations.

Our current primary sources of liquidity are cash generated from operations, cash generated through the sale of the Heartland Assets and Operations and cash flows from borrowing capacity.

Net cash used in operating activities was approximately \$111.5 million and \$88.0 million for the six months ended June 30, 2023 and 2022, respectively. The primary reason for the increase in cash used in operating activities for the three and six month period ended June 30, 2023, compared to the same period in 2022, was the operation of the Renewable Diesel unit and the net change of current asset and liabilities associated therewith, offset by the exchange in convertible notes.

Investing activities used cash of approximately \$15.8 million for the six months ended June 30, 2023, as compared to using cash of \$230.4 million during the corresponding period in 2022, due mainly to the sale of the Heartland Assets and Operations, offset by fixed assets purchased for the Mobile Refinery during the current period.

Financing activities provided cash of approximately \$33.3 million for the six months ended June 30, 2023, as compared to using cash of \$279.8 million during the corresponding period in 2022. Financing activities for the six months ended June 30, 2023, were comprised of principal payments for the Term Loan \$24.2 million, proceeds from the insurance note payable of \$13.1 million, and for inventory financing of \$43.7 million. Financing activities for the six months ended June 30, 2022, were mainly comprised of the payment on insurance premium finance of \$7.7 million, redemption of non-controlling interest of \$50.7 million, proceeds from Term Loan of \$165.7 million and from inventory financing of \$172.7 million.

More information regarding our loan agreements, leases, insurance premium finance and Convertible Senior Notes, can be found under "[Note 15. Financing Agreement](#)" of our Condensed Notes to Consolidated Financial Statements, included under "[Item 1. Financial Statement](#)".

Critical Accounting Policies and Use of Estimates

Our financial statements are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management regularly evaluates its estimates and judgments, including those related to revenue recognition, intangible assets, long-lived assets valuation, variable interest entities, and legal matters. Actual results may differ from these estimates which may be material. “[Note 2. Summary of Critical Accounting Policies and Estimates](#)” in Part I, Item 1 of this Quarterly Report on Form 10-Q and in the Notes to Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2022 (the “[2022 Form 10-K](#)”), and “Critical Accounting Policies and Estimates” in Part II, Item 7 of the 2022 Form 10-K describe the significant accounting policies and methods used in the preparation of the Company’s financial statements. There have been no material changes to the Company’s critical accounting policies and estimates since the 2022 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

Our revenues and cost of revenues are affected by fluctuations in the value of energy-related products. We attempt to mitigate much of the risk associated with the volatility of relevant commodity prices by using our knowledge of the market to obtain feedstock at attractive costs, by efficiently managing the logistics associated with our products, by turning our inventory over quickly and by selling our products into markets where we believe we can achieve the greatest value.

Interest Rate Risk

We are exposed to interest rate risks primarily through borrowings under various bank facilities. Interest on these facilities is based upon variable interest rates using Prime as the base rate.

Commodity Price Risk

We are exposed to market risks related to the volatility of crude oil and refined oil products. Our financial results can be significantly affected by changes in these prices which are driven by global economic and market conditions. We attempt to mitigate much of the risk associated with the volatility of relevant commodity prices by using our knowledge of the market to obtain feedstock at attractive costs, by efficiently managing the logistics associated with our products, by turning our inventory over quickly, and by selling our products into markets where we believe we can achieve the greatest value.

Inflation Risk

Inflationary factors such as increases in the cost of our products and overhead costs may adversely affect our results of operations. We believe that inflation has had an impact on our financial position and results of operations to date. We continue to monitor the impact of inflation in order to minimize its effects through price increases and cost reductions. A high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general, and administrative expenses as a percentage of net revenue if the selling prices of our products do not increase in proportion with these increased costs.

RFS Compliance Price Risk

As a producer of transportation fuels from crude oil, our Refining and Marketing Segment is required to blend biofuels into the products it produces or purchase RINs in the open market in lieu of blending to meet the mandates established by the EPA. The Refining and Market Segment is exposed to market risk related to volatility in the price of RINs needed to comply with the RFS that are not otherwise generated through blending of renewable fuels in our refining and marketing operations. To mitigate the impact of this risk on the Refining and Market Segment's results of operations and cash flows, the Refining and Market Segment blends ethanol and biodiesel to the extent possible.

Compliance Program Price Risk

We are exposed to market risks related to the volatility in the price of RINs required to comply with the Renewable Fuel Standard. To the degree we are unable to blend the required amount of biofuels to satisfy our renewable volume obligation (RVO) (the volume of renewable fuels we are obligated to sell, based on a percentage of our total fuel sales), we must purchase RINs on the open market. To mitigate the impact of this risk on our results of operations and cash flows, we may purchase RINs when the price of these instruments is deemed favorable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established and maintain a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed with the SEC pursuant to the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO)(principal executive officer) and Chief Financial Officer (CFO) (principal accounting/financial officer), as appropriate, to allow timely decisions regarding required disclosures.

Management, with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. As of June 30, 2023, based on the evaluation of these disclosure controls and procedures, and in light of the material weakness we found in our internal controls over financial reporting as of December 31, 2022 (as described in greater detail in our annual report on Form 10-K for the year ended December 31, 2022), our CEO and CFO have concluded that our disclosure controls and procedures *were not effective* to provide reasonable assurance that information required to be disclosed in our reports filed with the Securities and Exchange Commission pursuant to the Exchange Act, is recorded properly, processed, summarized and reported within the time periods specified in the rules and forms of the Commission and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Remediation Efforts to Address Material Weaknesses

We believe the remedial measures described in Part II, “[Item 9A, Controls and Procedures](#)” in our Annual Report on Form 10-K for the year ended December 31, 2022, and others that may be implemented, will remediate these material weaknesses. However, these material weaknesses will not be considered formally remediated until controls have operated effectively for a sufficient period of time and management has concluded, through testing, that the controls are operating effectively.

Inherent Limitations over Internal Controls

Management, including the Company’s Chief Executive Officer and Chief Financial Officer, does not expect that the Company’s internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control Over Financial Reporting

We regularly review our system of internal control over financial reporting to ensure we maintain an effective internal control environment. There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business.

Such current litigation or other legal proceedings are described in, and incorporated by reference in, this “[Item 1. Legal Proceedings](#)” of this Form 10-Q from, “[Part I](#)” -“[Item 1. Financial Statements](#)” in the Notes to Consolidated Financial Statements in “[Note 4. Commitments and Contingencies](#)”, under the heading “[Litigation](#)”. The Company believes that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on our financial condition or results of operations. However, assessment of the current litigation or other legal claims could change in light of the discovery of facts not presently known to the Company or by judges, juries or other finders of fact, which are not in accord with management’s evaluation of the possible liability or outcome of such litigation or claims.

Additionally, the outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Company in a reporting period for amounts in excess of management’s expectations, the Company’s financial condition and operating results for that reporting period could be materially adversely affected.

Item 1A. Risk Factors

Summary Risk Factors

We face risks and uncertainties related to our business, many of which are beyond our control. In particular, risks associated with our business include:

- our need for additional funding, the availability of, and terms of, such funding;
- our ability to pay amounts due on outstanding indebtedness, covenants of such indebtedness, including restrictions on further borrowing, and security interests in connection therewith;
- the terms of our agreements with Macquarie, including termination rights associated therewith, and our ability to find a replacement partner, in the event such agreements were terminated;
- risks associated with unanticipated problems at, or downtime effecting, our facilities and those operated by third parties on which we rely;
- risks associated with our hedging activities, or our failure to hedge production;
- risks associated with our outstanding 6.25% Convertible Senior Notes due 2027 (the “Convertible Senior Note”), including amounts owed, conversion rights associated therewith, dilution caused thereby, redemption obligations associated therewith and our ability to repay such facilities and amounts due thereon when due;
- risks associated with the ongoing capital project associated with the Mobile Refinery, including the timing thereof and, costs associated therewith;
- the level of competition in our industry and our ability to compete;
- decreases in global demand for, and the price of, oil, the supply and demand for oil and used oil, as well as used oil feed stocks and the price of oil and the feedstocks we use in our operations, process and sell;
- the availability of crude oil and used oil feedstocks;
- the outcome of natural disasters, hurricanes, floods, war, terrorist attacks, fires and other events negatively impacting our facilities and operations;
- the loss of key personnel or failure to attract, integrate and retain additional personnel;
- our ability to protect our intellectual property and not infringe on others' intellectual property;
- our ability to maintain supplier relationships and obtain adequate supplies of crude oil and other feedstocks;
- our ability to produce our products at competitive rates and the impact of competitive services and products;
- our ability to execute our business strategy in a very competitive environment;
- trends in, and the market for, the price of oil and gas and alternative energy sources, improvements in alternative energy sources and technologies and our ability to respond to changes in our industry;
- our ability to maintain our relationships with Shell, and Macquarie;
- our ability to complete and integrate acquisitions, joint ventures and asset sales;
- pending and future litigation, potential adverse judgments and settlements in connection therewith, and resources expended in connection therewith;

- risk of increased regulation of our operations and products and rules and regulations making our operations more costly or restrictive and changes in environmental and other laws and regulations and risks associated with such laws and regulations;
- economic downturns and recessions both in the United States and globally, increased inflation and interest rates;
- negative publicity and public opposition to our operations;
- disruptions in the infrastructure that we and our partners rely on;
- an inability to identify attractive acquisition opportunities and successfully negotiate acquisition terms, our ability to effectively integrate acquired assets, companies, employees or businesses, and liabilities associated with acquired companies, assets or businesses;
- unexpected changes in our anticipated capital expenditures resulting from unforeseen required maintenance, repairs, or upgrades;
- the volatility in the market price of compliance credits (primarily RINs needed to comply with the RFS) under Renewable and Low-Carbon Fuel Programs and emission credits needed under other environmental emissions programs, the requirement for us to purchase RINs in the secondary market to the extent we do not generate sufficient RINs internally, liabilities associated therewith and the timing of such required purchases, if any;
- our ability to effectively manage our growth and scale our operations;
- our ability to maintain insurance, the costs of required insurance, our lack of insurance, or claims not covered by our insurance;
- our lack of effective disclosure controls and procedures and internal control over financial reporting;
- accidents, equipment failures or mechanical problems which may occur; operational hazards and unforeseen interruptions for which we may not be adequately insured; the threat and impact of terrorist attacks, cyber-attacks or similar hostilities, on our facilities, any one of which may adversely impact our operations;
- risks of downturns in the U.S. and global economies and increased prices due to COVID-19, increases in inflation and changing interest rates, and/or the ongoing conflict between Russia and Ukraine;
- our ability to meet earnings guidance and other forecasts;
- the volatile nature of the market for our common stock and our ability to maintain the listing of our common stock on The Nasdaq Capital Market; and
- dilution caused by new equity offerings, the exercise of warrants and/or the conversion of outstanding convertible notes.

Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Commission on March 1, 2023 (the “Form 10-K”), under the heading “Risk Factors”, except as described below, and investors should review the risks provided in the Form 10-K and below (which update certain of the risk factors described in the Form 10-K (to the extent marked with an “(*)” or represent new risk factors, to the extent not marked with a “(*)”), prior to making an investment in the Company. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in the Form 10-K for the year ended December 31, 2022, under “Risk Factors” and below, any one or more of which could, directly or indirectly, cause the Company’s actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company’s business, financial condition, operating results and stock price.

Our margins have historically tightened as the national and global economies slow, and we have recently experienced decreasing margins, which may continue or become exacerbated in the future.

During the first half of 2023, our average refining margins decreased compared to the last three quarters of 2022. We believe this was due to, among other things, the global prices for refined products, especially distillates, falling as the economy slows, more refineries coming onstream, and exports from Russia that are being re-routed and replaced by fuel from the Middle East. During the twelve months ended June 30, 2023, the Consumer Price Energy Index in the United States decreased 16.7% impacting our gross margins. The Consumer Price All Items Index increased 3.0% for the same period impacting our operating expenses and slowing economic growth. If we experience increasing or prolonged tightening of margins, it may decrease our profits and materially adversely affect our operating results, cash flows, and the value of our securities.

Currently pending or future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements.

From time to time, we are involved in lawsuits, regulatory inquiries and may be involved in governmental and other legal proceedings arising out of the ordinary course of our business. For example, we are currently involved in ongoing lawsuits seeking damages relating to alleged noxious and harmful emissions from our facility located in Marrero, Louisiana; ongoing issues in connection with Penthol LLC's termination of a June 2016 Sales and Marketing Agreement; and a recent class action that was filed against us and certain of our senior executives alleging claims for violations of Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act. Each of these matters are described in greater detail under "[Part I](#)" - "[Item 1. Financial Statements](#)" in the Notes to Consolidated Financial Statements in "[Note 4. Commitments and Contingencies](#)", under the heading "[Litigation](#)". Many of these matters raise difficult and complicated factual and legal issues and are subject to uncertainties and complexities. Regardless of the merit of particular claims, litigation can be expensive, time-consuming, disruptive to the Company's operations and distracting to management. In recognition of these considerations, the Company may enter into agreements or other arrangements to settle litigation and resolve such challenges. There can be no assurance such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements can also significantly increase the Company's operating expenses. While the Company maintains insurance coverage for certain types of claims, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise. The timing of the final resolutions to these matters (including pending matters) is often uncertain. The possible outcomes or resolutions to pending and future matters could include adverse judgments or settlements, either of which could require substantial payments, adversely affecting our results of operations and liquidity.

The availability and cost of renewable identification numbers, Low Carbon Fuel Standard (LCFS) credits, and other credits and/or changes in laws associated therewith, our current and future RINs liability and expected requirement that we purchase RINs in the future, could have an adverse effect on our financial condition and results of operations. ()*

Pursuant to the Energy Policy Act of 2005, Congress established a Renewable Fuel Standard ("RFS") program that requires annual volumes of renewable fuel be blended into domestic transportation fuel. A Renewable Identification Number ("RIN") is assigned to each gallon of renewable fuel produced in, or imported into, the United States. Market prices for RINs have been volatile, marked by periods of sharp increases. We cannot predict the future prices of RINs. Purchasing RINs at elevated prices could have a material impact on our results of operations and cash flows. We are exposed to the volatility in the market price of RINs. As a producer of transportation fuels from crude oil, our Refining and Marketing segment is required to blend biofuels into the products it produces or purchase RINs in the open market in lieu of blending to meet the mandates established by the EPA. The Refining and Market Segment is exposed to market risk related to volatility in the price of RINs needed to comply with the RFS that are not otherwise generated through blending of renewable fuels in our refining and marketing operations. To mitigate the impact of this risk on the Refining and Market Segment's results of operations and cash flows, the Refining and Market Segment blends ethanol and biodiesel to the extent possible.

We are exposed to market risks related to the volatility in the price of RINs required to comply with the Renewable Fuel Standard. To the degree we are unable to blend the required amount of biofuels to satisfy our renewable volume obligation (RVO) (the volume of renewable fuels we are obligated to sell, based on a percentage of our total fuel sales), we must purchase RINs on the open market, which is based on a percentage of domestic shipments of on-road fuels as established by the EPA.

As of June 30, 2023, our RIN liability was \$51.6 million, which amount is required to be paid by March 31, 2024. This RIN liability is currently increasing by approximately \$6 million to \$7 million per month, and we are currently not producing sufficient volumes of renewable fuels to satisfy this liability, do not expect to produce sufficient volumes of renewable fuels to satisfy this liability in the near future, and expect to be required to purchase RINs on the open market in the future to satisfy such liability. We cannot predict the future prices of RINs. RINs prices are dependent upon a variety of factors, including EPA regulations, the availability of RINs for purchase, and levels of transportation fuels produced, which can vary significantly from

quarter to quarter. Additionally, the status of EPA RFS exemptions may impact the price of RINs. EPAs policy on granting certain RFS exemptions has changed under the Biden administration, and some previously granted exemptions have been the subject of legal proceedings that may ultimately result in the reversal of past exemptions. The occurrence of any one or more of these events may increase our operating expenses or make it more difficult for us to operate.

Existing laws or regulations could change and the minimum volumes of renewable fuels that must be blended with refined petroleum products may increase. Increases in the volume of renewable fuels that must be blended into our products could limit the production of the Mobile Refinery if sufficient numbers of RINs are not available for purchase or relief from this requirement is not obtained, which could have an adverse effect on our consolidated financial results.

In addition to the RFS, we operate in multiple jurisdictions that have issued, or are considering issuing, similar low-carbon fuel regulations, policies, and standards. The RFS and similar U.S. state and international low-carbon fuel regulations, policies, and standards are extremely complex, often have different or conflicting requirements or methodologies, and are frequently evolving, requiring us to periodically update our systems and controls to maintain compliance and monitoring, which could require significant expenditures, and presents an increased risk of administrative error. Our low-carbon fuels businesses could be materially and adversely affected if (i) these regulations, policies, and standards are adversely changed, not enforced, or discontinued, (ii) the benefits therefrom are reduced, (iii) any of the products we produce are deemed not to qualify for compliance therewith, or (iv) we are unable to satisfy or maintain any approved pathways. Such changes could also negatively impact the economic assumptions and projections with respect to many of our low-carbon projects and could have a material adverse impact on the timing of completion, project returns, and other outcomes with respect to such projects.

The requirement that we satisfy future RINs liabilities, which are increasing on a monthly basis in the future, could have a material adverse effect on our cash flows, results of operations, could force us to borrow additional funding which may not be available on favorable terms, if at all, and/or could require us to sell off assets, which may have an adverse effect on the value of our securities.

We may enter into joint ventures or sell all or portions of our facilities, assets or operations in the future.

We may enter into joint ventures with third parties or sell all or portions of our facilities, assets or operations in the future. Such transactions may result in us not obtaining the full benefit of any increases in the value, production, or intellectual property of such facilities, assets or operations which we enter into joint ventures in connection with or sell rights to in the future, may affect prior projections or estimates which take into account the full benefit of such facilities, assets or operations, may make it more difficult or delay our ability to respond to changing market conditions or to undertake capital projects associated with such facilities, assets or operations, may reduce our asset base, may have adverse accounting effects, and/or may have other foreseen and unforeseen effects on the Company. Any one or more of which may have an adverse effect on our revenues, results of operations or cash flows, and which could cause a decrease in the value of our securities.

Item 2. Recent Sales of Unregistered Securities

There have been no sales of unregistered securities during the quarter ended June 30, 2023, and from the period from April 1, 2023, to the filing date of this report that have not previously been disclosed in a Current Report on Form 8-K.

Use of Proceeds from Sale of Registered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliate Purchasers

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

None.

Incorporated by Reference						
Exhibit Number	Description of Exhibit	Filed or Furnished Herewith	Form	Exhibit	Filing Date/Period End Date	File No.
10.1#	<u>Executive Employment Agreement dated April 17, 2023 and effective April 17, 2023, by and between Vertex Energy, Inc. and Douglas S. Haugh</u>		8-K	10.2	4/20/2023	001-11476
10.2	<u>Form of Exchange Agreement Relating to the Company's 6.25% Convertible Senior Notes due 2027</u>		8-K	10.1	6/8/2023	001-11476
10.3*	<u>Limited Consent dated January 31, 2023, by and among Vertex Refining Alabama LLC, as borrower, Cantor Fitzgerald Securities, as agent under the Loan Agreement and the Lenders party thereto</u>	X				
10.4+*	<u>Limited Consent dated May 5, 2023, by and among Vertex Refining Alabama LLC, as borrower, Cantor Fitzgerald Securities, as agent under the Loan Agreement and the Lenders party thereto</u>	X				
10.5+	<u>Supply and Offtake Agreement dated May 26, 2023, by and between Macquarie Energy North America Trading Inc. and Vertex Renewables Alabama LLC</u>		8-K	10.1	5/31/2023	001-11476
10.6	<u>Amended and Restated Intercreditor Agreement originally dated as of April 1, 2022, and as amended and restated as of May 26, 2023 among Cantor Fitzgerald Securities, as the Term Loan Agent, Macquarie Energy North America Trading Inc., as the Intermediation Facility Secured Party, Macquarie Energy North America Trading Inc., as the Renewables Intermediation Facility Secured Party, Vertex Refining Alabama LLC, as the Company, Vertex Renewables Alabama LLC, as the Renewables Company, and the other acknowledging affiliates party thereto</u>		8-K	10.2	5/31/2023	001-11476
10.7	<u>Guaranty between Vertex Refining Alabama LLC And Macquarie Energy North America Trading Inc. dated May 26, 2023</u>		8-K	10.3	5/31/2023	001-11476
10.8	<u>Guaranty between Vertex Energy, Inc. and Macquarie Energy North America Trading Inc. dated May 26, 2023</u>		8-K	10.4	5/31/2023	001-11476
10.9+	<u>Pledge and Security Agreement dated May 26, 2023, between Vertex Renewables Alabama LLC, and Macquarie Energy North America Trading Inc.</u>		8-K	10.5	5/31/2023	001-11476
10.11	<u>Inventory Sales Agreement dated May 26, 2023, by and between Vertex Renewables Alabama LLC and Macquarie Energy North America Trading Inc.</u>		8-K	10.6	5/31/2023	001-11476
10.11	<u>Amendment Agreement No. 1 in Respect of a Supply and Offtake Agreement dated 1 April 2022 and Certain Other Transaction Documents dated May 26, 2023, by and between Macquarie Energy North America Trading Inc., Vertex Energy, Inc. and Vertex Refining Alabama LLC</u>		8-K	10.7	5/31/2023	001-11476
10.12£	<u>Amendment of Master Offtake Agreement dated May 26, 2023, by and between Idemitsu Apollo Renewable Corp. and Vertex Refining Alabama LLC</u>		8-K	10.8	5/31/2023	001-11476
10.13	<u>Amendment Number Four to Loan and Security Agreement dated May 26, 2023, by and among Vertex Refining Alabama LLC, as borrower, Vertex Energy, Inc., as parent and as a guarantor, certain direct and indirect subsidiaries of Vertex Energy, Inc., as guarantors, the lenders party thereto, and Cantor Fitzgerald Securities, as administrative agent and collateral agent for the lenders</u>		8-K	10.9	5/31/2023	001-11476
10.14*	<u>Form of 2019 Equity Incentive Plan Stock Option Agreement – May 2023 Employee Awards</u>	X				
10.15*	<u>Form of 2019 Equity Incentive Plan Stock Option Agreement – May 2023 Executive Awards</u>	X				

10.16*	Form of 2020 Equity Incentive Plan Stock Option Agreement – Douglas Haugh - May 2023 Executive Award	X
10.17*	Form of 2020 Equity Incentive Plan Stock Option Agreement – June 2023 Non-Employee Awards	X
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act*	X
31.2*	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act*	X
32.1**	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act**	X
32.2**	Certification of Principal Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act**	X
101*	Inline XBRL Document Set for the condensed consolidated financial statements and accompanying notes in Part I, Item 1, “Financial Statements” of this Quarterly Report on Form 10-Q	X
101.INS*	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH*	Inline XBRL Taxonomy Extension Schema Document	X
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104*	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set	X

* Filed herewith.

** Furnished herewith.

Indicates management contract or compensatory plan or arrangement.

+ Certain schedules, annexes and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that Vertex Energy, Inc. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.

£ Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets (“[***]”) because the identified confidential portions are both (i) not material and (ii) the type of information that Vertex Energy, Inc. treats as private or confidential.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, hereunto duly authorized.

VERTEX ENERGY, INC.

Date: August 8, 2023

By: /s/ Benjamin P. Cowart

Benjamin P. Cowart
Chief Executive Officer
(Principal Executive Officer)

Date: August 8, 2023

By: /s/ Chris Carlson

Chris Carlson
Chief Financial Officer
(Principal Financial/Accounting Officer)

LIMITED CONSENT

THIS LIMITED CONSENT (this “**Limited Consent**”) is made as of January 31, 2023, by and among Vertex Refining Alabama LLC, a Delaware limited liability company (the “**Borrower**”), Cantor Fitzgerald Securities (the “**Agent**”), as Agent under the Loan Agreement (as such terms are defined below), and the Lenders party hereto. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement (as defined below).

WITNESSETH

WHEREAS, reference is made to that certain Loan and Security Agreement, dated as of April 1, 2022 (as amended by that certain Amendment Number One to Loan and Security Agreement, dated as of May 26, 2022, and that certain Amendment Number Two to Loan and Security Agreement, dated as of September 30, 2022, and as may be further amended from time to time, the “**Loan Agreement**”), by and among the Borrower, Vertex Energy, Inc., a Nevada corporation (“**Parent**”), the Guarantors from time to time party thereto, the Lenders from time to time party thereto and the Agent;

WHEREAS, on May 26, 2022, each of Vertex Refining OH, LLC, an Ohio limited liability company (“**Vertex Ohio**”) and HPRM LLC, a Delaware limited liability company (“**HPRM**”), executed a Guarantor Joinder to the Loan Agreement (the “**Guarantor Joinder**”), as Subsidiary Guarantors;

WHEREAS, on May 26, 2022, each of Vertex Ohio and HPRM, executed a Collateral and Pledge Agreement (the “**Collateral and Pledge Agreement**”), as Pledgors;

WHEREAS, Parent intends to dispose of its used motor oil refinery and business and certain related assets, primarily located in Columbus, Ohio, owned by Vertex Ohio (the “**Heartland Business**”) pursuant to a transaction whereby Parent’s subsidiary HPRM would sell 100% of the equity interests in Vertex Ohio to an unrelated third party pursuant to a Sale and Purchase Agreement, to be entered into on or about December 27, 2022, by and between HPRM, Vertex Energy Operating, LLC, the Buyer (as defined therein, the “**Buyer**”) and GFL Environmental Inc. (as amended or otherwise modified from time to time, the “**Sale and Purchase Agreement**”).

WHEREAS, such disposition of the Heartland Business constitutes a Used Motor Oil Asset Divestiture and a Permitted Transfer as contemplated by Section 7.2 of the Loan Agreement;

WHEREAS, the transactions constituting the disposition of the Heartland Business are more fully described on Annex I attached hereto (collectively, the “**Heartland Disposition**”); and

WHEREAS, certain of the actions required under the Sale and Purchase Agreement are not permitted under the Loan Agreement as in effect on the date hereof and in furtherance of the foregoing, the Borrower has requested that the Lenders consent to the transactions as set forth in Annex II attached hereto (collectively, the “**Specified Consents**”).

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

1. **Limited Consent.** In reliance upon the representations and warranties of each Loan Party set forth in Section 4 below, Agent and the undersigned Lenders, constituting the Required Lenders under the Loan Agreement, hereby consent to the Specified Consents. After giving effect to this Limited Consent, the actions enumerated in the Specified Consents with respect to the Heartland Disposition and the Sale and Purchase Agreement shall not constitute a “Change of Control” or a Default under the Loan Agreement. The foregoing is a limited consent. Except as expressly set forth in this Limited Consent, nothing in this Limited Consent shall constitute a modification or alteration of the terms, conditions or covenants of the Loan Agreement or any other Loan Document, or a waiver of any other terms or provisions thereof, and the Loan Agreement and the other Loan Documents shall remain unchanged and shall continue in full force and effect, in each case as amended hereby.
2. **Conditions Precedent to Limited Consent.** The satisfaction (or waiver in writing by Agent (at the direction of the Required Lenders) or the Required Lenders) of each of the following shall constitute conditions precedent to

the effectiveness of this Limited Consent (the date on which all such conditions precedent are either satisfied or waived, being the “Consent Effective Date”):

- (a) The Agent and the Lenders shall have received this Limited Consent, duly executed by the parties hereto; and
- (b) The Borrower shall have reimbursed the Agent for all reasonable and documented fees, costs and expenses incurred through the Consent Effective Date (including, without limitation, attorneys’ fees and expenses related to the preparation, negotiation, execution, delivery of this Limited Consent).

For purposes of determining compliance with the conditions specified in this Section 2, each Lender that has signed this Limited Consent shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Agent shall have received notice from such Lender prior to the proposed Consent Effective Date specifying its objection thereto.

3. Representations and Warranties. In order to induce Agent and the Required Lenders to enter into this Limited Consent, Parent and Borrower each hereby represents and warrants to Agent and the Required Lenders that:

- (a) the disposition of assets pursuant to the Heartland Disposition constitutes a Used Motor Oil Asset Divestiture and is a Permitted Transfer as contemplated by Section 7.2 of the Loan Agreement.
- (b) each of the representations and warranties made to Agent and Lenders under the Loan Agreement and all of the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified as to “materiality” or “Material Adverse Effect” in the text thereof, which representations and warranties are true and correct in all respects subject to such qualification) on and as of the date hereof (after giving effect to this Limited Consent, the Heartland Disposition and other transactions contemplated hereby and the other documents executed in connection with this Limited Consent) except to the extent that such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations or warranties that already are qualified or modified as to “materiality” or “Material Adverse Effect” in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification) on and as of such earlier date;
- (c) on and immediately prior to the date hereof and immediately after giving effect to the Heartland Disposition and this Limited Consent, no Default or Event of Default will have occurred and be continuing; and
- (d) on and immediately prior to the date hereof and immediately after giving effect to the Heartland Disposition and this Limited Consent, the Loan Parties, individually and collectively, are not Insolvent.

4. GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL PROVISIONS. THIS LIMITED CONSENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING GOVERNING LAW, JURISDICTION, AND WAIVER OF JURY TRIAL SET FORTH IN SECTION 14.14 OF THE LOAN AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, MUTATIS MUTANDIS.

5. Amendments. This Limited Consent cannot be altered, amended, changed or modified in any respect except in accordance with Section 14.4 of the Loan Agreement.

6. Counterparts. This Limited Consent and any notices delivered under this Limited Consent may be executed by means of (i) an electronic signature that complies with the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act or any other similar state laws based on the Uniform Electronic Transactions Act; (ii) an original manual signature; or (iii) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all

purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. The words “execution,” “execute”, “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. This Limited Consent may be executed in any number of counterparts, and it is not necessary that the signatures of all parties hereto be contained on any one counterpart hereof, each counterpart will be deemed to be an original, and all together shall constitute one and the same document.

7. Lien Release. In furtherance of the transactions described herein, after (x) the Agent’s receipt of an Officer’s Certificate of a Responsible Officer of the Borrower stating that the Heartland Disposition transaction has closed in accordance with the terms set forth in this Consent and (y) the satisfaction of the conditions precedent in Section 2 hereof, each of the undersigned Lenders constituting the Required Lenders hereby directs and consents to (x) the Agent’s execution of the Guarantee and Partial Lien Release Acknowledgment attached hereto as Exhibit A and any other release documentation requested by the Borrower required to effectuate the Heartland Disposition, including the release of the mortgage on real property owned by Vertex Ohio, an amendment to the Bank of America Control Agreement to remove deposit accounts owned by Vertex Ohio and (y) the Agent’s filing of a UCC-3 termination statement with respect to its Lien on Vertex Ohio and a UCC-3 amendment statement to release its Lien on the Equity Interests in Vertex Ohio owned by HPRM.

8. Agent. The Agent has executed this Limited Consent as directed under and in accordance with the Loan Agreement and will perform this Limited Consent solely in its capacity as Agent hereunder, and not individually. In performing under this Limited Consent, the Agent shall have all rights, protections, immunities and indemnities granted to it under the Loan Agreement. Subject to the terms of the Loan Agreement, the Agent shall have no obligation to perform or exercise any discretionary act. Each of the undersigned Lenders, constituting the Required Lenders hereby directs and consents to the Agent’s execution of this Limited Consent.

[Signature Pages to Follow]

IN WITNESS WHEREOF, each of the parties hereto has executed this Limited Consent as of the date and year first above written.

CANTOR FITZGERALD SECURITIES, as Agent

By: /s/ Gary J. Cocco

Name: Gary J. Cocco

Title: Assistant General Counsel

WHITEBOX MULTI-STRATEGY PARTNERS, LP, as one of the Required Lenders

By: /s/ Andrew Thau

Name: Andrew Thau

Title: Senior Legal Analyst

WHITEBOX RELATIVE VALUE PARTNERS, LP, as one of the Required Lenders

By: /s/ Andrew Thau

Name: Andrew Thau

Title: Senior Legal Analyst

WHITEBOX GT FUND, LP, as one of the Required Lenders

By: /s/ Andrew Thau

Name: Andrew Thau

Title: Senior Legal Analyst

PANDORA SELECT PARTNERS, LP, as one of the Required Lenders

By: /s/ Andrew Thau

Name: Andrew Thau

Title: Senior Legal Analyst

HIGHBRIDGE TACTICAL CREDIT MASTER FUND, L.P., as one of the Required Lender

By: Highbridge Capital Management, LLC,
as Trading Manager and not in its individual capacity

By: /s/ Jonathan Segal

Name: Jonathan Segal

Title: Managing Director, Co-Chief Investment Officer

**BLACKROCK DIVERSIFIED PRIVATE DEBT FUND
MASTER LP**, as one of the Required Lenders

By: BlackRock Financial Management, Inc.,
its manager

By: /s/ Zach Viders

Name: Zach Viders
Title: Authorized Signatory

GCO II Aggregator 2 L.P., as one of the Required Lenders

By: BlackRock Financial Management, Inc.,
its manager

By: /s/ Zach Viders

Name: Zach Viders
Title: Authorized Signatory

CHAMBERS ENERGY CAPITAL IV, LP, as one of the Required Lenders

By: CEC Fund IV GP, LLC, its general partner

By: /s/ Robert Hendricks

Name: Robert Hendricks
Title: Partner

CROWDOUT CAPITAL LLC, as one of the Required Lenders

By: /s/ Alexander Schoenbaum
Name: Alexander Schoenbaum
Title: Managing Member

CROWDOUT CREDIT OPPORTUNITIES FUND LLC, as one of the Required Lenders

By: /s/ Alexander Schoenbaum
Name: Alexander Schoenbaum
Title: Managing Member

Acknowledged and Agreed:

VERTEX REFINING ALABAMA LLC

By: /s/ Benjamin P. Cowart

Name: Benjamin P. Cow
Title: President & Chief Executive Of
VERTEX ENERGY, INC.

By: /s/ Benjamin P. Cowart

Name: Benjamin P. Cow
Title: President & Chief Executive Of

LIMITED CONSENT

THIS LIMITED CONSENT (this “**Limited Consent**”) is made as of May 5, 2023, by and among Vertex Refining Alabama LLC, a Delaware limited liability company (the “**Borrower**”), Cantor Fitzgerald Securities, as agent (the “**Agent**”) under the Loan Agreement (as such terms are defined below), and the Lenders party hereto. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement (as defined below).

WITNESSETH

WHEREAS, reference is made to that certain Loan and Security Agreement, dated as of April 1, 2022 (as amended by that certain Amendment Number One to Loan and Security Agreement, dated as of May 26, 2022, that certain Amendment Number Two to Loan and Security Agreement, dated as of September 30, 2022 and that certain Amendment Number Three to Loan and Security Agreement, dated as of January 8, 2023, and as may be further amended from time to time, the “**Loan Agreement**”), by and among the Borrower, Vertex Energy, Inc., a Nevada corporation (“**Parent**”), the Guarantors from time to time party thereto, the Lenders from time to time party thereto and the Agent;

WHEREAS, Borrower previously requested, and the Agent and Lenders consented, to extend the deadline for the operating covenant under Section 6.18(x) with respect to providing evidence of initial commercial production of renewable diesel (the “**Renewable Diesel Commercial Production Covenant**”) to May 5, 2023;

WHEREAS, Borrower has requested that Agent and Lenders consent to a further extension of the deadline for Renewable Diesel Commercial Production Covenant;

WHEREAS, upon the terms and conditions set forth herein, Agent and Lenders (which, for the avoidance of doubt, constitute the Required Lenders) have agreed to consent to extend the timeline for Renewable Diesel Commercial Production Covenant to July 14, 2023 (the “**Second Milestone Extension**”), on the terms and conditions set forth herein;

WHEREAS, the Second Milestone Extension is not permitted under the Loan Agreement as in effect on the date hereof and in furtherance of the foregoing, the Borrower has requested that the Lenders (which, for the avoidance of doubt, constitute the Required Lenders) consent to the Second Milestone Extension (the “**Specified Consent**”).

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

1. **Limited Consent.** In reliance upon the representations and warranties of each Loan Party set forth in Section 3 below, Agent and the undersigned Lenders, constituting the Required Lenders under the Loan Agreement, hereby consent to the Specified Consent. After giving effect to this Limited Consent, delivery of evidence of initial commercial production of renewable diesel after May 5, 2023, shall not constitute a Default under the Loan Agreement unless delivered after July 14, 2023. The foregoing is a limited consent. Except as expressly set forth in this Limited Consent, nothing in this Limited Consent shall constitute a modification or alteration of the terms, conditions or covenants of the Loan Agreement or any other Loan Document, or a waiver of any other terms or provisions thereof, and the Loan Agreement and the other Loan Documents shall remain unchanged and shall continue in full force and effect, in each case as amended hereby.

2. **Conditions Precedent to Limited Consent.** The satisfaction (or waiver in writing by Agent (at the direction of the Required Lenders) or the Required Lenders) of each of the following shall constitute conditions precedent to the effectiveness of this Limited Consent (the date on which all such conditions precedent are either satisfied or waived, being the “**Consent Effective Date**”):

- a. The Agent and the Lenders shall have received this Limited Consent, duly executed by the parties hereto;
- b. The Agent and the Lenders shall have received that certain Limited Consent Fee Letter, dated as of the date hereof (the “**Limited Consent Fee Letter**”), duly executed by the parties thereto;

c. The Borrower shall have paid, or cause to have been paid, the Consent Fee (as defined in the Limited Consent Fee Letter) in accordance with the Limited Consent Fee Letter; and

d. The Borrower shall have reimbursed the Agent for all reasonable and documented fees, costs and expenses incurred through the Consent Effective Date (including, without limitation, attorneys' fees and expenses related to the preparation, negotiation, execution, delivery of this Limited Consent).

For purposes of determining compliance with the conditions specified in this Section 2, each Lender that has signed this Limited Consent shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Agent shall have received notice from such Lender prior to the proposed Consent Effective Date specifying its objection thereto.

3. Representations and Warranties. In order to induce Agent and the Required Lenders to enter into this Limited Consent, Parent and Borrower each hereby represents and warrants to Agent and the Required Lenders that:

a. each of the representations and warranties made to Agent and Lenders under the Loan Agreement and all of the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representations and warranties are true and correct in all respects subject to such qualification) on and as of the date hereof (after giving effect to this Limited Consent, the Second Milestone Extension and the other documents executed in connection with this Limited Consent) except to the extent that such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations or warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification) on and as of such earlier date;

b. on and immediately prior to the date hereof and immediately after giving effect to the Second Milestone Extension and this Limited Consent, no Default or Event of Default will have occurred and be continuing; and

c. on and immediately prior to the date hereof and immediately after giving effect to the Second Milestone Extension and this Limited Consent, the Loan Parties, individually and collectively, are not Insolvent.

4. Fees. The Borrower shall pay any fees due and payable to the Lenders in accordance with the terms of the Limited Consent Fee Letter.

5. **GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL PROVISIONS. THIS LIMITED CONSENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING GOVERNING LAW, JURISDICTION, AND WAIVER OF JURY TRIAL SET FORTH IN SECTION 14.14 OF THE LOAN AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, MUTATIS MUTANDIS.**

6. Amendments. This Limited Consent cannot be altered, amended, changed or modified in any respect except in accordance with Section 14.4 of the Loan Agreement.

7. Loan Documents. This Limited Consent and the Limited Consent Fee Letter are Loan Documents.

8. Counterparts. This Limited Consent and any notices delivered under this Limited Consent may be executed by means of (i) an electronic signature that complies with the Federal Electronic Signatures in Global and National

Commerce Act, the New York State Electronic Signatures and Records Act or any other similar state laws based on the Uniform Electronic Transactions Act; (ii) an original manual signature; or (iii) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. The words "execution," "execute", "signed," "signature," and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. This Limited Consent may be executed in any number of counterparts, and it is not necessary that the signatures of all parties hereto be contained on any one counterpart hereof, each counterpart will be deemed to be an original, and all together shall constitute one and the same document.

9. **Agent.** The Agent has executed this Limited Consent as directed under and in accordance with the Loan Agreement and will perform this Limited Consent solely in its capacity as Agent hereunder, and not individually. In performing under this Limited Consent, the Agent shall have all rights, protections, immunities and indemnities granted to it under the Loan Agreement. Subject to the terms of the Loan Agreement, the Agent shall have no obligation to perform or exercise any discretionary act. Each of the undersigned Lenders, constituting the Required Lenders hereby directs and consents to the Agent's execution of this Limited Consent.

[Signature Pages to Follow]

IN WITNESS WHEREOF, each of the parties hereto has executed this Limited Consent as of the date and year first above written.

CANTOR FITZGERALD SECURITIES, as Agent

By: /s/ James Buccola

Name: James Buccola

Title: Head of Fixed Income

LENDERS:

WHITEBOX MULTI-STRATEGY PARTNERS, LP

By: /s/ Andrew Thau

Name: Andrew Thau

Title: Senior Legal Analyst

WHITEBOX RELATIVE VALUE PARTNERS, LP

By: /s/ Andrew Thau

Name: Andrew Thau

Title: Senior Legal Analyst

WHITEBOX GT FUND, LP

By: /s/ Andrew Thau

Name: Andrew Thau

Title: Senior Legal Analyst

PANDORA SELECT PARTNERS, LP

By: /s/ Andrew Thau

Name: Andrew Thau

Title: Senior Legal Analyst

HIGHBRIDGE TACTICAL CREDIT MASTER FUND, L.P.

By: Highbridge Capital Management, LLC,
as Trading Manager and not in its individual capacity

By: /s/ Jonathan Segal

Name: Jonathan Segal
Title: Managing Director, Co-Chief Investment Officer

**BLACKROCK DIVERSIFIED PRIVATE DEBT FUND
MASTER LP**

By: BlackRock Financial Management, Inc.,
its manager

By: /s/ Zach Viders

Name: Zach Viders
Title: Authorized Signatory

GCO II Aggregator 2 L.P.

By: BlackRock Financial Management, Inc.,
its manager

By: /s/ Zach Viders

Name: Zach Viders
Title: Authorized Signatory

CHAMBERS ENERGY CAPITAL IV, LP

By: CEC Fund IV GP, LLC, its general partner

By: /s/ Robert Hendricks

Name: Robert Hendricks
Title: Partner

CROWDOUT CAPITAL LLC

By: /s/ Alexander Schoenbaum

Name: Alexander Schoenbaum
Title: Managing Member

CROWDOUT CREDIT OPPORTUNITIES FUND LLC

By: /s/ Alexander Schoenbaum

Name: Alexander Schoenbaum
Title: Managing Member

Acknowledged and Agreed:

VERTEX REFINING ALABAMA LLC

By: /s/ Benjamin P. Cowart

Name: Benjamin P. Cow
Title: President and Chief Executive Off
VERTEX ENERGY, IN

By: /s/ Benjamin P. Cowart

Name: Benjamin P. Cow
Title: President and Chief Executive Of

VERTEX ENERGY, INC.

2019 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms in the Stock Option Agreement (the “Option Agreement”) have the same meanings as defined in the Vertex Energy, Inc. 2019 Equity Incentive Plan (as amended from time to time)(the “Plan”).

I. NOTICE OF STOCK OPTION GRANT

Optionee: [Optionee]

Address: *See signature page of this Option Agreement*

You have been granted an Option to purchase Common Stock (the “Option”) of Vertex Energy, Inc. (the “Company”), subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Grant Date: [Grant Date]

Vesting Commencement Date: [Vesting Commencement Date]

Exercise Price per Share: \$6.46

Total Number of Shares Granted: [Total Number of Shares Granted]

Total Exercise Price: [Total Exercise Price]

Type of Option: [Type]

Expiration Date: May 14, 2023

Vesting Schedule: 1/4th of such Options vest on the first, second, third and fourth anniversaries of the Vesting Commencement Date, subject to the terms hereof and the Plan.^[4]

To the extent vested, this Option will be exercisable for three (3) months following the Termination of Service of Optionee, unless termination is due to Optionee’s death or Disability, in which case this Option will be exercisable for twelve (12) months following the Termination of Service of Optionee. In the event of termination due to Optionee’s death, the Company shall

¹ To the extent that the number of Options is not evenly divisible by 1/4th, the number of Options which vest to the Optionee shall be rounded up to the nearest whole share for the first anniversary, and for each anniversary thereafter, until such remainder Options (i.e., the number of Options which would be left if the number of Options granted hereunder was divided by 1/4th, rounded down to the nearest whole share, and multiplied by four), have been vested in full.

use commercially reasonable efforts to notify Optionee's estate of the exercisability of the Option following Optionee's death. Notwithstanding the foregoing sentence, in no event may this Option be exercised following the Termination of Service of Optionee as determined by the Company's Board to be for Cause or after the Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

"Cause" has the meaning ascribed to such term or words of similar import in Optionee's written employment or service contract with the Company or its parent or any subsidiary and, in the absence of such agreement or definition, means Optionee's (i) conviction of, or plea of nolo contendere to, a felony or any other crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company or its subsidiaries, or any affiliate, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses), or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with Optionee's duties or willful failure to perform Optionee's responsibilities in the best interests of the Company or its subsidiaries; (v) illegal use or distribution of drugs; (vi) violation of any material rule, regulation, procedure or policy of the Company or its subsidiaries, the violation of which could have a material detriment to the Company; or (vii) material breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by Optionee for the benefit of the Company or its subsidiaries, all as reasonably determined by the Company's Board of Directors, which determination will be conclusive.

Modifications to Option Agreement: None.

Legends.

a. All certificates representing the Shares issued upon exercise of this Option shall, prior to such date as the Plan and Common Stock hereunder are covered by a valid Form S-8 or similar U.S. federal registration statement, where applicable, have endorsed thereon the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY BE OFFERED AND SOLD ONLY IF REGISTERED AND QUALIFIED PURSUANT TO THE RELEVANT PROVISIONS OF U.S. FEDERAL, STATE AND FOREIGN SECURITIES LAWS OR IF THE COMPANY IS PROVIDED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION AND QUALIFICATION UNDER U.S. FEDERAL, STATE AND FOREIGN SECURITIES LAWS IS NOT REQUIRED.

b. If the Option is an incentive stock option (ISO), then the following legend will be included:

THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED UPON EXERCISE OF AN INCENTIVE STOCK OPTION, AND THE COMPANY

MUST BE NOTIFIED IF THE SHARES SHALL BE TRANSFERRED BEFORE THE LATER OF THE TWO (2) YEAR ANNIVERSARY OF THE DATE OF GRANT OF THE OPTION OR THE ONE (1) YEAR ANNIVERSARY OF THE DATE ON WHICH THE OPTION WAS EXERCISED. THE REGISTERED HOLDER MAY RECOGNIZE ORDINARY INCOME IF THE SHARES ARE TRANSFERRED BEFORE SUCH DATE.

II. AGREEMENT

1. Grant of Option. The Administrator grants to the Optionee named in the Notice of Stock Option Grant in Part I of this Option Agreement, an Option to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the “Exercise Price”), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Code section 422. Nevertheless, to the extent that it exceeds the \$100,000 rule of Code section 422(d), this Option will be treated as a Nonstatutory/Non-Qualified Stock Option.

2. Exercise of Option

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option is exercisable by (i) delivery of an exercise notice in the form attached as Exhibit A (the “Exercise Notice”) or in a manner and pursuant to procedures as the Administrator may determine, which will state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised, and other representations and agreements as may be required by the Company and (ii) paying the Company in full the aggregate Exercise Price as to all Shares being acquired, together with any applicable tax withholding.

This Option will be deemed to be exercised upon receipt by the Company of a fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares will be issued pursuant to the exercise of an Option unless the issuance and exercise of Shares complies with applicable state and federal laws (“Applicable Laws”). Assuming compliance, for income tax purposes the Shares will be considered transferred to the Optionee on the date on which the Option is exercised with respect to the Shares.

3. Method of Payment. The aggregate Exercise Price may be paid by any of the following, or a combination thereof, at the election of the Optionee:

- (a) cash;
- (b) check;
- (c) to the extent not prohibited by Section 402 of the Sarbanes-Oxley Act of 2002, a promissory note;
- (d) other shares of Common Stock, provided Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option will be exercised;
- (e) by asking the Company to withhold Shares from the total Shares to be delivered upon exercise equal to the number of Shares having a value equal to the aggregate Exercise Price of the Shares being acquired;
- (f) any combination of the foregoing methods of payment; or
- (g) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

4. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any Applicable Laws. The Company will be relieved of any liability with respect to any delayed issuance of shares or its failure to issue shares if such delay or failure is necessary to comply with Applicable Laws.

5. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of the Plan and this Option Agreement are binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

6. Term of Option. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during the term only in accordance with the Plan and the terms of this Option.

7. Tax Obligations.

(a) Withholding Taxes. Optionee agrees to arrange for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Optionee acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee is an Incentive Stock Option (“ISO”), and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Grant Date, or (ii) the date one (1) year after the date of exercise, the Optionee must

immediately notify the Company of the disposition in writing. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(c) Code Section 409A. Under Code section 409A, an Option that was granted with a per Share exercise price that is determined by the Internal Revenue Service (the “IRS”) to be less than the Fair Market Value of a Share on the Grant Date (a “discount option”) may be considered deferred compensation. An Option that is a discount option may result in (i) income recognition by the Optionee prior to the exercise of the Option, (ii) an additional twenty percent (20%) tax, and (iii) potential penalty and interest charges. Optionee acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share Exercise Price of this Option equals or exceeds Fair Market Value of a Share on the Grant Date in a later examination. Optionee agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the Grant Date, Optionee will be solely responsible for any and all resulting tax consequences.

8. No Guarantee of Continued Service. OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE OR DIRECTOR AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING OPTIONEE) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS OPTION AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR DIRECTOR FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH OPTIONEE’S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING OPTIONEE) TO TERMINATE OPTIONEE’S RELATIONSHIP AS AN EMPLOYEE OR DIRECTOR AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Notices. All notices or other communications which are required or permitted hereunder will be in writing and sufficient if (i) personally delivered or sent by telecopy, (ii) sent by nationally-recognized overnight courier or (iii) sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to the Optionee, to the address (or telecopy number) set forth on the Notice of Stock Option Grant; and

(b) if to the Company, to its principal executive office as specified in any report filed by the Company with the Securities and Exchange Commission or to such address as the Company may have specified to the Optionee in writing, Attention: Corporate Secretary;

or to any other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any communication will be deemed to have been given (i) when delivered, if personally delivered, or when telecopied, if telecopied, (ii) on the first Business Day (as hereinafter defined) after dispatch, if sent by

nationally-recognized overnight courier and (iii) on the fourth Business Day following the date on which the piece of mail containing the communication is posted, if sent by mail. As used herein, “**Business Day**” means a day that is not a Saturday, Sunday or a day on which banking institutions in the city to which the notice or communication is to be sent are not required to be open.

10. Specific Performance. Optionee expressly agrees that the Company will be irreparably damaged if the provisions of this Option Agreement and the Plan are not specifically enforced. Upon a breach or threatened breach of the terms, covenants and/or conditions of this Option Agreement or the Plan by the Optionee, the Company will, in addition to all other remedies, be entitled to a temporary or permanent injunction, without showing any actual damage, and/or decree for specific performance, in accordance with the provisions hereof and thereof. The Administrator has the power to determine what constitutes a breach or threatened breach of this Option Agreement or the Plan. The Administrator’s determinations will be final and conclusive and binding upon the Optionee.

11. No Waiver. No waiver of any breach or condition of this Option Agreement will be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

12. Optionee Undertaking. The Optionee agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Optionee pursuant to the express provisions of this Option Agreement.

13. Modification of Rights. The rights of the Optionee are subject to modification and termination in certain events as provided in this Option Agreement and the Plan.

14. Governing Law. This Agreement is governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to its conflict or choice of law principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

15. Counterparts; Facsimile Execution. This Option Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together constitute one and the same instrument. Facsimile execution and delivery of this Option Agreement is legal, valid and binding execution and delivery for all purposes.

16. Entire Agreement. The Plan, this Option Agreement, and upon execution, the Exercise Notice, constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee’s interest except by means of a writing signed by the Company and Optionee.

17. Severability. In the event one or more of the provisions of this Option Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Option

Agreement, and this Option Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

18. **WAIVER OF JURY TRIAL.** THE OPTIONEE EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS OPTION AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

[Remainder of page left intentionally blank.]

Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE

VERTEX ENERGY, INC.

Signature _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Address: _____

Address: _____

**1331 Gemini Suite 250
Houston, TX 77058**

Date Signed: _____

Date Signed: _____

, 2023

EXHIBIT A

2019 EQUITY INCENTIVE PLAN

EXERCISE NOTICE

Vertex Energy, Inc.
1331 Gemini Street, Suite 250
Houston, Texas 77058

Attention: Vertex Energy, Inc., Corporate Secretary

1. **Exercise of Option.** Effective as of today, _____, _____, the undersigned (“**Optionee**”) elects to exercise Optionee’s option to purchase _____ shares of the Common Stock (the “**Shares**”) of Vertex Energy, Inc. (the “**Company**”) under and pursuant to the Vertex Energy, Inc. 2019 Equity Incentive Plan (the “**Plan**”) and the Stock Option Agreement dated May 17, 2023 and effective May 14, 2023 (the “**Option Agreement**”).

2. **Delivery of Payment.** Optionee herewith delivers to the Company the full purchase price of the Shares, as set forth in the Option Agreement, and any and all withholding taxes due in connection with the exercise of the Option.

3. **Representations of Optionee.** Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. **Rights as Stockholder.** Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder exists with respect to the Optioned Stock, notwithstanding the exercise of the Option. Subject to the requirements of Section 6 below, the Shares will be issued to the Optionee as soon as practicable after the Option is exercised in accordance with the Option Agreement. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in the Plan.

5. **Tax Consultation.** Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee’s purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

6. **Refusal to Transfer.** The Company will not (i) transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Notice, or (ii) be required to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares have been so transferred.

7. **Successors and Assigns.** The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice inures to the benefit of

the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Notice is binding upon Optionee and his or her heirs, executors, administrators, successors and assigns.

8. Interpretation. Any dispute regarding the interpretation of this Exercise Notice will be submitted by Optionee or by the Company forthwith to the Administrator for review at its next regular meeting. The resolution of disputes by the Administrator will be final and binding on all parties.

9. Governing Law; Severability. This Exercise Notice is governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to its conflict or choice of law principles that might otherwise refer construction or interpretation of this Exercise to the substantive law of another jurisdiction. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Exercise Notice will continue in full force and effect.

10. Optionee Representations.

(a) With respect to a transaction occurring prior to such date as the Plan and Common Stock thereunder are covered by a valid Form S-8 or similar U.S. federal registration statement, Optionee agrees that in no event shall Optionee make a disposition of any of the Common Stock, unless and until: (i) Optionee shall have notified the Company of the proposed disposition and shall have furnished the Company with a statement of the circumstances surrounding the proposed disposition; and (ii) Optionee shall have furnished the Company with an opinion of counsel satisfactory to the Company to the effect that (A) such disposition will not require registration or qualification of such Common Stock under applicable U.S. federal, state or foreign securities laws or (B) appropriate action necessary for compliance with the U.S. federal, state or foreign securities laws has been taken; or (iii) the Company shall have waived, expressly and in writing, its rights under clauses (i) and (ii) of this Subsection.

(b) Optionee understands that if a registration statement covering the Common Stock under the Securities Act is not in effect when Optionee desires to sell the Common Stock, Optionee may be required to hold the Common Stock for an indeterminate period. Optionee also acknowledges that Optionee understands that any sale of the Common Stock which might be made by Optionee in reliance upon Rule 144 under the Securities Act may be made only in limited amounts in accordance with the terms and conditions of that Rule.

11. Other Documents. Optionee hereby acknowledges receipt or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act of 1933, as amended, including, but not limited to, the information required by Part I of Form S-8, if applicable.

12. Notices. Any notice required or permitted hereunder will be provided in writing and deemed effective if provided in the manner specified in the Option Agreement.

13. Further Instruments. The parties agree to execute any further instruments and to take any further action as may be reasonably necessary to carry out the purposes and intent of the Option Agreement and this Exercise Notice.

14. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan, and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee.

[Signature page follows.]

Submitted by:

OPTIONEE

Signature_____

Accepted by:

VERTEX ENERGY, INC.

By: _____

Print Name: _____

Print Name: _____

Address: _____

Date Received: _____

[This page is only to be executed upon exercise of the Option, or any part thereof]

VERTEX ENERGY, INC.

2019 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms in the Stock Option Agreement (the “Option Agreement”) have the same meanings as defined in the Vertex Energy, Inc. 2019 Equity Incentive Plan (as amended from time to time)(the “Plan”).

I. NOTICE OF STOCK OPTION GRANT

Optionee: [Optionee]

Address: *See signature page of this Option Agreement*

You have been granted an Option to purchase Common Stock (the “Option”) of Vertex Energy, Inc. (the “Company”), subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Grant Date: [Grant Date]

Vesting Commencement Date: [Vesting Commencement Date]

Exercise Price per Share: \$6.46

Total Number of Shares Granted: [Total Number of Shares Granted]

Total Exercise Price: [Total Exercise Price]

Type of Option: [Type]

Expiration Date: May 14, 2023

Vesting Schedule: 1/4th of such Options vest on the first, second, third and fourth anniversaries of the Vesting Commencement Date, subject to the terms hereof and the Plan.^[4]

To the extent vested, this Option will be exercisable for three (3) months following the Termination of Service of Optionee, unless termination is due to Optionee’s death or Disability, in which case this Option will be exercisable for twelve (12) months following the Termination of Service of Optionee. In the event of termination due to Optionee’s death, the Company shall

¹ To the extent that the number of Options is not evenly divisible by 1/4th, the number of Options which vest to the Optionee shall be rounded up to the nearest whole share for the first anniversary, and for each anniversary thereafter, until such remainder Options (i.e., the number of Options which would be left if the number of Options granted hereunder was divided by 1/4th, rounded down to the nearest whole share, and multiplied by four), have been vested in full.

use commercially reasonable efforts to notify Optionee's estate of the exercisability of the Option following Optionee's death. Notwithstanding the foregoing sentence, in no event may this Option be exercised following the Termination of Service of Optionee as determined by the Company's Board to be for Cause or after the Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

"Cause" has the meaning ascribed to such term or words of similar import in Optionee's written employment or service contract with the Company or its parent or any subsidiary and, in the absence of such agreement or definition, means Optionee's (i) conviction of, or plea of nolo contendere to, a felony or any other crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company or its subsidiaries, or any affiliate, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses), or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with Optionee's duties or willful failure to perform Optionee's responsibilities in the best interests of the Company or its subsidiaries; (v) illegal use or distribution of drugs; (vi) violation of any material rule, regulation, procedure or policy of the Company or its subsidiaries, the violation of which could have a material detriment to the Company; or (vii) material breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by Optionee for the benefit of the Company or its subsidiaries, all as reasonably determined by the Company's Board of Directors, which determination will be conclusive.

Modifications to Option Agreement: To the extent of any conflict between the Optionee's Executive Employment Agreement with the Company, and this Stock Option Agreement, the terms of the Executive Employment Agreement shall control, provided that in the event of any conflict between Optionee's Executive Employment Agreement and the Plan, the terms of the Plan shall control.

Legends.

(a) All certificates representing the Shares issued upon exercise of this Option shall, prior to such date as the Plan and Common Stock hereunder are covered by a valid Form S-8 or similar U.S. federal registration statement, where applicable, have endorsed thereon the following legend:

**THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED OR QUALIFIED
UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OR
OTHER JURISDICTION, AND MAY BE OFFERED AND SOLD ONLY IF REGISTERED AND QUALIFIED PURSUANT
TO THE RELEVANT PROVISIONS OF U.S. FEDERAL, STATE AND FOREIGN SECURITIES LAWS OR IF THE
COMPANY IS PROVIDED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION
AND QUALIFICATION UNDER U.S. FEDERAL, STATE AND FOREIGN SECURITIES LAWS IS NOT REQUIRED.**

(b) If the Option is an incentive stock option (ISO), then the following legend will be included:

THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED UPON EXERCISE OF AN INCENTIVE STOCK OPTION, AND THE COMPANY MUST BE NOTIFIED IF THE SHARES SHALL BE TRANSFERRED BEFORE THE LATER OF THE TWO (2) YEAR ANNIVERSARY OF THE DATE OF GRANT OF THE OPTION OR THE ONE (1) YEAR ANNIVERSARY OF THE DATE ON WHICH THE OPTION WAS EXERCISED. THE REGISTERED HOLDER MAY RECOGNIZE ORDINARY INCOME IF THE SHARES ARE TRANSFERRED BEFORE SUCH DATE.

II. AGREEMENT

1. Grant of Option. The Administrator grants to the Optionee named in the Notice of Stock Option Grant in Part I of this Option Agreement, an Option to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the “Exercise Price”), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Code section 422. Nevertheless, to the extent that it exceeds the \$100,000 rule of Code section 422(d), this Option will be treated as a Nonstatutory/Non-Qualified Stock Option.

2. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option is exercisable by (i) delivery of an exercise notice in the form attached as Exhibit A (the “Exercise Notice”) or in a manner and pursuant to procedures as the Administrator may determine, which will state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised, and other representations and agreements as may be required by the Company and (ii) paying the Company in full the aggregate Exercise Price as to all Shares being acquired, together with any applicable tax withholding.

This Option will be deemed to be exercised upon receipt by the Company of a fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares will be issued pursuant to the exercise of an Option unless the issuance and exercise of Shares complies with applicable state and federal laws (“Applicable Laws”). Assuming compliance, for income tax purposes the Shares will be considered transferred to the Optionee on the date on which the Option is exercised with respect to the Shares.

3. Method of Payment. The aggregate Exercise Price may be paid by any of the following, or a combination thereof, at the election of the Optionee:

- (a) cash;
- (b) check;
- (c) to the extent not prohibited by Section 402 of the Sarbanes-Oxley Act of 2002, a promissory note;
- (d) other shares of Common Stock, provided Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option will be exercised;
- (e) by asking the Company to withhold Shares from the total Shares to be delivered upon exercise equal to the number of Shares having a value equal to the aggregate Exercise Price of the Shares being acquired;
- (f) any combination of the foregoing methods of payment; or
- (g) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

4. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any Applicable Laws. The Company will be relieved of any liability with respect to any delayed issuance of shares or its failure to issue shares if such delay or failure is necessary to comply with Applicable Laws.

5. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of the Plan and this Option Agreement are binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

6. Term of Option. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during the term only in accordance with the Plan and the terms of this Option.

7. Tax Obligations.

(a) Withholding Taxes. Optionee agrees to arrange for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Optionee acknowledges and agrees that the Company may

refuse to honor the exercise and refuse to deliver the Shares if withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee is an Incentive Stock Option (“ISO”), and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Grant Date, or (ii) the date one (1) year after the date of exercise, the Optionee must immediately notify the Company of the disposition in writing. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(c) Code Section 409A. Under Code section 409A, an Option that was granted with a per Share exercise price that is determined by the Internal Revenue Service (the “IRS”) to be less than the Fair Market Value of a Share on the Grant Date (a “discount option”) may be considered deferred compensation. An Option that is a discount option may result in (i) income recognition by the Optionee prior to the exercise of the Option, (ii) an additional twenty percent (20%) tax, and (iii) potential penalty and interest charges. Optionee acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share Exercise Price of this Option equals or exceeds Fair Market Value of a Share on the Grant Date in a later examination. Optionee agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the Grant Date, Optionee will be solely responsible for any and all resulting tax consequences.

8. No Guarantee of Continued Service. OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE OR DIRECTOR AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING OPTIONEE) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS OPTION AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR DIRECTOR FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH OPTIONEE’S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING OPTIONEE) TO TERMINATE OPTIONEE’S RELATIONSHIP AS AN EMPLOYEE OR DIRECTOR AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Notices. All notices or other communications which are required or permitted hereunder will be in writing and sufficient if (i) personally delivered or sent by telecopy, (ii) sent by nationally-recognized overnight courier or (iii) sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to the Optionee, to the address (or telecopy number) set forth on the Notice of Stock Option Grant; and

(b) if to the Company, to its principal executive office as specified in any report filed by the Company with the Securities and Exchange Commission or to such address as the Company may have specified to the Optionee in writing, Attention: Corporate Secretary;

or to any other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any communication will be deemed to have been given (i) when delivered, if personally delivered, or when telecopied, if telecopied, (ii) on the first Business Day (as hereinafter defined) after dispatch, if sent by nationally-recognized overnight courier and (iii) on the fourth Business Day following the date on which the piece of mail containing the communication is posted, if sent by mail. As used herein, "**Business Day**" means a day that is not a Saturday, Sunday or a day on which banking institutions in the city to which the notice or communication is to be sent are not required to be open.

10. Specific Performance. Optionee expressly agrees that the Company will be irreparably damaged if the provisions of this Option Agreement and the Plan are not specifically enforced. Upon a breach or threatened breach of the terms, covenants and/or conditions of this Option Agreement or the Plan by the Optionee, the Company will, in addition to all other remedies, be entitled to a temporary or permanent injunction, without showing any actual damage, and/or decree for specific performance, in accordance with the provisions hereof and thereof. The Administrator has the power to determine what constitutes a breach or threatened breach of this Option Agreement or the Plan. The Administrator's determinations will be final and conclusive and binding upon the Optionee.

11. No Waiver. No waiver of any breach or condition of this Option Agreement will be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

12. Optionee Undertaking. The Optionee agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Optionee pursuant to the express provisions of this Option Agreement.

13. Modification of Rights. The rights of the Optionee are subject to modification and termination in certain events as provided in this Option Agreement and the Plan.

14. Governing Law. This Agreement is governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to its conflict or choice of law principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

15. Counterparts; Facsimile Execution. This Option Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together constitute one and the same instrument. Facsimile execution and delivery of this Option Agreement is legal, valid and binding execution and delivery for all purposes.

16. Entire Agreement. The Plan, this Option Agreement, and upon execution, the Exercise Notice, constitute the entire agreement of the parties with respect to the subject matter.

hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee.

17. Severability. In the event one or more of the provisions of this Option Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Option Agreement, and this Option Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

18. WAIVER OF JURY TRIAL. THE OPTIONEE EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS OPTION AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

[Remainder of page left intentionally blank.]

Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE

VERTEX ENERGY, INC.

Signature _____

By: _____

Print Name: _____

Print Name: _____
Title: _____

Address: _____

Address: **1331 Gemini Suite 250**
Houston, TX 77058

Date Signed: _____

Date Signed: _____, **2023**

EXHIBIT A

2019 EQUITY INCENTIVE PLAN

EXERCISE NOTICE

Vertex Energy, Inc.
1331 Gemini Street, Suite 250
Houston, Texas 77058

Attention: Vertex Energy, Inc., Corporate Secretary

1. **Exercise of Option.** Effective as of today, _____, _____, the undersigned (“**Optionee**”) elects to exercise Optionee’s option to purchase _____ shares of the Common Stock (the “**Shares**”) of Vertex Energy, Inc. (the “**Company**”) under and pursuant to the Vertex Energy, Inc. 2019 Equity Incentive Plan (the “**Plan**”) and the Stock Option Agreement dated May 17, 2023 and effective May 14, 2023 (the “**Option Agreement**”).

2. **Delivery of Payment.** Optionee herewith delivers to the Company the full purchase price of the Shares, as set forth in the Option Agreement, and any and all withholding taxes due in connection with the exercise of the Option.

3. **Representations of Optionee.** Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. **Rights as Stockholder.** Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder exists with respect to the Optioned Stock, notwithstanding the exercise of the Option. Subject to the requirements of Section 6 below, the Shares will be issued to the Optionee as soon as practicable after the Option is exercised in accordance with the Option Agreement. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in the Plan.

5. **Tax Consultation.** Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee’s purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

6. **Refusal to Transfer.** The Company will not (i) transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Notice, or (ii) be required to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares have been so transferred.

7. **Successors and Assigns.** The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice inures to the benefit of

the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Notice is binding upon Optionee and his or her heirs, executors, administrators, successors and assigns.

8. Interpretation. Any dispute regarding the interpretation of this Exercise Notice will be submitted by Optionee or by the Company forthwith to the Administrator for review at its next regular meeting. The resolution of disputes by the Administrator will be final and binding on all parties.

9. Governing Law; Severability. This Exercise Notice is governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to its conflict or choice of law principles that might otherwise refer construction or interpretation of this Exercise to the substantive law of another jurisdiction. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Exercise Notice will continue in full force and effect.

10. Optionee Representations.

(a) With respect to a transaction occurring prior to such date as the Plan and Common Stock thereunder are covered by a valid Form S-8 or similar U.S. federal registration statement, Optionee agrees that in no event shall Optionee make a disposition of any of the Common Stock, unless and until: (i) Optionee shall have notified the Company of the proposed disposition and shall have furnished the Company with a statement of the circumstances surrounding the proposed disposition; and (ii) Optionee shall have furnished the Company with an opinion of counsel satisfactory to the Company to the effect that (A) such disposition will not require registration or qualification of such Common Stock under applicable U.S. federal, state or foreign securities laws or (B) appropriate action necessary for compliance with the U.S. federal, state or foreign securities laws has been taken; or (iii) the Company shall have waived, expressly and in writing, its rights under clauses (i) and (ii) of this Subsection.

(b) Optionee understands that if a registration statement covering the Common Stock under the Securities Act is not in effect when Optionee desires to sell the Common Stock, Optionee may be required to hold the Common Stock for an indeterminate period. Optionee also acknowledges that Optionee understands that any sale of the Common Stock which might be made by Optionee in reliance upon Rule 144 under the Securities Act may be made only in limited amounts in accordance with the terms and conditions of that Rule.

11. Other Documents. Optionee hereby acknowledges receipt or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act of 1933, as amended, including, but not limited to, the information required by Part I of Form S-8, if applicable.

12. Notices. Any notice required or permitted hereunder will be provided in writing and deemed effective if provided in the manner specified in the Option Agreement.

13. Further Instruments. The parties agree to execute any further instruments and to take any further action as may be reasonably necessary to carry out the purposes and intent of the Option Agreement and this Exercise Notice.

14. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan, and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee.

[Signature page follows.]

Submitted by:

OPTIONEE

Signature: _____

Accepted by:

VERTEX ENERGY, INC.

By: _____

Print Name: _____

Print Name: _____

Address: _____

Date Received: _____

[This page is only to be executed upon exercise of the Option, or any part thereof]

VERTEX ENERGY, INC.

AMENDED AND RESTATED 2020 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms in the Stock Option Agreement (the “Option Agreement”) have the same meanings as defined in the Vertex Energy, Inc. Amended and Restated 2020 Equity Incentive Plan (as amended from time to time)(the “Plan”).

I. NOTICE OF STOCK OPTION GRANT

Optionee: Douglas Haugh

Address: See signature page of this Option Agreement

You have been granted an Option to purchase Common Stock (the “Option”) of Vertex Energy, Inc. (the “Company”), subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Grant Date: May 14, 2023

Vesting Commencement Date: April 17, 2023

Exercise Price per Share: \$6.46

Total Number of Shares Granted: 75,000

Total Exercise Price: \$484,500.00

Type of Option: Non-Qualified Stock Options

Expiration Date: May 14, 2033

Vesting Schedule: 1/4th of such Options vest on the first, second, third and fourth anniversaries of the Vesting Commencement Date, subject to the terms hereof and the Plan.^[4]

To the extent vested, this Option will be exercisable for three (3) months following the Termination of Service of Optionee, unless termination is due to Optionee’s death or Disability, in which case this Option will be exercisable for twelve (12) months following the Termination of Service of Optionee. In the event of termination due to Optionee’s death, the Company shall

^[1] To the extent that the number of Options is not evenly divisible by 1/4th, the number of Options which vest to the Optionee shall be rounded up to the nearest whole share for the first anniversary, and for each anniversary thereafter, until such remainder Options (i.e., the number of Options which would be left if the number of Options granted hereunder was divided by 1/4th, rounded down to the nearest whole share, and multiplied by four), have been vested in full.

use commercially reasonable efforts to notify Optionee's estate of the exercisability of the Option following Optionee's death. Notwithstanding the foregoing sentence, in no event may this Option be exercised following the Termination of Service of Optionee as determined by the Company's Board to be for Cause or after the Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

"Cause" has the meaning ascribed to such term or words of similar import in Optionee's written employment or service contract with the Company or its parent or any subsidiary and, in the absence of such agreement or definition, means Optionee's (i) conviction of, or plea of nolo contendere to, a felony or any other crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company or its subsidiaries, or any affiliate, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses), or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with Optionee's duties or willful failure to perform Optionee's responsibilities in the best interests of the Company or its subsidiaries; (v) illegal use or distribution of drugs; (vi) violation of any material rule, regulation, procedure or policy of the Company or its subsidiaries, the violation of which could have a material detriment to the Company; or (vii) material breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by Optionee for the benefit of the Company or its subsidiaries, all as reasonably determined by the Company's Board of Directors, which determination will be conclusive.

Modifications to Option Agreement: To the extent of any conflict between the Optionee's Executive Employment Agreement with the Company, and this Stock Option Agreement, the terms of the Executive Employment Agreement shall control, provided that in the event of any conflict between Optionee's Executive Employment Agreement and the Plan, the terms of the Plan shall control.

Legends.

(a) All certificates representing the Shares issued upon exercise of this Option shall, prior to such date as the Plan and Common Stock hereunder are covered by a valid Form S-8 or similar U.S. federal registration statement, where applicable, have endorsed thereon the following legend:

**THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED OR QUALIFIED
UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OR
OTHER JURISDICTION, AND MAY BE OFFERED AND SOLD ONLY IF REGISTERED AND QUALIFIED PURSUANT
TO THE RELEVANT PROVISIONS OF U.S. FEDERAL, STATE AND FOREIGN SECURITIES LAWS OR IF THE
COMPANY IS PROVIDED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION
AND QUALIFICATION UNDER U.S. FEDERAL, STATE AND FOREIGN SECURITIES LAWS IS NOT REQUIRED.**

(b) If the Option is an incentive stock option (ISO), then the following legend will be included:

THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED UPON EXERCISE OF AN INCENTIVE STOCK OPTION, AND THE COMPANY MUST BE NOTIFIED IF THE SHARES SHALL BE TRANSFERRED BEFORE THE LATER OF THE TWO (2) YEAR ANNIVERSARY OF THE DATE OF GRANT OF THE OPTION OR THE ONE (1) YEAR ANNIVERSARY OF THE DATE ON WHICH THE OPTION WAS EXERCISED. THE REGISTERED HOLDER MAY RECOGNIZE ORDINARY INCOME IF THE SHARES ARE TRANSFERRED BEFORE SUCH DATE.

II. AGREEMENT

1. **Grant of Option.** The Administrator grants to the Optionee named in the Notice of Stock Option Grant in Part I of this Option Agreement, an Option to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the “**Exercise Price**”), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Code section 422. Nevertheless, to the extent that it exceeds the \$100,000 rule of Code section 422(d), this Option will be treated as a Nonstatutory/Non-Qualified Stock Option.

2. Exercise of Option.

(a) **Right to Exercise.** This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) **Method of Exercise.** This Option is exercisable by (i) delivery of an exercise notice in the form attached as Exhibit A (the “**Exercise Notice**”) or in a manner and pursuant to procedures as the Administrator may determine, which will state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised, and other representations and agreements as may be required by the Company and (ii) paying the Company in full the aggregate Exercise Price as to all Shares being acquired, together with any applicable tax withholding.

This Option will be deemed to be exercised upon receipt by the Company of a fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares will be issued pursuant to the exercise of an Option unless the issuance and exercise of Shares complies with applicable state and federal laws (“**Applicable Laws**”).

Assuming compliance, for income tax purposes the Shares will be considered transferred to the Optionee on the date on which the Option is exercised with respect to the Shares.

3. Method of Payment. The aggregate Exercise Price may be paid by any of the following, or a combination thereof, at the election of the Optionee:

- (a) cash;
- (b) check;
- (c) to the extent not prohibited by Section 402 of the Sarbanes-Oxley Act of 2002, a promissory note;
- (d) other shares of Common Stock, provided Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option will be exercised;
- (e) by asking the Company to withhold Shares from the total Shares to be delivered upon exercise equal to the number of Shares having a value equal to the aggregate Exercise Price of the Shares being acquired;
- (f) any combination of the foregoing methods of payment; or
- (g) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

4. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any Applicable Laws. The Company will be relieved of any liability with respect to any delayed issuance of shares or its failure to issue shares if such delay or failure is necessary to comply with Applicable Laws.

5. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of the Plan and this Option Agreement are binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

6. Term of Option. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during the term only in accordance with the Plan and the terms of this Option.

7. Tax Obligations.

(a) Withholding Taxes. Optionee agrees to arrange for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Optionee acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee is an Incentive Stock Option (“**ISO**”), and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Grant Date, or (ii) the date one (1) year after the date of exercise, the Optionee must immediately notify the Company of the disposition in writing. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(c) Code Section 409A. Under Code section 409A, an Option that was granted with a per Share exercise price that is determined by the Internal Revenue Service (the “**IRS**”) to be less than the Fair Market Value of a Share on the Grant Date (a “discount option”) may be considered deferred compensation. An Option that is a discount option may result in (i) income recognition by the Optionee prior to the exercise of the Option, (ii) an additional twenty percent (20%) tax, and (iii) potential penalty and interest charges. Optionee acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share Exercise Price of this Option equals or exceeds Fair Market Value of a Share on the Grant Date in a later examination. Optionee agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the Grant Date, Optionee will be solely responsible for any and all resulting tax consequences.

8. No Guarantee of Continued Service. OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE OR DIRECTOR AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING OPTIONEE) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS OPTION AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR DIRECTOR FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH OPTIONEE’S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING OPTIONEE) TO TERMINATE OPTIONEE’S RELATIONSHIP AS AN EMPLOYEE OR DIRECTOR AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Notices. All notices or other communications which are required or permitted hereunder will be in writing and sufficient if (i) personally delivered or sent by telecopy, (ii) sent by nationally-recognized overnight courier or (iii) sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to the Optionee, to the address (or telecopy number) set forth on the Notice of Stock Option Grant; and

(b) if to the Company, to its principal executive office as specified in any report filed by the Company with the Securities and Exchange Commission or to such address as the Company may have specified to the Optionee in writing, Attention: Corporate Secretary;

or to any other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any communication will be deemed to have been given (i) when delivered, if personally delivered, or when telecopied, if telecopied, (ii) on the first Business Day (as hereinafter defined) after dispatch, if sent by nationally-recognized overnight courier and (iii) on the fourth Business Day following the date on which the piece of mail containing the communication is posted, if sent by mail. As used herein, “**Business Day**” means a day that is not a Saturday, Sunday or a day on which banking institutions in the city to which the notice or communication is to be sent are not required to be open.

10. Specific Performance. Optionee expressly agrees that the Company will be irreparably damaged if the provisions of this Option Agreement and the Plan are not specifically enforced. Upon a breach or threatened breach of the terms, covenants and/or conditions of this Option Agreement or the Plan by the Optionee, the Company will, in addition to all other remedies, be entitled to a temporary or permanent injunction, without showing any actual damage, and/or decree for specific performance, in accordance with the provisions hereof and thereof. The Administrator has the power to determine what constitutes a breach or threatened breach of this Option Agreement or the Plan. The Administrator’s determinations will be final and conclusive and binding upon the Optionee.

11. No Waiver. No waiver of any breach or condition of this Option Agreement will be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

12. Optionee Undertaking. The Optionee agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Optionee pursuant to the express provisions of this Option Agreement.

13. Modification of Rights. The rights of the Optionee are subject to modification and termination in certain events as provided in this Option Agreement and the Plan.

14. Governing Law. This Agreement is governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to its conflict or choice of law principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

15. Counterparts; Facsimile Execution. This Option Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together constitute one and the same instrument. Facsimile execution and delivery of this Option Agreement is legal, valid and binding execution and delivery for all purposes.

16. Entire Agreement. The Plan, this Option Agreement, and upon execution, the Exercise Notice, constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee’s interest except by means of a writing signed by the Company and Optionee.

17. Severability. In the event one or more of the provisions of this Option Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Option Agreement, and this Option Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

18. WAIVER OF JURY TRIAL. THE OPTIONEE EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS OPTION AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

[Remainder of page left intentionally blank.]

Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE

Signature _____

Print Name: Douglas Haugh

Address: _____

Date Signed: _____

VERTEX ENERGY, INC.

By: _____

Print Name: **Chris Carlson**
Title: **Chief Financial Officer**

Address: **1331 Gemini Suite 250**
Houston, TX 77058

Date Signed: May 17, 2023

EXHIBIT A

AMENDED AND RESTATED 2020 EQUITY INCENTIVE PLAN

EXERCISE NOTICE

Vertex Energy, Inc.
1331 Gemini Street, Suite 250
Houston, Texas 77058

Attention: Vertex Energy, Inc., Corporate Secretary

1. Exercise of Option. Effective as of today, _____, _____, the undersigned (“Optionee”) elects to exercise Optionee’s option to purchase _____ shares of the Common Stock (the “Shares”) of Vertex Energy, Inc. (the “Company”) under and pursuant to the Vertex Energy, Inc. Amended and Restated 2020 Equity Incentive Plan (the “Plan”) and the Stock Option Agreement dated May 17, 2023 and effective May 14, 2023 (the “Option Agreement”).

2. Delivery of Payment. Optionee herewith delivers to the Company the full purchase price of the Shares, as set forth in the Option Agreement, and any and all withholding taxes due in connection with the exercise of the Option.

3. Representations of Optionee. Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Stockholder. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder exists with respect to the Optioned Stock, notwithstanding the exercise of the Option. Subject to the requirements of Section 6 below, the Shares will be issued to the Optionee as soon as practicable after the Option is exercised in accordance with the Option Agreement. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in the Plan.

5. Tax Consultation. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee’s purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

6. Refusal to Transfer. The Company will not (i) transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Notice, or (ii) be required to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares have been so transferred.

7. **Successors and Assigns.** The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice inures to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Notice is binding upon Optionee and his or her heirs, executors, administrators, successors and assigns.

8. **Interpretation.** Any dispute regarding the interpretation of this Exercise Notice will be submitted by Optionee or by the Company forthwith to the Administrator for review at its next regular meeting. The resolution of disputes by the Administrator will be final and binding on all parties.

9. **Governing Law; Severability.** This Exercise Notice is governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to its conflict or choice of law principles that might otherwise refer construction or interpretation of this Exercise to the substantive law of another jurisdiction. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Exercise Notice will continue in full force and effect.

10. **Optionee Representations.**

(a) With respect to a transaction occurring prior to such date as the Plan and Common Stock thereunder are covered by a valid Form S-8 or similar U.S. federal registration statement, Optionee agrees that in no event shall Optionee make a disposition of any of the Common Stock, unless and until: (i) Optionee shall have notified the Company of the proposed disposition and shall have furnished the Company with a statement of the circumstances surrounding the proposed disposition; and (ii) Optionee shall have furnished the Company with an opinion of counsel satisfactory to the Company to the effect that (A) such disposition will not require registration or qualification of such Common Stock under applicable U.S. federal, state or foreign securities laws or (B) appropriate action necessary for compliance with the U.S. federal, state or foreign securities laws has been taken; or (iii) the Company shall have waived, expressly and in writing, its rights under clauses (i) and (ii) of this Subsection.

(b) Optionee understands that if a registration statement covering the Common Stock under the Securities Act is not in effect when Optionee desires to sell the Common Stock, Optionee may be required to hold the Common Stock for an indeterminate period. Optionee also acknowledges that Optionee understands that any sale of the Common Stock which might be made by Optionee in reliance upon Rule 144 under the Securities Act may be made only in limited amounts in accordance with the terms and conditions of that Rule.

11. **Other Documents.** Optionee hereby acknowledges receipt or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act of 1933, as amended, including, but not limited to, the information required by Part I of Form S-8, if applicable.

12. **Notices.** Any notice required or permitted hereunder will be provided in writing and deemed effective if provided in the manner specified in the Option Agreement.

13. **Further Instruments**. The parties agree to execute any further instruments and to take any further action as may be reasonably necessary to carry out the purposes and intent of the Option Agreement and this Exercise Notice.

14. **Entire Agreement**. The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan, and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee.

[Signature page follows.]

Submitted by:

OPTIONEE

Signature: _____

Print Name: **Douglas Haugh**

Address: _____

Accepted by:

VERTEX ENERGY, INC.

By: _____

Print Name: _____

Date Received: _____

[This page is only to be executed upon exercise of the Option, or any part thereof]

VERTEX ENERGY, INC.
AMENDED AND RESTATED 2020 EQUITY INCENTIVE PLAN
NOTICE OF RESTRICTED STOCK GRANT

Capitalized but otherwise undefined terms in this Notice of Restricted Stock Grant and the attached Restricted Stock Grant Agreement shall have the same defined meanings as in the Amended and Restated Vertex Energy, Inc. 2020 Equity Incentive Plan (as amended from time to time)(the “**Plan**”).

Grantee Name: [Grantee]

Address: _____

You have been granted Restricted Stock (the “**Shares**”) subject to the terms and conditions of the Plan and the attached Restricted Stock Grant Agreement, as follows:

Date of Grant: [Date of Grant]

Vesting Commencement Date: [Vesting Commencement Date]

Price Per Share: \$5.75

Total Number of Shares Granted: [Total Shares]

Total Value of Shares Granted: [Total Value]

Total Purchase Price: \$0

Agreement Date: June 22, 2023

Vesting Schedule:

One-half of the Shares shall vest on December 26, 2023; and one-half of the Shares shall vest on January 3, 2024, subject to the terms of this Notice of Restricted Stock Grant and the attached Restricted Stock Grant Agreement, subject to the Plan, and subject to Grantee remaining employed by the Company on each such vesting dates or serving as a member of the Board of Directors on such dates, with any Shares not equally divisible by 1/2 being allocated equitably by the Chief Financial Officer of the Company to the earliest vesting period.

VERTEX ENERGY, INC.
AMENDED AND RESTATED 2020 EQUITY INCENTIVE PLAN
RESTRICTED STOCK GRANT AGREEMENT

This **RESTRICTED STOCK GRANT AGREEMENT** (“Agreement”), dated as of the Agreement Date specified on the Notice of Restricted Stock Grant is made by and between Vertex Energy, Inc., a Nevada corporation (the “Company”), and the grantee named in the Notice of Restricted Stock Grant (the “Grantee,” which term as used herein shall be deemed to include any successor to Grantee by will or by the laws of descent and distribution, unless the context shall otherwise require).

BACKGROUND

Pursuant to the Plan, the Board (or an authorized Committee thereof), approved the issuance to Grantee, effective as of the date set forth above, of an award of the number of shares of Restricted Stock as is set forth in the attached Notice of Restricted Stock Grant (which is expressly incorporated herein and made a part hereof, the “Notice of Restricted Stock Grant”) at the purchase price per share of Restricted Stock (the “Purchase Price”), if any, set forth in the attached Notice of Restricted Stock Grant, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual premises and undertakings hereinafter set forth, the parties agree as follows:

1. **Grant and Purchase of Restricted Stock.** The Company hereby grants to Grantee, and Grantee hereby accepts the Restricted Stock set forth in the Notice of Restricted Stock Grant, subject to the payment by Grantee of the total purchase price, if any, set forth in the Notice of Restricted Stock Grant.

2. **Stockholder Rights.**

(a) **Voting Rights.** Until such time as all or any part of the Restricted Stock are forfeited to the Company under this Agreement, if ever, Grantee (or any successor in interest) has the rights of a stockholder, including voting rights, with respect to the Restricted Stock subject, however, to the transfer restrictions or any other restrictions set forth in the Plan.

(b) **Dividends and Other Distributions.** During the period of restriction, Participants holding Restricted Stock are entitled to all regular cash dividends or other distributions paid with respect to all shares while they are so held. If any such dividends or distributions are paid in shares, such shares will be subject to the same restrictions on transferability and forfeitability as the Restricted Stock with respect to which they were paid.

3. **Vesting of Restricted Stock.**

(a) The Restricted Stock are restricted and subject to forfeiture until vested. The Restricted Stock which have vested and are no longer subject to forfeiture are referred to as “Vested Shares.” All Restricted Stock which have not become Vested Shares are referred to as “Nonvested Shares.”

(b) Restricted Stock will vest and become nonforfeitable in accordance with the vesting schedule contained in the Notice of Restricted Stock Grant.

(c) Any Nonvested Shares of Grantee will automatically vest and become nonforfeitable if Grantee’s service with the Company ceases owing to the Grantee’s (a) death, (b) Disability, or (c) Retirement, unless the Board (or an authorized committee thereof) provides otherwise.

(d) In the event of a Change of Control, all then Nonvested Shares will vest, effective on the date of such Change of Control.

(e) Terms used in Section 3 and Section 4 have the following meanings:

(i) **Cause** has the meaning ascribed to such term or words of similar import in Grantee's written employment or service contract with the Company or its subsidiaries and, in the absence of such agreement or definition, means Grantee's (i) conviction of, or plea of nolo contendere to, a felony or crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company or its subsidiaries, or any affiliate, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses), or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with Grantee's duties or willful failure to perform Grantee's responsibilities in the best interests of the Company or its subsidiaries; (v) illegal use or distribution of drugs; (vi) violation of any material rule, regulation, procedure or policy of the Company or its subsidiaries, the violation of which could have a material detriment to the Company; or (vii) material breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by Grantee for the benefit of the Company or its subsidiaries, all as reasonably determined by the Board of Directors of the Company, which determination will be conclusive.

(ii) **Retirement** means Grantee's retirement from Company employ at or above the age 65 as determined in accordance with the policies of the Company or its subsidiaries, if any, in good faith by the Board of Directors of the Company, which determination will be final and binding on all parties concerned.

(f) Nonvested Shares may not be sold, transferred, assigned, pledged, or otherwise disposed of, directly or indirectly, whether by operation of law or otherwise. The restrictions set forth in this Section will terminate upon a Change of Control.

4. **Forfeiture of Nonvested Shares**. Except as provided herein, if Grantee's service with the Company ceases for any reason other than Grantee's (a) death, (b) Disability, or (c) Retirement, any Nonvested Shares will be automatically forfeited to the Company; provided, however, that the Board (or an authorized committee thereof) may cause any Nonvested Shares immediately to vest and become nonforfeitable if Grantee's service with the Company is terminated by the Company without Cause.

(a) **Legend**. Each certificate representing Restricted Stock granted pursuant to the Notice of Restricted Stock Grant may bear a legend substantially as follows:

"THE SALE OR OTHER TRANSFER OF THE SHARES REPRESENTED BY THIS CERTIFICATE, WHETHER VOLUNTARY, INVOLUNTARY OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE AMENDED AND RESTATED VERTEX ENERGY, INC. 2020 EQUITY INCENTIVE PLAN AND IN A RESTRICTED SHARE GRANT AGREEMENT. A COPY OF SUCH PLAN AND SUCH AGREEMENT MAY BE OBTAINED FROM VERTEX ENERGY, INC."

(b) **Escrow of Nonvested Shares**. The Company has the right to retain the certificates representing Nonvested Shares in the Company's possession until such time as all restrictions applicable to such shares have been satisfied.

(c) **Removal of Restrictions**. The Participant is entitled to have the legend removed from certificates representing Vested Shares.

5. **Recapitalizations, Exchanges, Mergers, Etc.** The provisions of this Agreement apply to the full extent set forth herein with respect to any and all shares of capital stock of the Company or successor of the Company which may be issued in respect of, in exchange for, or in substitution for the Restricted Stock by reason of any stock dividend, split, reverse split, combination, recapitalization, reclassification, merger, consolidation or otherwise which does not terminate this Agreement. Except as otherwise provided herein, this Agreement is not intended to confer upon any other person except the parties hereto any rights or remedies hereunder.

6. **Grantee Representations**

Grantee represents to the Company the following:

(a) **Restrictions on Transfer**. Grantee acknowledges that the Restricted Stock to be issued to Grantee must be held indefinitely unless subsequently registered and qualified under the Securities Act of 1933, as amended (the “**Securities Act**”) or unless an exemption from registration and qualification is otherwise available. In addition, Grantee understands that the certificate representing the Restricted Stock will be imprinted with a legend which prohibits the transfer of such Restricted Stock unless they are sold in a transaction in compliance with the Securities Act or are registered and qualified or such registration and qualification are not required in the opinion of counsel acceptable to the Company.

(b) **Relationship to the Company; Experience**. Grantee either has a preexisting business or personal relationship with the Company or any of its officers, directors or controlling persons or, by reason of Grantee’s business or financial experience or the business or financial experience of Grantee’s personal representative(s), if any, who are unaffiliated with and who are not compensated by the Company or any affiliate or selling agent, directly or indirectly, has the capacity to protect Grantee’s own interests in connection with Grantee’s acquisition of the Restricted Stock to be issued to Grantee hereunder. Grantee and/or Grantee’s personal representative(s) have such knowledge and experience in financial, tax and business matters to enable Grantee and/or them to utilize the information made available to Grantee and/or them in connection with the acquisition of the Restricted Stock to evaluate the merits and risks of the prospective investment and to make an informed investment decision with respect thereto.

(c) **Grantee’s Liquidity**. In reaching the decision to invest in the Restricted Stock, Grantee has carefully evaluated Grantee’s financial resources and investment position and the risks associated with this investment, and Grantee acknowledges that Grantee is able to bear the economic risks of the investment. Grantee (i) has adequate means of providing for Grantee’s current needs and possible personal contingencies, (ii) has no need for liquidity in Grantee’s investment, (iii) is able to bear the substantial economic risks of an investment in the Restricted Stock for an indefinite period and (iv) at the present time, can afford a complete loss of such investment. Grantee’s commitment to investments which are not readily marketable is not disproportionate to Grantee’s net worth and Grantee’s investment in the Restricted Stock will not cause Grantee’s overall commitment to become excessive.

(d) **Access to Data**. Grantee acknowledges that during the course of this transaction and before deciding to acquire the Restricted Stock, Grantee has been provided with financial and other written information about the Company. Grantee has been given the opportunity by the Company to obtain any information and ask questions concerning the Company, the Restricted Stock, and Grantee’s investment that Grantee felt necessary; and to the extent Grantee availed himself/herself of that opportunity, Grantee has received satisfactory information and answers concerning the business and financial condition of the Company in response to all inquiries in respect thereof.

(e) **Risks**. Grantee acknowledges and understands that (i) an investment in the Company constitutes a high risk, (ii) the Restricted Stock are highly speculative, and (iii) there can be no assurance as to what investment return, if any, there may be. Grantee is aware that the Company may issue additional securities in the future which could result in the dilution of Grantee’s ownership interest in the Company.

(f) **Valid Agreement.** This Agreement when executed and delivered by Grantee will constitute a valid and legally binding obligation of Grantee which is enforceable in accordance with its terms.

(g) **Residence.** The address set forth on the Notice of Restricted Stock Grant is Grantee's current address and accurately sets forth Grantee's place of residence.

(h) **Tax Consequences.** Grantee has reviewed with Grantee's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Grantee understands that Grantee (and not the Company) is responsible for Grantee's own tax liability that may arise as a result of the transactions contemplated by this Agreement. Grantee understands that Section 83 of the Internal Revenue Code of 1986, as amended (the "**Code**"), taxes as ordinary income the difference between the purchase price for the Restricted Stock and the fair market value of the Restricted Stock as of the date any restrictions on the Restricted Stock lapse. Grantee understands that Grantee may elect to be taxed at the time the Restricted Stock is purchased rather than when and as the restrictions lapse by filing an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days from the date of purchase. The form for making this election is attached as **Exhibit A** hereto.

GRANTEE ACKNOWLEDGES THAT IT IS GRANTEE'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY ANY ELECTION UNDER SECTION 83(b), EVEN IF GRANTEE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON GRANTEE'S BEHALF.

7. **No Employment Contract Created.** The issuance of the Restricted Stock is not to be construed as granting to Grantee any right with respect to continuance of employment or any service with the Company or any of its subsidiaries. The right of the Company or any of its subsidiaries to terminate at will Grantee's employment or terminate Grantee's service at any time (whether by dismissal, discharge or otherwise), with or without cause, is specifically reserved, subject to any other written employment or other agreement to which the Company and Grantee may be a party.

8. **Tax Withholding.** The Company has the power and the right to deduct or withhold, or require Grantee to remit to the Company, an amount sufficient to satisfy Federal, state and local taxes (including the Grantee's FICA obligation) required by law to be withheld with respect to the grant and vesting of the Restricted Stock.

9. **Interpretation.** The Restricted Stock are being issued pursuant to the terms of the Plan, and are to be interpreted in accordance therewith. The Board (or an authorized committee thereof) will interpret and construe this Agreement and the Plan, and any action, decision, interpretation or determination made in good faith by the Board (or an authorized committee thereof) will be final and binding on the Company and Grantee.

10. **Notices.** All notices or other communications which are required or permitted hereunder will be in writing and sufficient if (i) personally delivered or sent by telecopy, (ii) sent by nationally-recognized overnight courier or (iii) sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to the Grantee, to the address (or telecopy number) set forth on the Notice of Grant; and

(b) if to the Company, to its principal executive office as specified in any report filed by the Company with the Securities and Exchange Commission or to such address as the Company may have specified to the Grantee in writing, Attention: Corporate Secretary;

or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any such communication will be deemed to have been given (i) when delivered, if personally delivered, or when telecopied, if telecopied, (ii) on the first Business Day (as hereinafter defined) after dispatch, if sent by nationally-recognized overnight courier and (iii) on the fifth Business Day following the date on

which the piece of mail containing such communication is posted, if sent by mail. As used herein, “**Business Day**” means a day that is not a Saturday, Sunday or a day on which banking institutions in the city to which the notice or communication is to be sent are not required to be open.

11. **Specific Performance.** Grantee expressly agrees that the Company will be irreparably damaged if the provisions of this Agreement and the Plan are not specifically enforced. Upon a breach or threatened breach of the terms, covenants and/or conditions of this Agreement or the Plan by Grantee, the Company will, in addition to all other remedies, be entitled to a temporary or permanent injunction, without showing any actual damage, and/or decree for specific performance, in accordance with the provisions hereof and thereof. The Board (or an authorized committee thereof) has the power to determine what constitutes a breach or threatened breach of this Agreement or the Plan. Any such determinations will be final and conclusive and binding upon Grantee.

12. **No Waiver.** No waiver of any breach or condition of this Agreement will be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

13. **Grantee Undertaking.** Grantee hereby agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on Grantee pursuant to the express provisions of this Agreement.

14. **Modification of Rights.** The rights of Grantee are subject to modification and termination in certain events as provided in this Agreement and the Plan.

15. **Governing Law.** This Agreement is governed by, and construed in accordance with, the laws of the State of Nevada, without giving effect to its conflict or choice of law principles that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

16. **Counterparts; Facsimile Execution.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute one and the same instrument. Facsimile execution and delivery of this Agreement is legal, valid and binding execution and delivery for all purposes.

17. **Entire Agreement.** This Agreement (including the Notice of Restricted Stock Grant) and the Plan, constitute the entire agreement between the parties with respect to the subject matter hereof, and supersedes all previously written or oral negotiations, commitments, representations and agreements with respect thereto.

18. **Severability.** In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Agreement, and this Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

19. **Electronic Delivery and Participation.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an online or electronic system established and maintained by the Company or a third party designated by the Company.

20. **Other Documents.** To the extent the Plan and/or the Common Stock issuable pursuant to this Agreement are registered under the Securities Act, you hereby acknowledge receipt of or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Prospectus.

21. **WAIVER OF JURY TRIAL.** THE GRANTEE HEREBY EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

[Signature Page Follows]

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Vertex Energy, Inc.

Amended and Restated 2020 Restricted Stock Grant Agreement

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Share Grant Agreement as of the date first written above.

VERTEX ENERGY, INC.

By: _____

Name: _____

Title: _____

GRANTEE:

Name: **[Grantee]**

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Vertex Energy, Inc.

Amended and Restated 2020 Restricted Stock Grant Agreement

[SPOUSE'S CONSENT TO AGREEMENT
(Required where Grantee resides in a community property state)

I acknowledge that I have read the Agreement and the Plan and that I know and understand the contents of both. I am aware that my spouse has agreed therein to the imposition of certain forfeiture provisions and restrictions on transferability with respect to the Restricted Stock that are the subject of the Agreement, including with respect to my community interest therein, if any, on the occurrence of certain events described in the Agreement. I hereby consent to and approve of the provisions of the Agreement, and agree that I will abide by the Agreement and bequeath any interest in the Restricted Stock which represents a community interest of mine to my spouse or to a trust subject to my spouse's control or for my spouse's benefit or the benefit of our children if I predecease my spouse.

Dated: _____

Signature

Print Name]

Exhibit A

**ELECTION UNDER SECTION 83(b)
OF THE INTERNAL REVENUE CODE OF 1986**

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, to include in the taxpayer's gross income or alternative minimum taxable income, as the case may be, for the current taxable year, as compensation for services the excess (if any) of the fair market value of the shares described below over the amount paid for those shares:

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

Taxpayer:

Spouse:

Name:

Address:

Identification No.:

Taxable Year:

2. The property with respect to which the election is made is described as follows: _____ shares (the "**Shares**") of the Common Stock of Vertex Energy, Inc., a Nevada corporation (the "**Company**").

3. The date on which the property was transferred is: _____, _____.

4. The property is subject to the following restrictions:

The Shares may not be transferred and are subject to forfeiture under the terms of an agreement between the taxpayer and the Company. These restrictions lapse upon the satisfaction of certain conditions contained in such agreement.

5. The fair market value of the property at the time of transfer (determined without regard to any restriction other than a nonlapse restriction as defined in § 1.83-3(h) of the Income Tax Regulations) is: \$ _____ per share x _____ shares = \$ _____.

6. For the property transferred, the undersigned paid \$ _____ per share x _____ shares = \$ _____.

7. The amount to include in gross income is \$ _____. *[The result of the amount reported in Item 5 minus the amount reported in Item 6.]*

The undersigned taxpayer will file this election with the Internal Revenue Service office with which taxpayer files his or her annual income tax return not later than 30 days after the date of transfer of the property. A copy of the election also will be furnished to the person for whom the services were performed. Additionally, the undersigned will include a copy of the election with his or her income tax return for the taxable year in which the property is transferred. The undersigned is the person performing the services in connection with which the property was transferred.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: _____, _____

Taxpayer: _____
The undersigned spouse of taxpayer joins in this election.

Dated: _____, _____
Spouse of Taxpayer: _____

Page 11 of 9
Vertex Energy, Inc.
Amended and Restated 2020 Restricted Stock Grant Agreement

EXHIBIT 31.1**CERTIFICATION**

I, Benjamin P. Cowart, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vertex Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

By: /s/ Benjamin P. Cowart
Benjamin P. Cowart
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2**CERTIFICATION**

I, Chris Carlson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vertex Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

By: /s/ Chris Carlson
Chris Carlson
Chief Financial Officer
(Principal Financial/Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION. 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vertex Energy, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Benjamin P. Cowart, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 8, 2023

By: /s/ Benjamin P. Cowart

Benjamin P. Cowart
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vertex Energy, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Chris Carlson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 8, 2023

By: /s/ Chris Carlson
Chris Carlson
Chief Financial Officer
(Principal Financial/Accounting Officer)