CEMATRIX CORPORATION
Management's Discussion and Analysis
For Three and Six Months Ended June 30, 2016

Date Completed: August 3, 2016

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three and Six Months Ended June 30, 2016

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three and six months ended June 30, 2016. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three and six months ended June 30, 2016 (the "Interim Consolidated Financial Statements") and the related notes thereto and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2015 and related notes thereto. The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. All dollar figures included therein and in this MD&A are in Canadian dollars.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com. CEMATRIX is listed on the TSX Venture Exchange under the trading symbol "CVX".

On August 3, 2016 the Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Consolidated Financial Statements and MD&A for the three and six months ended June 30, 2016. The Board of Directors of the Company has reviewed and approved the Interim Consolidated Financial Statements and MD&A on August 3, 2016.

Index UPDATE WHEN MD&A FINALIZED

Forward Looking Statements

This MD&A contains certain statements and disclosures that may constitute forward-looking information under applicable securities law. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Company anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by such terms as "forecast", "future, "may", "will", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate", "pro-forma" or other comparable terminology. Forward-looking information presented in such statements or disclosures may, amongst other things relate to: sources of revenue and income; forecasts of capital expenditures and sources of financing thereof; the Company's business outlook; plans and objectives of management for future operations; forecast business results; and anticipated financial performance.

The Company has identified what it considers to be the material forward-looking statements and disclosure in this MD&A and has listed them in Appendix A. The material factors, material assumptions and material risks that provide the basis for those statements and disclosure have also been provided in Appendix A.

The forward-looking information in statements or disclosure in this MD&A is based (in whole or in part) upon factors which may cause actual results, performance or achievements of the Company to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Various assumptions or factors are typically applied in drawing conclusions or making forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company including information obtained by the Company from third-party industry analysts and other third-party sources. Actual results or outcomes may differ materially from those predicted by such statements or disclosures. While the Company does not know what impact any of those differences may have, its business, results of operations, financial condition and its credit stability may be materially adversely affected.

The Company has discussed, in Section D. – Key Market Drivers and in Section E. - Key Risks and Uncertainties of its MD&A for the year ended December 31, 2015, the significant market drivers and risk factors that affect its business and could cause actual results to differ materially from the forward-looking information disclosed herein. These factors remain substantially unchanged as of the date hereof. The Company cautions the reader that these factors are not exhaustive. The risk factors that could lead to differences in business results and which could cause actual results to differ materially from the forward-looking information disclosed herein include, without limitation, legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where the Company operates, results of financing efforts, changes in counterparty risk and the impact of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretation Committee ("IFRIC").

The Company is not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of the risks, uncertainties and assumptions contained herein, prospective investors should not place undue reliance on forward-looking statements or disclosures. The foregoing statements expressly qualify any forward-looking information contained herein.

A. Purpose of the Company's MD&A

The purpose of this MD&A is to provide a narrative explanation, through the eyes of management, to assist the reader in understanding the Company's performance for the three and six months ended June 30, 2016, the Company's financial condition as at June 30, 2016 and its future prospects.

B. Mid-Year Review

The Company had a solid start to 2016 in terms of sales growth and contracted sales are now at $11.3 million.

The Company also announced that its wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into a joint marketing agreement with Lafarge Canada Inc. ("Lafarge"), a member of LafargeHolcim (the "Joint Marketing Agreement"). The renewable five-year Joint Marketing Agreement is for the joint development of cellular concrete markets throughout Canada to increase the awareness of the construction challenges which can be solved by cellular concrete solutions and thereby grow sales.

In order to support this Joint Marketing Agreement, the continued growth of cellular concrete markets and the expected additional growth to be generated from this new working relationship the Company intends to construct two new dry mix units, at an estimated cost of $2.5 million, and plans to have this equipment operational by the spring of 2017. The Company will also continue to hire, train and carry additional operating staff, as it ramps up to prepare for the additional expected sales growth, which will put pressure on short term margins.

Sales for the six months ended June 30, 2016, of $5.926 million, were at a record high for the Company and were up 18.9% in comparison to the same period in 2015. Despite the increase in sales, the gross margin on sales of $1.223 million, or 20.6% (as compared to 24.4% in 2015) only increased by $9,569. The margin percentage on sales year to date in 2016 is below the yearly targeted level because of increased labour costs, due to hiring and training additional staff to prepare for expected sale growth through the balance of 2016 and in 2017, higher fixed operating costs and lower margins on an ongoing oil and gas project due to a change in production methods to facilitate the lower daily volume requirements. Management expects the margin percentage on sales to improve through the balance of 2016 as sales volume levels increase to cover these fixed operating costs.

Western Canada oil and gas related sales were up $1.212 million, or 73.1%, as a result of work on two large projects in Alberta which generated sales of $2.599 million in 2016. Work on one of these projects was completed in March and the other is scheduled to continue for another 3 to 4 months. Until oil and gas prices increase the Company does not expect any new major projects in this sector for some time, however, there will be ongoing work related to plant maintenance in this sector.

Infrastructure sales for the first six months of 2016 were $3.056 million, down slightly from 2015. The Company continues to see the benefit from marketing efforts in this sector over the last few years, particularly in the Eastern Canada market, where the Company sees substantial further growth potential. The Company's first project in Quebec for $1.616 million was completed in June 2016. Management believes that there is the opportunity for significant sales growth in the Canadian and U.S. infrastructure markets. The number of large potential projects in the Company's sales pipeline in this sector is significantly higher than at any time in the history of the Company.

In order to improve the liquidity and to reduce finance costs, the Company, through its wholly owned subsidiary, CEMATRIX (Canada) Inc., in April completed the transfer of its day to day banking to the Canadian Western Bank pursuant to an agreement for a $2,000,000 demand operating loan. The new demand operating loan was used to repay the balance of the outstanding mezzanine loan which had an interest rate of 16.5% and will be used to finance day-to-day operations. CEMATRIX (Canada) Inc. also entered into an agreement with the Business Development Bank of Canada ("BDC") which will provide the Company with $500,000 of additional working capital financing. This will be used, as required, to fund incremental product testing and the implementation of a new sales and project management system. In addition, CEMATRIX (Canada) Inc. negotiated a one year extension of the principal repayment on the Secured Debenture to February 2018.

The challenges for management over the remainder of 2016 include completing the work that is contracted and to be fully contracted for the balance of the year; to work with customers to manage project schedules for 2016 work; to ensure that there are trained operating staff to complete the 2016 and 2017 potential projects; to put in place the financing for the two new production units and have these units substantially completed by the end of the year; and to carefully manage working capital to fund operations through this significant continued growth period for the Company.

C. Results of Operations

For the three months ending June 30, 2016 compared to the three months ending June 30, 2015

	Three Months Ended June 30		
	2016	2015	Change
Revenue	**$ 2,755,072**	$ 2,164,286	$ 590,786
Gross margin	**$ 492,677**	$ 574,542	$ (81,865)
Operating expenses	**(607,516)**	(527,526)	(79,990)
Operating income (loss)	**(114,839)**	47,016	(161,855)
Non-cash stock based compensation	**(39,241)**	(70,890)	31,649
Finance costs	**(46,893)**	(65,608)	18,715
Other income	**29,941**	5,624	24,317
Loss before income taxes	**(171,032)**	(83,858)	(87,174)
Provision of deferred taxes	**33,223**	23,957	9,266
Net loss attributable to the common shareholder	**(137,809)**	(59,901)	(77,908)
Unrealized foreign exchange loss on translation of foreign subsidiary	**(10,310)**	(31,077)	20,767
Comprehensive loss for period	**$ (148,119)**	$ (90,978)	**$** (57,141)
Fully diluted loss per common share for period	**$ (0.004)**	$ (0.002)	$ (0.002)

	Three Months Ended June 30		
	2016	2015	Change
Revenue			
Infrastructure			
Western Canada	**$ 339,874**	$ 55,578	$ 284,296
Eastern Canada	**1,759,593**	956,231	803,362
United States	**-**	284,155	(284,155)
	2,099,467	1,295,964	803,503
Western Canada Oil and Gas	**655,605**	868,322	(212,717)
	$ 2,755,072	$ 2,164,286	$ 590,786

The revenue was higher by 27.3% or $590,786. Infrastructure sales were up $803,503, or 62%, with most of the increase occurring in Eastern Canada with the completion of the Company's first project in Quebec. There were no projects in the United States ("U.S.") in the comparative period in 2016. Oil and gas sector sales were down $212,717, or 24.5%. One of the two large projects in Alberta was completed in the first quarter of 2016 and the other large project is scheduled to continue through until the fall of 2016, although the volumes will be lower than those completed in the same period in 2015.

The gross margin on sales was lower by $81,865, or 14.3%. The gross margin percentage achieved of 17.9% compared to 26.6% in 2015. The decrease in the gross margin dollars and the gross margin percentage was mainly due to the following items:

- lower margins on an ongoing oil and gas project where the Company has switched production methods from lower cost dry mix to wet mix production to facilitate safe production of lower daily volumes in confined areas;

- an increase in labour costs, as the Company has hired and is training additional operating staff in preparation for the expected sales increase over the last half of 2016, but mainly for 2017;

- an increase in variable overhead costs due generally to increased activity as well as higher equipment repair and maintenance costs due to the high utilization rate for equipment through the last part of 2015 and the first part of 2016 as compared to the same period in the prior year;

- an increase in fixed overhead due to the end of a sublease agreement for a portion of the Calgary shop space; and

- an increase in depreciation as a result of the new dry mix unit going into service in the fall of 2015.

The sales volume is not yet at a level to fully absorb the fixed costs of operations, however, expected sales growth in the second half of the year will help to improve the margin on sales for the remainder of 2016.

Operating expenses were higher by $79,990 or 15.2% due to the aggregate of the following:

- Costs incurred in 2016 to put in place the new demand operating loan with the Canadian Western bank and the new BDC working capital loan were $26,000; there was no comparable costs in 2016;

- Recruitment costs of $16,250 were incurred in 2016 to hire additional operating staff; there was no comparable cost in 2015;

- Computing costs were up $8,200 related to the implementation of a new sales and project management system in 2016 combined with higher computing costs related to the movement to offsite server storage in July 2015; and

- Other costs were up by $29,540 due to general increases.

Non-cash stock based compensation was down by $31,649, or 44.7%, as a result of the timing of vesting of issued stock options. Under IFRS rules, the associated non-cash stock based compensation related to stock options has to be expensed based on the vesting privileges of the particular option grants.

Finance costs were down $18,715, or 28.5%. The decrease was principally due to lower interest on the existing BDC loans, as the loan balances were reduced through scheduled repayments, and lower interest on the mezzanine loan and factoring agreement as this high cost working capital financing was replaced with the new demand operating loan with the Canadian Western Bank in April 2016.

Other income was up $24,317. A gain on the sale of equipment of $21,093 was recorded in 2016, with no comparable amount in 2015 and foreign exchange gains were $3,224 higher.

Deferred income taxes recovery was higher by $9,266 due to the lower results of the Canadian operations in comparison to the same period in 2015.

Unrealized foreign exchange loss on translation of foreign subsidiary was lower by $20,767. The variability period over period is due to changes in the foreign exchange rate of the U.S. dollar vs. the Canadian dollar, which has strengthened in 2016, and changes in the levels of the assets, liabilities, revenues and expenses of the U.S. subsidiary between the two periods.

The total comprehensive loss was higher by $57,141. This was principally due to lower margin on sales and higher operating expenses as partially offset by lower non-cash stock based compensation and finance costs.

For the six months ending June 30, 2016 compared to the six months ending June 30, 2015

	Six Months Ended June 30		
	2016	2015	Change
Revenue	**$ 5,925,761**	$ 4,983,308	$ 942,453
Gross margin	**$ 1,222,823**	$ 1,213,254	$ 9,569
Operating expenses	**(1,205,049)**	(1,059,921)	(145,128)
Operating income	**17,774**	153,333	(135,559)
Non-cash stock based compensation	**(63,320)**	(128,272)	64,952
Finance costs	**(119,289)**	(122,452)	3,163
Other income	**39,077**	20,989	18,088
Loss before income taxes	**(125,758)**	(76,402)	(49,356)
Provision of deferred taxes	**(15,000)**	21,212	(36,212)
Net loss attributable to the common shareholder	**(140,758)**	(55,190)	(85,568)
Unrealized foreign exchange loss on translation of foreign subsidiary	**(29,848)**	(38,209)	8,361
Comprehensive loss for period	**$ (170,606)**	$ (93,399)	**$** (77,207)
Fully diluted loss per common share for period	**$ (0.004)**	$ (0.002)	$ (0.002)

	Six Months Ended June 30		
	2016	2015	Change
Revenue			
Infrastructure			
Western Canada	**$ 942,426**	$ 706,702	$ 235,724
Eastern Canada	**2,113,883**	1,539,598	574,285
United States	**-**	1,079,430	(1,079,430)
	3,056,309	3,325,730	(269,421)
Western Canada Oil and Gas	**2,869,452**	1,657,578	1,211,874
	$ 5,925,761	$ 4,983,308	$ 942,453

The revenue was higher by 18.9% or $942,453. Oil & gas sector sales were up $1,211,874, or 73.1%, as a result of work on two large projects in Alberta which generated sales of $2,598,517 in 2016. Work on one of these projects was completed in March and the other is scheduled to continue for another 3 to 4 months. Infrastructure sales were down $269,421, or 8.1%, with most of the decrease occurring in the U.S. The Company had a tunnel project in the U.S. during the same period of 2015 and no comparable sale during the same period in 2016. The increase in Eastern Canada infrastructure sales reflects the completion of the Company's first project in Quebec.

The gross margin on sales was increased by $9,569 or 0.8%. The gross margin percentage achieved of 20.6% compared to 24.4% in 2015. The decrease in the gross margin dollars and the gross margin percentage was mainly due to the following items:

- lower margins on an ongoing oil and gas project where the Company has switched production methods from lower cost dry mix to wet mix production to facilitate safe production of lower daily volumes in confined areas;

- an increase in labour costs, as the Company has hired and is training additional operating staff in preparation for the expected sales increase over the last half of 2016, but mainly for 2017;

- an increase in variable overhead costs due generally to increased activity as well as higher equipment repair and maintenance costs due to the high utilization rate for equipment through the last part of 2015 and the first part of 2016 as compared to the same period in the prior year;

- an increase in fixed overhead due to the end of a sublease agreement for a portion of the Calgary shop space; and

- an increase in depreciation as a result of the new dry mix unit going into service in the fall of 2015.

The sales volume is not yet at a level to fully absorb the fixed costs of operations, however, expected sales growth in the second half of the year will help to improve the margin on sales for the remainder of 2016.

Operating expenses were higher by $145,128 or 13.7% due to the aggregate of the following:

- Salaries and benefits were up $24,750 mainly due to the addition of new staff;
- Costs incurred in 2016 to put in place the new demand operating loan with the Canadian Western bank and the new BDC working capital loan were $26,000; there was no comparable costs in 2016;
- Business development and investor relations costs were up by $16,000 as the Company has been active in 2016 in developing new markets for its services and in developing growing investor interest;
- Recruitment costs were up by $13,600 to hire additional operating staff;
- Computing costs were up $7,300 related to the implementation of a new sales and project management system in 2016 combined with higher computing costs related to the movement to offsite server storage in July 2015; and
- Other costs were up by $57,478 due to general increases.

Non-cash stock based compensation was down by $64,952, or 50.6%, as a result of the timing of vesting of issued stock options. Under IFRS rules, the associated non-cash stock based compensation related to stock options has to be expensed based on the vesting privileges of the particular option grants.

Finance costs were down $3,163, or 2.6%. The decrease was principally due to lower interest on the existing BDC loans, as these loan balances were reduced through scheduled repayments. This was partially offset by the use of the high cost mezzanine loan and factoring agreement in the first part of 2016 to finance working capital. These working capital financings, which was not put in place until May 2015, were replaced with the new demand operating loan with the Canadian Western Bank in April 2016. The effect of the replacement of the high cost mezzanine loan and factoring agreement will be mainly realized in the second half of the 2016 and beyond.

Other income was up $18,088. A gain on the sale of equipment of $21,093 was recorded in 2016, with no comparable amount in 2015 and foreign exchange gains were lower by $3,005.

In 2016 a deferred income taxes provision of $15,000 was recorded as compared to a deferred income tax recovery in 2015. The change is due to strong results of the Canadian operations in comparison to the same period in 2015.

Unrealized foreign exchange loss on translation of foreign subsidiary was lower by $8,361. The variability period over period is due to changes in the foreign exchange rate of the U.S. dollar vs. the Canadian dollar, which has strengthened in 2016, and changes in the levels of the assets, liabilities, revenues and expenses of the U.S. subsidiary between the two periods.

The total comprehensive loss was higher by $77,207. This was principally due to higher operating expenses as partially offset by lower non-cash stock based compensation.

D. Selected Quarterly Financial Information

Due to the seasonal nature of the Company's business, which typically follows the construction season in Canada, a significant portion of the Company's sales occur between the latter part of the three months ended June 30 and the first half of the three months ended December 31, on an annual basis. In the both 2016 and 2015 the Company benefitted from winter projects carried over from the previous years. The Company continues pursuing other markets where seasonality is less of an issue. This seasonality is reflected in the quarterly results summarized in the table below:

Quarters Ended	Revenues	Comprehensive Income (Loss)	Income (Loss) Per Share Basic	Income (Loss) Per Share Diluted
	$	$	$	$
2016 Year				
March 31	**3,170,689**	**(22,487)**	**-**	**-**
June 30	**2,755,072**	**(148,119)**	**(0.004)**	**(0.004)**
	5,925,761	**(170,606)**	**(0.004)**	**(0.004)**
2015 Year				
March 31	2,819,022	(2,421)	-	-
June 30	2,164,286	(90,978)	(0.002)	(0.002)
September 30	4,092,447	754,313	0.022	0.021
December 31	6,304,032	905,481	0.026	0.026
Total for year	15,379,787	1,566,395	0.047	0.046

Note 1: Quarterly income (loss) per share is calculated on a standalone quarterly basis and accordingly the sum of the quarterly amounts may not equal the total for the year

E. Consolidated Statement of Financial Position

	June 30 2016	December 31 2015	Change
Total current assets	**$ 4,716,942**	$ 6,784,310	$ (2,067,368)
Total non current assets	**4,449,933**	4,476,313	(26,380)
Total Assets	**$ 9,166,875**	$ 11,260,623	$ (2,093,748)
Current liabilities	**$ 1,822,560**	$ 3,900,605	$ (2,078,045)
Non current liabilities	**1,924,040**	1,877,457	46,583
Total liabilities	**$ 3,746,600**	$ 5,778,062	$ (2,031,462)
Shareholders' equity	**$ 5,420,275**	$ 5,482,561	$ (62,286)

Total current assets decreased by $2,067,368. This decrease in aggregate is summarized below:

- Cash in the bank was down $1,220,663 (See the discussion in Section F - Consolidated Statement of Cash Flows);

- Term deposits were up by $10,000; the term deposit is required as security for the Company's corporate credit cards, in 2016 additional funds were put into the term deposit to secure additional credit cards issued to new staff;

- Trade and other receivables were down by $807,945 as a result of the lower sales in the second quarter of 2016 in comparison to the fourth quarter of 2015 combined with timing differences in the collection of trade receivables;

- Inventory was down $60,816 due to the normal usage in the production process and the sale of foaming agent to a contractor for an international mining project as partially offset by foaming agent purchases to bring this inventory back to a level to support sales growth;

- Prepaids and deposits were up $10,270; mainly due to timing differences on certain items in 2016 as compared to the 2015 year end balances; and

- Current portion of share acquisition loans was up $1,786 due to the accretion of the fair value adjustment.

Total non current assets decreased by $26,380. This decrease in aggregate is summarized below:

- The long term portion of the share acquisition loans was up $4,538 due to the accretion of the fair value adjustment;

- Property and equipment was down $15,918 - depreciation expense for the six months ended June 30, 2016 was $237,437 and the book value removed related to the sale of equipment was $258; this was partially offset by additions to property and equipment of $221,777, including $80,068 through finance leases;

- Intangibles remained at the same amount: no amortization is recorded on the remaining trademarks and technology as the Company views these as having an indefinite life; and

- The deferred tax asset decreased by $15,000 as a result of recording a provision for deferred tax on Canadian income earned during the six months ended June 30, 2016.

Total current liabilities decreased by $2,078,045. This decrease in aggregate is summarized below:

- Trade and other payables were down $621,665 principally due to the application of collections of trade receivables to pay down trade payables and reduced business activity in the three month ended June 30, 2016 as compared to the three months ended December 31, 2015;

- Factoring liability was down $703,462 due to the collections of related factored trade receivables; the balance at December 31, 2015 represents the cash received on the sale of trade receivables under the receivable purchase agreement put in place in 2015, that had not yet been collected from the customer;

- Mezzanine loan was down $750,000 as the Company used cash collected during the first three months of 2016 to make a $250,000 payment against the loan and used cash from the new demand operating loan, which was put in place in April, to repay the balance of $500,000;

- Current portion of long term debt remained the same as at December 31, 2015 as the repayments for the existing BDC loans run from July to December; and

- Current portion of finance lease obligations was down $2,918 due to scheduled repayment of $36,403 as offset by the reclassification from the long term portion of $33,485.

Total non current liabilities increased by $46,583. This increase in aggregate is summarized below:

- Long term debt remained the same as at December 31, 2015 as the repayments for the existing BDC loans run from July to December; and

- Finance lease obligations were up $46,583 due to $80,068 of new equipment leases as partially offset by a reclassification of $33,485 to current portion in the six months ended June 30, 2016 (see comment above).

Shareholders' Equity decreased by $62,286. This increase in aggregate is summarized below:

- Share capital increased by $61,000 consisting of proceeds on the issue of shares of $45,000 on the exercise of share options granted to The Howard Group, the Company's investor relations firm; combined with a reclassification of non-cash stock based compensation of $16,000, related to the options exercised, that had previously been recorded in contributed surplus;

- Contributed surplus increased by $31,524 due to the non-cash stock based compensation of $63,320 recorded in the three months ended March 31, 2016 as partially offset by the reclassification of $16,000 to share capital and $15,796 to deficit, in regard to non-cash stock based compensation previously recorded in contributed surplus, for options exercised and options that expired or were forfeited without being exercised;

- Accumulated other comprehensive loss increased by $29,848 due to the unrealized foreign exchange loss on translation of the Company's U.S. subsidiary in the six months ended June 30, 2016; and

- The Deficit increased by $124,962 due to the loss to common shareholders in the period of $140,758 as offset by the reclassification of $15,796 from contributed surplus (see above under contributed surplus).

See the Consolidated Statements of Shareholders' Equity included in the Interim Consolidated Financial Statements at June 30, 2016.

F. Consolidated Statement of Cash Flows

For the three months ending June 30, 2016 compared to the three months ending June 30, 2015

The cash position of the Company at June 30, 2016 was $230,122 (consisting of cash in the bank of $230,122) compared to a cash position of $303,288 (consisting of cash in the bank of $303,288) at June 30, 2015.

The change in the cash position in the quarters ending June 30, 2016 and 2015 was a decrease of $548,329 in 2016 as compared to an increase of $300,559 in the same period of 2015. This change is outlined in the table below:

	Three Months Ended June 30		
	2016	2015	Change
Cash generated from (used in) operating activities	**$ 40,152**	$ (44,714)	$ 84,866
Cash generated from (used in) investing activities	**(70,876)**	(212,655)	141,779
Cash generated from (used in) financing activities	**(517,605)**	557,928	(1,075,533)
Increase (decrease) in cash	**(548,329)**	300,559	(848,888)
Cash, at beginning of period	**778,451**	2,729	775,722
Cash, at end of period	**$ 230,122**	$ 303,288	$ (73,166)

- Cash generated from operating activities increased by $84,866.

  - The cash flow, before non cash working capital adjustments, decreased by $81,332. The decrease was due to the increase in net loss before taxes of $87,174 combined with a higher addback of non-cash items of $5,842, due primarily to higher depreciation as partially offset by lower non-cash stock based compensation, a lower unrealized foreign exchange adjustment on translation of foreign subsidiary and the gain on sale of equipment in 2016; and

- The net change in non-cash working capital items was a positive increase of $166,198 due primarily to the level of trade receivables generated in the respective periods and the timing of their collection.

- Cash used in investing activities decreased by $141,779.

  - Plant and equipment purchases were down $60,428; in the same period of 2015 the new dry mix unit, which went into service in the fall of 2015, was being built;

  - The cash invested in the term deposit was lower by $60,000; the term deposit is required as security for the Company's corporate credit cards, in 2015 $70,000 was put into the term deposit and an addition $10,000 was added in 2016 to secure additional credit cards issued to new staff; and

  - In 2016 proceeds of $21,351 was received on the sale of equipment; there was no comparable amount in 2015.

- Cash used in financing activities increased by $1,075,533.

  - In 2016 the Company used $517,605 in financing activities; proceeds from the new demand operating loan with the Canadian Western Bank was used to repay $500,000,the remaining balance of the mezzanine loan, and scheduled repayments of $17,605 were made on finance lease obligations;

  - In 2015 the Company generated $557,928 from financing activities through the issue a Mezzanine loan for $750,000, a portion of which was used to repay the Company's bank operating loan by $675,000; signed a receivable factoring agreement of which $380,307 had been realized; made a drawdown $93,936 of the existing BDC loans to fund capital spending; issued $22,500 of common shares on the exercise of options and made repayments of $13,815 on finance lease obligations.

For the six months ending June 30, 2016 compared to the six months ending June 30, 2015

The cash position of the Company at June 30, 2016 was $230,122 (consisting of cash in the bank of $230,122) compared to a cash position of $303,288 (consisting of cash in the bank of $303,288) at June 30, 2015.

The change in the cash position in the six months ending June 30, 2016 and 2015 was a decrease of $1,220,663 in 2016 as compared to an increase of $447,423 in the same period of 2015. This change is outlined in the below table:

	Six Months Ended June 30		
	2016	2015	Change
Cash generated from (used in) operating activities	**$ 354,560**	$ 588,543	$ (233,983)
Cash generated from (used in) investing activities	**(130,358)**	(250,672)	120,314
Cash generated from (used in) financing activities	**(1,444,865)**	109,552	(1,554,417)
Increase (decrease) in cash	**(1,220,663)**	447,423	(1,668,086)
Cash, at beginning of period	**1,450,785**	(144,135)	1,594,920
Cash, at end of period	**$ 230,122**	$ 303,288	$ (73,166)

- Cash generated from operating activities decreased by $233,983.

  - The cash flow, before non-cash working capital adjustments, decreased by $61,893. The decrease was due to the increase in net loss before taxes of $49,356 combined with a lower addback of non-cash items of $12,537, due primarily to lower non-cash stock based compensation and the gain on sale of equipment in 2016 as partially offset by higher depreciation and a lower unrealized foreign exchange loss on translation of foreign subsidiary.

- The net positive change in non-cash working capital items decreased by $172,090 due primarily to the level of trade receivables generated in the respective periods and the timing of their collection.

- Cash used in investing activities decreased by $120,314.

- Plant and equipment purchases were down $38,963; in the same period of 2015 the new dry mix unit, which went into service in the fall of 2015, was being built;

- The cash invested in the term deposit was lower by $60,000; the term deposit is required as security for the Company's corporate credit cards, in 2015 $70,000 was put into the term deposit and an addition $10,000 was added in 2016 to secure additional credit cards issued to new staff; and

- In 2016 proceeds of $21,351 was received on the sale of equipment; there was no comparable amount in 2015

- Cash used in financing activities increased by $1,554,417.

- In 2016 the Company used $1,444,865 in financing activities; cash collected on trade receivables that had been factored at December 31, 2015 was used to repay the factoring liability of $703,462; the $750,000 mezzanine loan was repaid and scheduled repayments of $36,403 on finance lease obligations were made; cash was received from the issue of common shares for $45,000 on the exercise of stock options by The Howard Group, the Company's investor relations firm.

- In 2015 the Company generated $109,552 from financing activities through the issued of a Mezzanine loan for $750,000, with a portion of these proceeds, together with cash generated from operations the Company's repaid its bank operating loan by $1,110,000; signed a receivable purchase agreement of which $380,307 had been realized; made a drawdown $93,936 of the BDC Capital Financing to fund capital spending; issued $22,500 of common shares on the exercise of options and made repayments of $27,191 on finance lease obligations.

G. Liquidity, Capital Resources and Commitments

Liquidity

The Company's liquidity, including obtaining cash resources to finance capital spending to increase its production capacity to meet forecasted growth, is dependent on continuing to generate sales, profits, cash flow from operations, maintaining a facility to finance working capital and accessing capital debt facilities through loans or lease financing.

At June 30, 2016, the Company had a current asset/current liability position of $2,894,382 (December 31, 2015 - $2,883,705).

The Company reported a loss of $62,438, before the non-cash deferred tax provision and non-cash stock based compensation, cash from operations of $117,734, before the non-cash working capital adjustment and EBITDA (earnings before income taxes, interest, depreciation and amortization, including non-cash stock based compensation) of $294,288.

In order to improve the liquidity and to reduce finance costs, the Company, through its wholly owned subsidiary, CEMATRIX (Canada) Inc., in April completed the transfer of its day to day banking to the Canadian Western bank pursuant to an agreement for a $2,000,000 demand operating loan which bears interest at an amount equal to the greater of 4.7% or 2% above the Canadian Western Bank prime lending rate, as may occur from time to time. The new demand operating loan was used to repay the balance of the outstanding mezzanine loan of $500,000, at that time, which had an interest rate of 16.5% and will be used to finance day-to-day operations of CEMATRIX (Canada) Inc. (See note 12 to the Interim Consolidated Financial Statements)

CEMATRIX (Canada) Inc. entered into an agreement with the BDC which will provide the Company with $500,000 of additional working capital financing. This will be used, as required, to fund incremental product testing and the implementation of a new sales and project management system. (See note 12 to the Interim Consolidated Financial Statements)

In addition, in April 2016, CEMATRIX (Canada) Inc. negotiated a one year extension of the principal repayment on the Secured Debenture to February 2018.

As of this date the Company has signed contracts on hand for $11.3 million and has a number of contracts in process.

The realization of the net working capital as at June 30, 2016, the availability of the new operating loan facility and the new BDC working capital loan and the successful completion of sales contracts that are in place provide the necessary liquidity to carry the Company's operations through the balance of 2016. Ongoing liquidity beyond 2016 is dependent on the Company achieving additional sales and profitable results.

Capital resources

The Company is in the process of arranging equipment financing to build two new dry mix units. The new dry mix units will be required to meet sales forecasts for 2017. Additional capital spending in 2016 to build new productive capacity will come from the funds generated from operations or additional financing, if required.

Building additional productive capacity in future years is dependent on the Company generating the required funds from operations or new debt or equity financing. There is no certainty that additional debt or equity financing will be available to the Company.

The Company defines its capital as the long term debt, the finance lease obligations and shareholders' equity. The current objective of the Company is to manage its capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders in relation to the risks underlying the Company's assets. The consolidated capital of the Company, as outlined in Note 23 - Capital management to the Interim Consolidated Financial Statements, was $7,684,306 at June 30, 2016 as compared to $7,702,927 at December 31, 2015 (see Section E. Consolidated Statements of Financial Position for details).

Commitments

The following is a summary of the Company's lease and debt obligations and commitments for the next five years from June 30, 2016.

Debt Category	2016/17	2017/18	2018/19	2019/20	2020/21
	$	$	$	$	$
Finance lease obligations (1)	69,600	79,681	66,827	54,171	3,994
BDC Financing (2) (3)	286,662	200,862	200,862	200,862	133,908
Secured Debenture (2)	-	1,000,000	-	-	-
Operating leases (4)	299,642	277,168	277,168	138,584	-

(1) Includes principal and interest
(2) Principal only
(3) Based on BDC loans outstanding as of June 30, 2016
(4) The Company's lease on its head office and shop facilities in Calgary expires December 31, 2019.

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements at June 30, 2016 or December 31, 2015.

I. Transactions with Related Parties

During the three and six months ending June 30, 2016, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $11,285 and $14,835, respectively ($10,254 and $10,254, respectively for the same periods in 2015) of which $nil was in trade and other payables as at June 30, 2016 (December 31, 2015- $nil).

There were no other significant related party transactions.

J. Critical Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2015. There have been no changes since that date.

K. Changes in Accounting Policies including Initial Adoption

The significant accounting policies of the Company are outlined in note 4 of the audited consolidated financial statements for the year ended December 31, 2015. There have been no changes.

Future accounting pronouncements
Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after July 1, 2016 or later periods. The standards impacted that are applicable to the Company are as follows:

IFRS 9 Financial Instruments – In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments" ("IFRS 9") to replace IAS 39, "Financial Instruments: Recognition and Measurement"("IAS 39"). IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS39. The new model will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period.

IFRS 15 Revenue from Contracts With Customers – In May 2014, the IASB issued IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing International Accounting Standard 11, "Construction Contracts" ("IAS 11"), IAS 18, "Revenue" ("IAS 18"), and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. IFRS 15 is effective for years beginning on or after January 1, 2018.

IFRS 16 Leases – In January 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16") replacing International Accounting Standard 17, "Leases" ("IAS 17"). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer ("lessee") and the supplier ("lessor"). The standard provides revised guidance on identifying a lease and separating lease and non-lease components of a contract. It introduces a single accounting model for all leases and requires a lessee to recognize right-of-use assets and lease liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the income statement. Lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for years beginning on or after January 1, 2019.

The Company has not determined the impact on its consolidated financial statements from the adoption of these future accounting pronouncements

L. Financial Instruments

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. For information on financial instruments refer to Note 4 (M) – Significant Accounting Policies – Non-derivative financial instruments in the audited consolidated financial statements at December 31, 2015 and Note 21 – Financial Instruments and risk management to the Interim Consolidated Financial Statements.

Risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

Interest Rate Risk

The BDC Financing, which had a balance of $1,023,156 outstanding at June 30, 2016, is subject to floating rates. Based on the floating rate debt outstanding at June 30, 2016 a 1% increase/decrease in interest rates would result in a decrease/increase in the comprehensive income (loss) of approximately $7,570.

Credit Risk

Financial instruments that subject the Company to credit risk consist primarily of trade receivables. The Company manages credit risk using credit approval and monitoring practices. At June 30, 2016, 12 customers accounted for approximately 90% of trade receivables (at December 31, 2015, 5 customers accounted for approximately 90% of trade receivables). (See Note 5 for details of credit policy and aging of outstanding trade receivables at June 30, 2016 and December 31, 2015).

Liquidity Risk

Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of working capital financing.

The table below, and on the next page, summarizes the maturity profile of the Corporation's financial liabilities at June 30, 2016 and December 31, 2015 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 5 years	Total
As at June 30, 2016				
Trade and other payables	**$ 1,482,569**	**$ -**	**$ -**	**$ 1,482,569**
Long-term debt	**286,662**	**1,200,862**	**535,632**	**2,023,156**
Finance lease obligations	**53,329**	**67,007**	**120,539**	**240,875**
	$ 1,822,560	**$ 1,267,869**	**$ 656,171**	**$ 3,746,600**

	Less than 1 year	1 to 2 years	2 to 5 years	Total
As at December 31, 2015				
Trade and other payables	$ 2,104,234	$ -	$ -	$ 2,104,234
Factored liability	703,462	-	-	703,462
Mezzanine loan	750,000	-	-	750,000
Long-term debt	286,662	1,200,862	535,632	2,023,156
Finance lease obligations	56,247	58,540	82,423	197,210
	$ 3,900,605	$ 1,259,402	$ 618,055	$ 5,778,062

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to trade receivables, and the collection thereof, denominated in USD and the operations of its U.S. subsidiary which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain.

As at June 30, 2016 and December 31, 2015 the following balances were denominated in USD:

	2016	2015
Cash and cash equivalents	**$ 30,843**	$ 213,748
Trade and other receivables	**$ 36,114**	$ 55,842
Inventory	**$ 1,906**	$ 1,906
Prepaid expenses and deposits	**$ 15,550**	$ 9,805
Trade and other payables	**$ 23,741**	$ 22,937

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on the USD balances outstanding at June 30, 2016, a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total annual comprehensive loss of approximately $3,745.

M. Disclosure of Outstanding Share Data

As at June 30, 2016 and August 3, 2016, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	**Outstanding as at June 30, 2016**	**Outstanding as at August 3, 2016**
Voting or equity securities issued and outstanding	Unlimited Common Shares	34,475,994 Common Shares	34,475,994 Common Shares
Securities convertible or exercisable into voting or equity securities - stock options	Stock options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 3,425,000 Common Shares at an exercise price at between $0.145-$0.43	Stock options to acquire 3,425,000 Common Shares at an exercise price at between $0.145-$0.43

In the six months ended June 30, 2016 the Company issued 300,000 common shares on the exercise of stock options by The Howard Group, the Company's investor relations firm; issued 300,000 new options to the Howard Group with an exercise price of $0.40, pursuant to the extension of their investor relations agreement for 18 months; issued 350,000 options to three employees with an exercise price of $0.43; and 66,667 options expired without being exercised.

O. Outlook

Based on quotes that have submitted, or are in the process of being submitted, management is forecasting strong growth in Canadian and U.S. infrastructure sales for the remainder of 2016 and 2017. Sales in the oil and gas sector will remain steady but at a lower level than in 2015 and 2016 year to date. Contracted sales are already at $11.3 million and are expected to increase significantly for projects schedule for the remainder of 2016 and 2017. As experienced in the past, there is always the potential that some of the work on the contracts that are in place, or projects that are to be contracted, may be pushed into 2017.

Management also expects to see increased sales development as the Joint Marketing Agreement with Lafarge becomes operational. One of the significant benefits to this Joint Marketing Agreement is that Lafarge has a large sales team throughout Canada, but it will take some time to educate their sales staff and to start to realize on the benefits of this new business arrangement.

Management is taking the necessary steps to prepare the Company for this significant sales growth by putting in place the financing to build the additional required equipment, the additional operation staff that will have to be hired and trained, the additional product testing to facilitate marketing efforts and the internal systems that will allow staff to manage large projects more efficiently.

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Form 51-102F1 - Management's Discussion & Analysis
For the Three and Six Months Ending June 30, 2016

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three and six months ending June 30, 2016 are outlined below:

General

There are a number of statements in the MD&A which refer to "expected additional growth", "expected sales growth or increase", "substantial further growth potential", "forecasting strong growth in sales", "sales are expected to increase significantly" and "increased sales development"

The foregoing statements contain forward-looking statements which are based on sales and earnings forecasts prepared for 2016; sales forecasts include work which is under contract for 2016, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in 2016, where the probabilities applied to the sales forecast are based on management's assessment of the particular project based on historical experience and the stage the project is in the sales cycle; earnings forecasts for 2016 are based on the above sales forecast and the forecast of the Company's cost structure; There are a number of risks that could affect those assumptions which include: contracted work is delayed; the failure of 2016 sales to materialize, because of project delays or cancelations or because CEMATRIX's cellular concrete is not specified into projects; management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect; and the Company's cost structure is significantly different than forecast.