CEMATRIX CORPORATION

Management's Discussion and Analysis

Three Months Ended March 31, 2018

Date Completed: May 23, 2018

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ended March 31, 2018

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three months ended March 31, 2018. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2018 (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, 2017 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 May 23, 2018 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 months ended March 31, 2018. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on May 23, 2018.

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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, 2017, 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 accounting standards issued by the International Accounting Standards Board.

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 months ended March 31, 2018, the Company's financial condition as at March 31, 2018 and its future prospects.

B. First Quarter Comments

Financial Review

Revenue decreased by $1,051,003 or 41.6% as compared to the same period in 2017. CEMATRIX's business is seasonal in nature, so typically the first quarter sales are historically low. However, during the last couple of years leading up to 2018, the Company has benefitted in the first quarter of the year from some large projects that have carried over from the previous years.

The lower sales meant that there was less coverage of the quarterly fixed operating costs which resulted in the Gross Margin on sales being lower by $362,550, or 67.8%. The Gross Margin Percentage achieved of 11.7% compared to 21.1% in 2017.

The total comprehensive loss was $314,375 as compared to a loss of $51,859, an increase of $262,516.

Appointment of New Chief Financial Officer

The Company announced the appointment of Mr. James Chong to the position of Chief Financial Officer of the Corporation effective April 27, 2018. Mr. Bruce McNaught, former Chief Financial Officer of the Corporation, will retire on June 30, 2018.

Acquisition of MixOnSite ("MOS")

On April 30, 2018 the Company announced that the share purchase agreement (the "Definitive Agreement") between the Corporation and Mr. Ed Weiner (the "Vendor"), for the acquisition of all of the issued and outstanding shares (the "MOS Shares") of MixOnSite USA, Inc. ("MOS") had been executed (the 'Acquisition").This transaction will close on May 31, 2018 (the "Closing Date").

Pursuant to the Definitive Agreement, the purchase price for the MOS Shares to be paid on the Closing Date to the Vendor by CEMATRIX as follows:

- cash in the amount of $2,000,000 (USD) (the "Cash Purchase Price");
- secured convertible note (the "Convertible Note") issued by the Purchaser in the amount of $2,500,000 (USD);
- 3,343,421 common shares of CEMATRIX (the "CEMATRIX Shares") issued at a deemed price of $0.19 per CEMATRIX Share; and
- earn-out payment (the "Earn-out") calculated on the operations of MOS for three years following closing of the Acquisition.

The aggregate consideration paid for the MOS Shares will be $5,000,000 (USD), as well as payment of the Earn-out.

The cash payment on the Closing Date of $2,000,000 will consist of $200,000 (USD), coming from a portion of the funds raised from the first tranche of the Company's Private Placement (see below) and $1,800,000 (USD) will come from an approved loan with the Business Development Bank of Canada ("the "BDC USD Loan") (see below).

The Convertible Note will pay interest to the holder at a rate of 8% per year, payable quarterly, for a period of three years. The Convertible Note will convert into 13,373,684 CEMATRIX Shares at the option of the holder, at any time, at $0.2375 per CEMATRIX Share. CEMATRIX may repay the Convertible Note and may force the conversion of the Convertible Note upon 40 days' written notice after a period of 12 months, subject to an early payment and forced conversion penalties, as applicable.

The Earn-out will pay the Vendor 70% of the earnings before interest, income taxes, depreciation and amortization ("MOS EBITDA") above $500,000 (USD) for the first year after closing of the Acquisition and 65% of the MOS EBITDA above $500,000 (USD) for the second and third years after the Closing Date.

In addition to the consideration payable pursuant to the Definitive Agreement, the Vendor will be appointed a director of the Corporation and will be engaged as a consultant for a period of three years as of the Closing Date. The Vendor will receive 150,000 stock options for his role as a director and 350,000 for his role as a consultant. The stock options will be exercisable into common shares of the Corporation at an exercise price of $0.20 per common share. These stock options will be for a three year term and will vest over three years as to one third at the end of each year.

MOS is an S Corporation incorporated under the laws of California, with a head office in Buffalo Grove, Illinois, U.S. MOS is a contractor in the same business as CEMATRIX specializing in low density foam concrete and offering complete installation services including technical mix design support and development for a wide variety of construction applications in the U.S.

MOS is a profitable growing supplier of cellular concrete in the U.S. CEMATRIX is already known as a leader in cellular concrete technologies in North America and the leading supplier of cellular concrete in Canada, so management of CEMATRIX believes the acquisition of MOS by CEMATRIX is poised to make CEMATRIX the foremost source of cellular concrete throughout North America. MOS' sales have averaged approximately $10,000,000 (USD) and EBITDA has averaged approximately $1,300,000 (USD) over the past two years ended December 31, 2017. If CEMATRIX and MOS had been combined at the beginning of 2018, the combined contracted and verbally awarded projects would now be in excess of $33.5 million, $5.2 million of which is scheduled for 2019. Since CEMATRIX will only be recording 7 months of the MOS sales in its 2018 results, this will amount to approximately $27.5 million in CEMATRIX consolidated sales for 2018 and a $5.2 million carryover to 2019.

Besides the increased sales, profits and cash flows MOS brings to CEMATRIX, MOS owns certain technologies that management believes can benefit CEMATRIX. In addition, the existing CEMATRIX technologies stand to make MOS a stronger cellular concrete provider in the U.S. MOS also owns three dry mix units, two wet mix units and ancillary equipment, which will increase CEMATRIX group's seasonally adjusted production capacity to in excess of 1,000,000 cubic meters.

Sections of the MD&A subsequent to the Acquisition of MisOnSite have been prepared before giving any consideration to the acquisition unless specifically identified in the narrative.

Private Placement

On April 30, 2018 the Company completed the first tranche of the $2,000,000 non-brokered private placement for 3,203,600 units (each, a "Unit") at a price of $0.20 per Unit for gross proceeds of $640,720 (the "Private Placement"). Each Unit is comprised of one common share and one half warrant (each a "Warrant"). Each full warrant is exercisable into one common share for a period of two years at an exercise price of $0.35 per common share.

The Corporation paid a finder's fee and finder's warrants of 6% of the gross proceeds to qualified non-related parties that participated. The fees amounted to $7,500 and the Corporation issued 18,750 finder's warrants that entitle the holder thereof to acquire one common share for $0.35 until the expiry date of April 30, 2020.

The net proceeds of the first tranche of the Private Placement will be used for general working and growth capital and to finance a portion of the purchase price for the Acquisition.

Completion of the balance of the Private Placement is subject to regulatory approval including, but not limited to, the approval of TSX Venture Exchange Inc. The common shares issued will be subject to a four month hold period from the date of closing.

BDC USD Loan

In May 2018 the Company entered into a BDC USD Loan agreement. The proceeds of $1,800,000 USD from this financing will be used to fund a portion of the purchase price for the Acquisition. The BDC USD Loan will be completed before the closing of the MOS transaction.

Report on Major Initiatives

Development and Implementation of a Strategic Growth Strategy

In 2017 the Company worked with the Business Development Bank of Canada's consulting group ("BDC Consulting") using their Growth Driver Program to develop a revitalized strategic growth strategy for the Company (the "Growth Strategy"). Three key items identified in this phase of the strategy work were: first BDC Consulting verified through third party information that there is a significant growing market for cellular concrete in Canada and the U.S.; second that CEMATRIX's major challenge is having more sales people in place to take advantage of this growing market opportunity; and third that CEMATRIX should work closely with Lafarge's to help implement the Growth Strategy, including amongst other things increased sales and marketing support for the development of cellular concrete markets across Canada.

The first phase resulted in a Growth Strategy to achieve $20 million in sales by 2020 and will involve:

- Scaling sales of cellular concrete by establishing a strategic focus on selected infrastructure markets, locations where CEMATRIX cellular concrete hold an advantage over other competing products (i.e. regions with weak and unstable soil), the use of the right CEMATRIX products and applications and targeting sales regions/segments that are attractive to Lafarge and/or look at other options like acquisitions;

- Building an internal predictive sales infrastructure that would include additional sales staff;

- Eliminating non-core sales activities;

- Investing in sales support systems (now in place);

- Aligning the sales incentive program with the sales strategy; and

- Integrating the strategy into succession and physical locations.

The Company will be working with BDC Consulting in the first part of 2018 to develop comprehensive plans for implementing the Growth Strategy and to establish metrics to measure the success of the program. BDC consulting will provide regular advisory support throughout the two-year implementation period as well as provide a series of leadership and growth management courses.

Introduction of New 400 kg/m3 Density Cellular Concrete

CEMATRIX continues to lead the cellular concrete industry, with the introduction of its new lower density Cellular Concrete. The new standard is a significant change from its original leading industry standard of 475 kg/m^3. See "Comparison to Industry Standards" on the Company's website. The new 400 kg/m^3 product provides superior load reduction, as well as insulating properties for many geotechnical applications. Additionally, higher production rates, and lower raw material usage, can provide potential cost savings, when compared to "typical" higher density cellular concrete product. The 400 kg/m^3 product is also a preferred density of product by MSE wall designers and suppliers, due to the virtually equivalent strength properties of the product, compared to standard density cellular concrete.

The Joint Marketing Arrangement with Lafarge:

Lafarge Canada Inc. ("Lafarge") re-affirmed a strengthened commitment to CEMATRIX, including increased sales and marketing support for the development of cellular concrete markets across Canada.

The overall objective of the agreements for both parties continues to be to work together to increase sales of cellular concrete, which in turn results in the sale of more cement and ready mix products for Lafarge. Although the joint efforts did not generate a significant number of new sales in 2017, both parties believe that together a great deal was accomplished, in the education of the market and Lafarge's significant staff across Canada on the uses and benefits of cellular concrete. Much was also learned about the implementation of the regional expansion approach, although successful, it has not worked as intended. Recent changes to that program by both parties, should generate stronger results, and become a model for expansion into other regions across Canada. This will include additional support for the hiring of independent experienced sales professionals for the development of each new regional market, including the Prairie Region, which commenced in 2017.

Research Projects

MSE Wall Construction Projects

The testing related to the expanded use of CEMATRIX cellular concrete as light weight fill material for mechanically stabilized earth ("MSE") wall construction projects is completed. The focus was on CEMATRIX's new 400 kg/m^3 density material. Traditionally, the wet (cast) density supplied for our projects was specified as 475 kg/m^3. Development of this even lighter cellular concrete provides a significant competitive edge to CEMATRIX by reducing the overall sales cost of the installed product. Also, lighter mixes using less cement per cubic meter will result in further reductions to the carbon footprint of the system.

The results of the project are very positive. In particular, the testing indicated high pullout strengths of the MSE wall panel reinforcement embedded in CEMATRIX cellular concrete. The high pullout strength results in less overall reinforcement required for the MSE wall system when compared to the use of granular backfill. The Company will now use this information to facilitate the specification of CEMATRIX cellular concrete for use on MSE wall and other types of applications.

The final cost of this program was approximately $205,000, of which the National Research Council funded approximately $72,000 through their Industrial Research Assistance Program.

Road Construction

The research with the University of Waterloo's civil engineering department was delayed into 2018 due to difficulty in finding a suitable test location. This project will involve the University of Waterloo, CEMATRIX and the Federal Government at a test location near Waterloo, Ontario. The request for a federal grant by the University of Waterloo to cover some of their costs has been approved. The project will involve pouring CEMATRIX cellular concrete for road bases with pavement structures at different densities to be monitored over three years. The purpose is to develop road bases that will last longer, as well as monitoring the effect on utilities buried beneath the road systems. Positive results from this study will lead to CEMATRIX cellular concrete to be specified into road construction projects in Ontario and other provinces. CEMATRIX's cost of the three-year program will be approximately $270,000 spread over three years.

C. Results of Operations for Quarter Ending March 31, 2018

		Three Months Ended March 31				
		2018		2017		Change
Revenue	$	**1,476,468**	$	2,527,471	$	(1,051,003)
Gross margin	$	**172,135**	$	534,685	$	(362,550)
Operating expenses		**(512,819)**		(523,676)		10,857
Operating income		**(340,684)**		11,009		(351,693)
Non-cash stock based compensation		**(5,366)**		(28,409)		23,043
Finance costs		**(53,056)**		(50,521)		(2,535)
Other income (expenses)		**(2,484)**		1,887		(4,371)
Loss before income taxes		**(401,590)**		(66,034)		(335,556)
Provision of deferred taxes		**84,812**		13,639		71,173
Loss attributable to the common shareholders		**(316,778)**		(52,395)		(264,383)
Unrealized foreign exchange gain on translation of foreign subsidiary		**2,403**		536		1,867
Total comprehensive loss for period	$	**(314,375)**	$	(51,859)	**$**	(262,516)
Loss per common share	$	**(0.009)**	$	-	$	(0.009)

Revenue

Infrastructure						
Western Canada	**$**	**111,486**	$	1,757,278	$	(1,645,792)
Eastern Canada		**1,364,982**		743,386		621,596
United States		**-**		-		-
		1,476,468		2,500,664		(1,024,196)
Oil and Gas		**-**		26,807		(26,807)
	$	**1,476,468**	$	2,527,471	$	(1,051,003)

Revenue was lower by 41.6% or $1,051,003. Infrastructure sales were down $1,024,196, or 41%. In 2017 there was a large tunnel project in Western Canada, with no comparable sales during the same period in 2018. The Eastern Canada increase is due to additional tunnel projects in 2018 as compared to 2017. For 2018, the major tunnel contracted tunnel projects are scheduled to commence in late May or early June.

The Gross Margin on sales was lower by $362,550, or 67.8%. The Gross Margin Percentage achieved of 11.7% compared to 21.1% in 2017. The decrease in the Gross Margin dollars was mainly due to the decrease in revenue. The Gross Margin earned on sales during the period was not yet at a level to fully absorb the fixed costs of operations and as a result these Gross Margin Percentages, earned on off season sales, reflect lower than normal annualized Gross Margin Percentages.

Operating Expenses were lower by $10,857 or 2.1%.

Non-cash stock based compensation was down by $23,043, or 81.1%, 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 up $2,535, or 5%. The increase was principally due to interest on higher levels of the demand operating loan to finance increased working capital financing.

Other income was down $4,371; in 2018 other income consisted of foreign exchange expense; in 2017 other income consists of a gain on sale of equipment of $2,300 and foreign exchange expense of $413.

The change in deferred income taxes was a positive $71,173. In 2018 a deferred income tax recovery of $84,812 was recorded as compared to a deferred income tax recovery of $13,639 in 2017. The change is due to weaker results of the Canadian operations in comparison to the same period in 2017.

Unrealized Foreign Exchange Gain on Translation of Foreign Subsidiary was higher by $1,867, as a result of the weakening of the U.S. dollar to the Canadian dollar combined with 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 $262,516. This was mainly due to lower gross margin due to the reduction in sales.

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 three month period ended March 31, 2017 the Company benefitted from some large contracted projects carried over from the previous year. 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
	$	$	$	$
2018 Year				
March 31	1,476,468	(314,375)	(0.009)	(0.009)
2017 Year				
March 31	2,527,471	(51,859)	(0.002)	(0.002)
June 30	2,208,230	(255,435)	(0.007)	(0.007)
September 30	2,429,421	(105,310)	(0.003)	(0.003)
December 31	548,784	(767,939)	(0.022)	(0.022)
Total for year	7,713,906	(1,180,543)	(0.034)	(0.034)

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

		March 31 2018		December 31 2017		Change
Total current assets	**$**	**2,613,885**	$	1,574,263	$	1,039,622
Total non current assets		**4,979,323**		4,955,799		23,524
Total Assets	**$**	**7,593,208**	$	6,530,062	$	1,063,146
Current liabilities	**$**	**3,491,306**	$	1,102,564	$	2,388,742
Non current liabilities		**1,025,966**		2,042,553		(1,016,587)
Total liabilities	**$**	**4,517,272**	$	3,145,117	$	1,372,155
Shareholders' equity	**$**	**3,075,936**	$	3,384,945	$	(309,009)

Total current assets increased by $1,039,622. This increase in aggregate is summarized below:

- Cash in the bank was down $5,237 (See the discussion in Section G - Consolidated Statement of Cash Flows);

- Trade and other receivables were up by $1,030,949 as a result of the higher sales in the first quarter of 2018 in comparison to the fourth quarter of 2017 combined with timing differences in the collection of trade receivables;

- Inventory was down $17,268 due to normal usage in the production process as partially offset by the the purchase of additional foaming agent for the upcoming construction season;

- Prepaids and deposits were up $30,284; mainly due to timing differences on certain items in 2018 as compared to the 2017 year end balances; and

- Current portion of share acquisition loans was up $894 due to the accretion of the fair value adjustment.

Total non current assets increased by $23,524. This increase in aggregate is summarized below:

- Property and equipment was down $96,301 - additions to property and equipment were $4,071; this was offset by depreciation expense for the three months ended March 31, 2018 of $100,372;

- Intangibles were up $35,013; spending on project testing was $51,788 (including $16,381 of capitalized labour); this was partially offset by funds receivable from government grants of $16,775; and

- The deferred tax asset was up by $84,812 as a result of recording a recovery of deferred tax on Canadian losses during the three months ended March 31, 2018.

Total current liabilities increased by $2,388,742. This increase in aggregate is summarized below:

- Bank overdraft was up by $173,950;

- Demand operating loan was up $882,385 to fund working capital requirements;

- Trade and other payables were up $330,405 principally due to increased business activity in the three month ended March 31, 2018 as compared to the three months ended December 31, 2017;

- Current portion of long term debt increased by $1,000,000 as a result of the Secured Debenture being reclassified to a current liability from a non current liability as it matures in February 2019 which is within 12 months of the balance sheet date. In May 2018, the Company negotiated an extension of the repayment of the principal of the Secured Debenture to February 2020. Repayments for the BDC loans run from July to December; and

- Current portion of finance lease obligations was up $2,002 due to scheduled repayment of $14,585 as offset by the reclassification from the long term portion of $16,587.

Total non current liabilities decreased by $16,587. This decrease in aggregate is summarized below:

- Long term debt decreased by $1,000,000 as a result of the Secured Debenture being reclassified to a current liability (see comment above); repayments for the BDC loans run from July to December; and

- Finance lease obligations were down $16,587 due to reclassification to current portion in the three months ended March 31, 2018 (see comment above).

Shareholders' Equity decreased by $309,009. This decrease in aggregate is summarized below:

- Contributed surplus increased by $5,366 of non-cash stock based compensation recorded in the three months ended March 31, 2018;

- Accumulated other comprehensive loss decreased by $2,403 due to the unrealized foreign exchange gain on translation of the Company's U.S. subsidiary in the three months ended March 31, 2018; and

- The Deficit increased by $316,778 due to the loss to common shareholders in the period.

See the Consolidated Statements of Shareholders' Equity included in the Interim Consolidated Financial Statements at March 31, 2018.

F. Consolidated Statement of Cash Flows

The cash position of the Company at March 31, 2018 was negative $191,307 (consisting of cash in the bank of $37,696 net of the bank overdraft of $229,003) compared to a negative cash position of $12,120 (consisting of cash in the bank of $42,933 net of the bank overdraft of $55,053) at December 31, 2017.

The change in the cash position from the December 31, 2017 and 2016 to the three months ending March 31, 2018 and 2017 was a decrease of $179,187 in 2018 as compared to a decrease of $38,480 in the same period of 2017. This change is outlined in the table below:

	Three Months Ended March 31		
	2018	2017	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	**$ (296,746)**	$ 89,500	$ (386,246)
Net change in non-cash working capital items	**(713,560)**	(455,054)	(258,506)
	(1,010,306)	$ (365,554)	$ (644,752)
Cash used in investing activities	**(55,859)**	(189,937)	134,078
Cash generated from financing activities	**884,575**	516,475	368,100
Foreign exchange effect on cash	**2,403**	536	1,867
Decrease in cash	**(179,187)**	(38,480)	(140,707)
Cash (cash deficiency), at beginning of period	**(12,120)**	51,133	(63,253)
Cash (cash deficiency), at end of period	**$ (191,307)**	$ 12,653	$ (203,960)
Cash (cash deficiency), at end of period			
Cash and cash equivalents	**$ 37,696**	$ 46,031	$ (8,335)
Bank overdraft	**(229,003)**	(33,378)	(195,625)
	$ (191,307)	$ 12,653	$ (203,960)

- Cash used in operating activities increased by $644,752.

  - The cash flow, before non cash working capital adjustments, decreased by $386,246. The decrease was due to the reduction in income before taxes of $335,556 combined with a lower addback of non-cash items of $50,690, due primarily to lower depreciation and lower non-cash stock based compensation; and

  - The net change in non-cash working capital items decreased by $258,506 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 $134,078.

  - Plant and equipment purchases were down $129,372; the Company added to its equipment fleet in 2017;

  - Proceeds on the sale of equipment were $2,300 in 2017 with no comparable amount in 2018; and

  - Spending on research programs was down $7,006 in 2018; one of the research projects is nearing completion in 2018.

- Cash generated from financing activities increased by $368,100.

  - In 2018 the Company generated $884,575 from financing activities; the demand operating loan provided $882,385; government grants for the project testing programs provided $16,775; scheduled repayments of $14,585 were made on finance lease obligations.

  - In 2017 the Company generated $516,475 from financing activities; the demand operating loan provided $287,886; new long term debt provided $226,700 and government grants for the project testing programs provided $16,000; scheduled repayments of $14,111 were made 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, accessing capital debt facilities through loans or lease financing and financing supplied through public offerings of its shares.

The Company, through its wholly owned subsidiary CEMATRIX Canada, has a $1,500,000 demand operating loan with the Canadian Western Bank ("CWB"). The demand operating loan bears interest at an amount equal to the greater of 4.7% or 2% above the CWB prime lending rate, as may occur from time to time.

The demand operating loan has four financial covenants that must be maintained on a consolidated basis:

- Cash flow coverage ratio of not less than 1.25, tested not less than annually. This is a ratio of EBITDA to all interest (paid or accrued) plus the actual principal payment obligations for the trailing fiscal year on all indebtedness for borrowed money and finance leases;

- Tangible net worth of not less than $3,000,000, tested no less than monthly. Tangible net worth is defined as the aggregate of share capital and retained earnings (shareholders' equity) less goodwill or any assets determined by CWB to be intangibles without value;

- Debt to tangible net worth ratio not greater than 1.75, tested no less than monthly. This is the ratio of indebtedness for borrowed money and finance leases divided by the net tangible worth (defined above); and

- Current ratio not less than 1.25, tested no less than monthly. This is the ratio of current assets, excluding amounts due from related parties, to current liabilities.

At March 31, 2018, one of the demand operating loan covenants were not met - the current ratio test. In May 2018, the CWB granted relief on the current ratio test in relation to the Company's demand operating loan for the period ended March 31, 2018.

The Company has $319,445 of undrawn equipment financing with the BDC that will be used, as required, to fund the construction of additional production units. (See note 11 to the Interim Consolidated Financial Statements)

In May 2018, the Company negotiated an extension of the repayment of the principal of the Secured Debenture to February 2020.

At March 31, 2018, the Company had Net Working Capital of $1,567,915, up from $854,355 at December 31, 2017, reflecting the increase in activity in the first quarter of 2018 as compared to fourth quarter of 2017.

For the three months ended March 31, 2018, the Company reported a loss of $396,224, before taxes and non-cash stock based compensation, a cash deficiency from operations of $296,746, before the non-cash working capital adjustment, and negative EBITDA of $242,796.

On April 30, 2018 the Company completed the first tranche of the $2,000,000 the Private Placement for net proceeds of $633,220. Approximately $260,000 will be used as part of the cash consideration on the acquisition of MOS and the balance of $373,220 will be used for used for general working and growth capital.

The Company introduced cash flow measures at the beginning of 2018 to reduce cash flow requirements. The executive management have taken a 20% reduction in base salary, and all other salaried staff a 10% reduction, until the Company returns to profitability; the Company has negotiated a 10% reduction in the rental cost of its Calgary facility, has leased out part of its Calgary facility and cost constraints have been placed on all discretionary spending.

The Company has signed contracts on hand for $7.4 million and Verbally Awarded projects of $4.6 million and has a number of other contracts in process.

The realization of the net working capital as at March 31, 2018, the benefit from cost reduction initiatives to reduce cash flow requirements, the availability of the CWB demand operating loan and the working capital raised from a Private Placement and the successful completion of sales contracts that are in place provide the necessary liquidity to carry the Company's operations through 2018. Ongoing liquidity beyond this, is dependent on the Company achieving additional sales and profitable results.

Capital resources

Capital additions to build new productive capacity in the current year will come from the funds generated from operations and the BDC loan 3, which has $319,445 remaining to be drawn down.

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 22 - Capital management to the Interim Consolidated Financial Statements, was $5,515,652 at March 31, 2018 as compared to $5,839,246 at December 31, 2017 (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 March 31, 2018.

Debt Category	2018/19	2019/20	2020/21	2021/22	2022/23
	$	$	$	$	$
Finance lease obligations (1)	77,014	141,054	37,712	6,010	2,450
BDC Financing (2) (3)	349,142	390,461	295,544	94,800	83,280
Secured Debenture (2)	1,000,000	-	-	-	-
Operating leases	291,918	207,876	-	-	-

(1) Includes principal and interest
(2) Principal only
(3) Based on BDC loans drawn down as of March 31, 2018
(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 March 31, 2018 or December 31, 2017.

I. Transactions with Related Parties

During the three months ending March 31, 2017, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $nil ($3,559 for the three months ending March 31, 2017) of which $nil was in trade and other payables as at March 31, 2018 (December 31, 2017 - $2,651). 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, 2017. 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, 2017. There have been no changes since that date other than as indicated below:

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

The Company adopted IFRS 15 on a modified retrospective basis effective January 1, 2018. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 sets out a five step model for revenue recognition. The core principal is that revenue should be recognized to depict the transfer of goods and services to customers in an amount that reflects the consideration that the Company expects to be entitled for those goods and services.

The Company principally generates revenue from the onsite production and placement of cellular concrete (the "Product") pursuant to contractual arrangements with its customers. This revenue is recognized when the control or title of the Product is transferred from the Company and collection is reasonably assured in accordance with specified contract terms. All revenue is generally earned at a point in time and is based on the consideration that the Company expects to receive for the transfer of the Product to the customer. The Company has reviewed its sources of revenue and major contacts with customers using the guidance found in IFRS 15 and determined that there is no material changes to the timing and measurements of the Company's revenue, as compared to the provisions of the previous standards.

Revenue is measured based on the consideration specified in a contract with its customers. Payment terms with customers are generally 30 days from the date of the invoice. The Company generally does not have any sales contracts where the period between the transfer of the Product to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money.

The Company enters into contracts with customers that have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year or less, or for performance where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer on the Company's performance to date.

Contract modifications with the Company's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification in writing. Contract modifications are generally accounted for as part of the existing contract prospectively over the remaining term of the contract.

All of trade receivables were generated from contracts with customers.

IFRS 9 Financial Instruments ("IFRS 9")

The Company adopted IFRS 9 effective January 1, 2018. The adoption of IFRS 9 did not result in any adjustments to the amounts recognized in the Company's consolidated financial statements for the year ended December 31, 2017.

The Company measures its financial assets and liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent if the financial instrument's classification, which in the case of financial assets, is determined by the context of the Company's business model and contractual cash flow characteristic of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("(FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL, or designated as FVTPL, where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI"). The Company does not currently employ hedge accounting for risk management contracts that may be in place.

The Company classifies its cash and cash equivalents, term deposits, trade and other receivables, share acquisition loans, bank overdraft, demand operating loan, trade and other payables and long term debt as measured at amortized cost. The contractual cash flows received from the financial assets are solely the payment of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. The carrying value of the Company's cash and cash equivalents, term deposits, trade and other receivables, bank overdraft, demand operating loan and trade and other payables approximate their fair values.

The Company does not currently have any risk management contracts. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the statement of income (loss). The adoption of IFRS 9 did not result in changes to the classifications of the Company's financial assets or financial liabilities. There is no difference in the measurement of these instruments under IFRS 9 due to the short term and liquid nature of the financial assets.

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model previously applied. Under this new model, the Company's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the accounts receivable. ECL allowances have not been recognized for cash and cash equivalent and term deposits due to the virtually certainty of their collectability.

The Company's trade and other receivables are subject to the ECL model under IFRS 9. For trade and other receivables, the Company apples the simplified approach to providing for expected losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the expected lifetime expected loss provision, the Company considered historical Company and industry default rates as well as credit ratings of major customers.

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 April 1, 2018 or later periods. The standards impacted that are applicable to the Company are as follows:

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 this future accounting pronouncement.

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, 2017 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 $1,213,227 outstanding at March 31, 2018, and the demand operating, which had a balance of $948,784 outstanding at March 31, 2018, are subject to floating rates. Based on the floating rate debt outstanding at March 31, 2018 a 1% increase/decrease in interest rates would result in a decrease/increase in the comprehensive income (loss) of approximately $15,800.

Credit Risk

The Company is responsible for reviewing the credit risk for each customer before standard payment and delivery terms and conditions are offered. The Company review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before the Company extends credit. The Company monitors its trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk. The Company also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. The Company has not historically experienced any material credit losses.

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, term deposits, trade receivables and the share acquisition loans. The Company's cash is held with large established financial institutions. The Company manages credit risk using credit approval and monitoring practices. At March 31, 2018, 5 customers accounted for approximately 91% of trade receivables (at December 31, 2017, 9 customers accounted for approximately 90% of trade receivables). For the three months ended March 31, 2018, 2 customers each accounted for over 20% of revenue. At March 31, 2018, the Company had $37,696 of cash and cash equivalents (December 31, 2017 - $42,933), an $80,000 term deposit (December 31, 2017 - $80,000) and $49,261 (December 31, 2017 - $48,367) of fair valued share acquisition loans that are outstanding with two officers, and a former officer, of the Company.

Liquidity Risk

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

The table on the next page summarizes the maturity profile of the Corporation's financial liabilities at March 31, 2018 and December 31, 2017 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 5 years	Total
As at March 31, 2018				
Bank overdraft	**$ 229,003**	**$ -**	**$ -**	**$ 229,003**
Demand operating loan	**948,784**	**-**	**-**	**948,784**
Trade and other payables	**889,769**	**-**	**-**	**889,769**
Long-term debt	**1,349,142**	**390,461**	**473,624**	**2,213,227**
Finance lease obligations	**64,608**	**123,868**	**38,013**	**226,489**
	$ 3,491,306	**$ 514,329**	**$ 511,637**	**$ 4,517,272**

	Less than 1 year	1 to 2 years	2 to 5 years	Total
As at December 31, 2017				
Bank overdraft	$ 55,053	$ -	$ -	$ 55,053
Demand operating loan	66,399	-	-	66,399
Trade and other payables	569,364	-	-	569,364
Long-term debt	349,142	1,390,462	473,623	2,213,227
Finance lease obligations	62,606	135,287	43,181	241,074
	$ 1,102,564	$ 1,525,749	$ 516,804	$ 3,145,117

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 March 31, 2018 and December 31, 2017 the following balances were denominated in USD:

	2018	2017
Cash and cash equivalents	**$ 25,380**	$ 32,136
Trade and other receivables	**$ 39,191**	$ 39,191
Prepaid expenses and deposits	**$ 10,072**	$ 10,127
Trade and other payables	**$ 12,235**	$ 8,148

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 March 31, 2018, a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total annual comprehensive loss of approximately $4,000.

M. Disclosure of Outstanding Share Data

As at March 31, 2018 and May 23, 2018, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company.

	Authorized	Outstanding as at March 31, 2018	Outstanding as at May 23, 2018
Voting or equity securities issued and outstanding	Unlimited Common Shares	34,475,994 Common Shares	37,679,594 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 3,275,000 Common Shares at an exercise price at between $0.145 - $0.43	Stock options to acquire 3,525,000 Common Shares at an exercise price at between $0.145 - $0.43
Securities convertible or exercisable into voting or equity securities – share purchase warrants	One half share purchase warrants		One half share purchase warrants to acquire 1,620,550 Common Shares at a price of $0.35

Pursuant to the closing of the first tranche of the Private Placement on April 30, 2018, 3,203,600 units (each a “Unit”) of the Company were issued at $0.20 per Unit for gross proceeds of $640,720. Each Unit is comprised of one common share and one-half of one purchase warrant (a “Warrant”). Each full Warrant entitles the holder thereof to acquire one common share for $0.35 until their expiry date of April 30, 2020.

On April 30, 2018, 250,000 stock options were issued to the newly appointed chief financial officer of the Company with an exercise price of $0.20 per common share. The stock options are for a three year term and will vest over three years as to one third at the end of each year.

The acquisition of the MOS shares by the Company is anticipated to close on May 31, 2018. Mr. Ed Weiner is the owner of all of the outstanding MOS shares. Pursuant to the closing, 3,343,421 common shares will be issued to Mr. Weiner at a deemed value of $0.19 per common share. In addition, Mr. Weiner, or his nominee will be issued an 8% secured convertible note in the amount of $2,500,000. The convertible note is convertible at the option of the holder into 13,371,684 common shares at a deemed value of $0.2375.

Mr. Weiner has agreed to be appointed director of the Corporation and to engage as a consultant for a period of three years effective as of the Closing Date. Mr. Weiner shall receive 150,000 stock options for his role as a director and 350,000 stock options for his role as a consultant. The stock options are exercisable into common shares at an exercise price of $0.20 per common share. The stock options are for a three year term and will vest over three years as to one third at the end of each year.

N. Outlook

Management is focusing on delivering a return to profitability in 2018 and implementing its Growth Strategy, which includes the acquisition of MOS, which is executed and will close on May 31, 2018.

If CEMATRIX and MOS had been combined at the beginning of 2018, the combined contracted and verbally awarded projects would now be in excess of $33.5 million, $5.2 million of which is scheduled for 2019. Since CEMATRIX will only be recording 7 months of the MOS sales in its 2018 results, this will amount to approximately $27.5 million in CEMATRIX consolidated sales for 2018 and a $5.2 million carryover to 2019.

The Company's Sales Pipeline continues to grow and indicates that there will be significant growth in infrastructure sales in both the Canadian and U.S. market. The positive results from one of CEMATRIX's research projects has increased the probability of being specified into MSE wall construction projects. The addition of new sales staff, as recommended by the BDC Consulting Group during its 2017 strategic review of CEMATRIX, is also expected to result in increased sales as well. In addition, the strengthened CEMATRIX/Lafarge relationship, which includes financial and sales support, will give CEMATRIX a broader participation with Lafarge on larger projects and will assist in further regional expansion across Canada.

The MOS acquisition will position CEMATRIX for further growth in the US and will provide both trained operation staff and additional equipment to meet this growth.

Management expects sales in the oil and gas sector of Western Canada will begin to improve in 2018 with a number of projects announced where cellular concrete may be used. The year over year work in this sector is associated with refinery and pipeline annual maintenance spending. Future growth in this market will be dependent on the re-bounding of consistent oil and gas prices to a level that supports the investment in new or expansion facilities by this industry.

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Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ended March 31, 2018

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three months ending March 31, 2018 are outlined below:

General

There are a number of statements in the MD&A which refer to "will", "expect", "believes", "anticipate", "should", "indicates" and "forecasting".

The foregoing statements contains forward-looking statements which are based on sales forecasts prepared for 2018; sales forecasts include work which is under contract for 2018, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in the coming year, 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. There are a number of risks that could affect these assumptions which include: contracted work is delayed; the failure of 2018 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 product acceptance in new markets takes longer than anticipated resulting in reduced sales.

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For the Three Month Ending March 31, 2018

Appendix B – Definitions

Sales Pipeline:
The Company's sales pipeline is defined as the total forecasted dollar amount of those future projects that CEMATRIX has been contacted by engineering firms, or owners, or contractors for design assistance (which could include thermal modelling), as quote, or both. The sales pipeline does not include the dollar value of contracted sales; or the dollar value of sales, where volumes have not been determined by the designers; or the dollar value of sales that have been lost for various reasons, including that the proposed project has been cancelled, lost to an alternative product or lost to a competitor. The sales pipeline is updated when changes in the status of a project becomes known to CEMATRIX. The sales pipeline includes projects from the current and future years and grows with the continued acceptance of the product throughout the Company's market territory, which currently includes significant parts of Canada and parts of the U.S.

Revenue:
Total revenue of the Company that primarily consists of the production and placement of cellular concrete.

Cost of Sales:
Direct costs related to the production of cellular concrete, including materials and labour; direct and indirect variable costs related to the production of cellular concrete; fixed costs related to the production of cellular concrete, including depreciation related to the equipment used in the production of cellular concrete.

Gross Margin:
The profit after cost of sales is deducted from revenue.

Gross Margin Percentage:
The percentage of the gross margin as a percentage of revenue.

Operating Expenses:
Represents costs not directly related to the production of cellular concrete, including general and administrative, sales and marketing and technology development.

Operating Income:
Income before non-cash stock based compensation, finance costs and other miscellaneous items and taxes.

Unrealized Foreign Exchange Gain (Loss) on Translation of Foreign Subsidiary:
The unrealized gain (loss) resulting from the translation of CEMATRIX's U.S. subsidiary into Canadian dollars. This foreign exchange gain or loss is recognized only when there is a return of capital from the U.S. subsidiary.

Net Working Capital:
The sum of trade and other receivables, inventory and prepaid expenses and deposits minus trade and other payables.

EBITDA:
Earnings before interest, taxes, depreciation, amortization and non-cash stock based compensation.