CEMATRIX CORPORATION
Management's Discussion and Analysis
For Three and Six Months Ended June 30, 2019

Date Completed: August 7, 2019

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three and Six Months Ended June 30, 2019

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, 2019. 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, 2019 (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, 2018 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 7, 2019 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, 2019. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on August 7, 2019.

Index

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, 2018, 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 and six months ended June 30, 2019, the Company’s financial condition as at June 30, 2019 and its future prospects.

B. Mid-Year Comments

Financial Review

Revenue was $6,448,543 in the second quarter of 2019, an increase of $3,540,610 or 122% from the $2,907,933 recorded in the second quarter of 2018. This resulted in a Gross Margin of $1,839,555 in Q2 2019 an improvement of $1,200,751 or 188% compared to $638,804 in Q2 2018. Gross Margin Percentage was 29% in Q2 2019 compared to 22% in Q2 2018.

Operating income was $737,001 in the second quarter of 2019, an increase of $819,415 or 994% compared to the loss of $82,414 in the second quarter of 2018. Income attributed to the common shareholder was $172,512 in the second quarter of 2019, an increase of $1,139,779 or 118% compared to the loss of $967,267 in the second quarter of 2018.

The results realized in the second quarter of 2019 represents the start of the construction season and improves on the seasonally and historically slow first quarter.

Revenue was $9,643,269 in the first six months of 2019, an increase of $5,249,868 or 120% from the $4,384,401 recorded in the first six months of 2018. This resulted in a Gross Margin of $2,359,763 in the first six months of 2019 an improvement of $1,548,824 or 191% compared to $810,939 in the first six months of 2018. Gross Margin Percentage was 24% in the first six months of 2019 compared to 18% in the first six months of 2018.

Operating income was $210,099 in the first six months of 2019, an improvement of $633,197 compared to the loss of $423,098 in the first six months of 2018. The loss attributed to the common shareholder was $664,189 in the first half of 2019, an improvement of $619,856 compared to the loss of $1,284,045 in the first half of 2018.

Report on Major Initiatives

Proposed Acquisition of Pacific International Grout Company

On January 21, 2019, CEMATRIX announced that it had entered into a letter of intent with Pacific International Grout Company January 18, 2019 (the "Letter of Intent") in respect of a proposed transaction pursuant to which CEMATRIX is anticipated to acquire all of the issued and outstanding shares of PIGCO (the "PIGCO Shares"), such that PIGCO will be a wholly owned subsidiary of CEMATRIX (the "Acquisition").

On June 26, 2019, CEMATRIX provided an update on the proposed acquisition of PIGCO Shares which outlines timelines and valuations.

On July 4, 2019, CEMATRIX announced a non-brokered private place of up to 11,500,000 units (each, a "Unit") at a price of $020 per Unit for gross proceeds of up to $2,300,000 to move forward with the PIGCO acquisition. Each Unit will be comprised of one common share of the Corporation (a "Common Share") and one warrant (a "Warrant"). Each whole Warrant will be exercisable into one Common Share for a period of two years at an exercise price of $0.30 per Common Share.

C. Results of Operations

For the three months ending June 30, 2019 compared to the three months ending June 30, 2018

	Three Months Ended June 30		
	2019	2018	Change
Revenue	**$ 6,448,543**	$ 2,907,933	$ 3,540,610
Gross margin	**$ 1,839,555**	$ 638,804	$ 1,200,751
Operating expenses	**(1,102,554)**	(721,218)	(381,336)
Operating income (loss)	**737,001**	(82,414)	819,415
Non-cash stock based compensation	**(143,960)**	(11,163)	(132,797)
Finance costs	**(215,480)**	(103,109)	(112,371)
Other income (expense)	**77,906**	(88,986)	166,892
Amortization of intangibles	**(123,632)**	(39,930)	(83,702)
Acquisition costs	**(16,957)**	(619,723)	602,766
Revaluation of earnout liability	**146,181**	-	146,181
Non-cash accretion costs	**(157,620)**	(23,128)	(134,492)
Non-cash fair value of derivatives	**128,669**	(175,605)	304,274
Income (loss) before income taxes	**432,108**	(1,144,058)	1,576,166
Provision of deferred taxes	**(170,523)**	176,791	(347,314)
Provision of current taxes	**(89,073)**	-	(89,073)
Net income loss attributable to the common shareholder	**172,512**	(967,267)	1,139,779
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	**(165,566)**	36,916	(202,482)
Comprehensive income (loss)	**$ 6,946**	$ (930,351)	**$** 937,297
Fully diluted gain (loss) per common share	**$ 0.004**	$ (0.026)	$ 0.030

Revenue in the second quarter of 2019 was $6,448,543 compared to $2,907,933 in the second quarter of 2018 an increase of 122% or $3,540,610. This increase can be attributed to higher Canadian sales and US sales with the inclusion of the MOS acquisition for a full quarter in 2019 as opposed to one month in the second quarter of 2018. The acquisition closed on May 31, 2018.

Gross Margin was higher by $1,200,751 or 188% when compared to the second quarter of 2019. As a percentage of revenues, the Gross Margin Percentage improved to 29% compared to 22% in 2018. The increase in Gross Margin Percentage is mainly due to the effect of increased revenues on a cost base that includes fixed costs. This effect is commonly referred to as operating leverage.

Operating expenses were higher by $381,336 or 53% mainly due to the aggregate of the following:

- MOS operating costs increased by $213,747 because two additional months of operations were included in 2019 compared to 2018;
- Salaries, benefits and commissions increased by $60,553 due to the addition of a new sales representative based in Manitoba, increased commissions paid on increased sales and a temporary technician;
- Consulting charges increased by $53,330 as a result of one time costs associated with the US OTCQB application, the BDC growth driver program and costs associated with the new CFO and MOS acquisition; and
- The accrual for audit fees increased by $12,960 as a result of the acquisition of MOS;

Non-cash stock based compensation expense was $143,960 in the second quarter of 2019 compared to $11,163 in the second quarter of 2018. The increase of $132,797 is mainly the result of the 900,000 stock options granted in the second quarter of 2019. This includes 600,000 stock options which were granted to select board members which vested immediately as they replaced an equivalent number of stock options that had expired unexercised.

Finance costs were $215,480 in the second quarter of 2019 compared to $103,109 in the same period in 2018, an increase of $112,371. The increase relates to the incremental debt carried to close the acquisition of MOS and can be specifically attributed to a full quarter run rate of the following items:

- Incremental interest on the $2,500,000 USD Convertible Note in the amount of $45,755;
- Incremental interest on the $1,800,000 USD BDC Loan in the amount of $30,968;
- Incremental interest on the new $750,000 USD Operating Loan in the amount of $20,534; and
- Incremental interest on the new finance leases in the amount of $13,595.

Other income was $77,906 in the second quarter of 2019 compared to expenses of $88,986 in the second quarter of 2018. The increase of $166,892 is largely the result of the swing in foreign exchange rates in the reporting period. A unrealized foreign exchange gain of $104,476 was recognized in the second quarter of 2019 on the following USD denominated liabilities: USD BDC Loan of $42,633 and Convertible Note of $61,843. As the Canadian dollar strengthened relative to the USD, the value of these liabilities decreased, which gives rise to an unrealized foreign exchange gain. The opposite effect occurred in the second quarter of 2018 resulting in a foreign exchange loss.

Amortization of intangibles was $123,632 in the second quarter of 2019 and originated from the acquisition of MOS where an intangible asset of $638,879 was attributed to the value of the sales backlog on the business combination.

Acquisition costs of $16,957 were incurred in the second quarter of 2019. These costs are for the proposed acquisition of Pacific International Grout Company. The prior year costs of $619,723 relate to the acquisition of MOS which closed on May 31, 2018.

The earnout liability for the first 12 month period ended May 31, 2019 has come to pass and is estimated at $971,419. The previously recorded liability was adjusted to this new estimate and resulted in a non cash adjustment of $146,181. The $971,419 is due 90 days after the anniversary date or August 29, 2019 and accrues interest at 8% per year if not paid.

Non-cash accretion was an expense of $157,620 in the second quarter of 2019 compared to $23,128 for the same period last year. The increase in non-cash accretion expense is largely attributed to the Earn-out Liability of $136,672 and the host debt contract of the Convertible Note of $21,413, both of which originated from the acquisition of MOS and were recorded at a discount.

On acquisition, the Convertible Note was trifurcated into the previously discussed host debt contract and conversion and prepayment features, both of which are accounted for as derivatives and revaluated at every reporting period. Based upon the black-scholes option pricing model, the fair value of the conversion and prepayment features of the Convertible Note decreased by $128,669 in the second quarter of 2019 resulting in a gain for the same amount compared to an increase of $175,605 in the second quarter of 2018 resulting in a loss in the second quarter of 2018.

Unrealized foreign exchange gains and losses on the translation of foreign subsidiaries are recognized through other comprehensive income. Both MOS and Cematrix (USA) Inc. have a USD functional currency and as the Canadian dollar strengthened relative to the USD, the value of these assets depreciated resulting in an unrealized foreign exchange loss of $165,566 in the second quarter of 2019. The opposite effect occurred in the second quarter of 2018 which resulted in an unrealized foreign exchange gain of $36,916.

The total comprehensive income was higher by $937,297 This was principally due to higher Gross Margin resulting from the increase in sales offset by finance costs related to MOS, higher operating expenses, non-cash stock based compensation and acquisition costs for the quarter ended June 30, 2019.

For the six months ending June 30, 2019 compared to the six months ending June 30, 2018

	Six Months Ended June 30		
	2019	2018	Change
Revenue	**$ 9,634,269**	$ 4,384,401	$ 5,249,868
Gross margin	**$ 2,359,763**	$ 810,939	$ 1,548,824
Operating expenses	**(2,149,664)**	(1,234,037)	(915,627)
Operating income (loss)	**210,099**	(423,098)	633,197
Non-cash stock based compensation	**(178,077)**	(16,529)	(161,548)
Finance costs	**(432,324)**	(157,059)	(275,265)
Other income (expense)	**259,489**	(91,470)	350,959
Amortization of intangibles	**(246,497)**	(39,930)	(206,567)
Acquisition costs	**(65,825)**	(619,723)	533,898
Revaluation of earnout liability	**146,181**	-	146,181
Non-cash accretion costs	**(289,645)**	(22,234)	(267,411)
Non-cash fair value of derivatives	**9,122**	(175,605)	184,727
Loss before income taxes	**(587,477)**	(1,545,648)	958,171
Provision of deferred taxes	**12,361**	261,603	(249,242)
Provision of current taxes	**(89,073)**	-	(89,073)
Net loss attributable to the common shareholder	**(664,189)**	(1,284,045)	(619,856)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	**(328,477)**	39,319	(367,796)
Comprehensive loss	**$ (992,666)**	$ (1,244,726)	**$** 252,060
Fully diluted loss per common share	**$ (0.015)**	$ (0.036)	$ 0.021

Revenue in the first half of 2019 was $9,634,269 compared to $4,384,401 in the first half of 2019 an increase of 120% or $5,249,868. This increase can be attributed to higher Canadian sales and US sales with the inclusion of the MOS acquisition for a full six months in 2019 as opposed to one month in the prior year period. The acquisition closed on May 31, 2018.

Gross Margin was $2,359,763 in the first six months of 2019, an increase of $1,548,824, compared to a Gross Margin of $810,939 in the prior year period. As a percentage of revenues, the Gross Margin Percentage improved to 24% compared to 18% in 2018.

Operating expenses were higher by $915,627 or 74% mainly due to the following:

- MOS operating costs increased by $564,082 because of five additional months of operations were included in 2019 compared to 2018;
- Salaries, benefits and commissions increased by $165,466 due to the addition of a new sales representative based in Manitoba, increased commissions paid on increased sales and a temporary technician;
- Consulting charges increased by $67,004 as a result of one time costs associated with the US OTCQB application, the BDC growth driver program and costs associated with the new CFO and MOS acquisition; and
- The Audit fee accrual increased by $25,920 as a result of MOS acquisition

Non-cash stock based compensation was $178,077 in the first six months of 2019 compared to $16,529 in the prior year period. The increase of $161,548 is mainly the result of the 900,000 stock options granted in the first half of 2019. This includes 600,000 stock options which were granted to select board members which vested immediately as they replaced an equivalent number of stock options that had expired unexercised.

Finance costs were $432,324 in the first six months of 2019 compared to $157,059 in the prior year period. The increase of $275,265, can be largely attributed to the MOS acquisition which was financed primarily with debt. The significant increases are outlined below:

- Incremental interest on the $2,500,000 USD Convertible Note in the amount of $117,656;
- Incremental interest on the $1,800,000 USD BDC Loan in the amount of $77,587;
- Incremental interest on the new $750,000 USD Operating Loan in the amount of $41,257; and
- Incremental interest on the new finance leases in the amount of $26,950.

Other income of $259,489 was recognized in the first six months of 2019 compared to an expense of $91,470 in the prior year period. The increase of $350,959 is largely the result of $221,186 in unrealized foreign exchange gains recognized on the following USD denominated liabilities: USD BDC Loan of $90,813 and Convertible Note of $128,786. As the Canadian dollar strengthened relative to the USD, the value of these liabilities decreased, which gives rise to an unrealized foreign exchange gain.

Amortization of intangibles was $246,497 in the first six months of 2019 and originated from the acquisition of MOS where an intangible asset of $638,879 was attributed to the value of the sales backlog on the business combination.

Acquisition costs were $65,825 in the first six months of 2019. These costs relate to the proposed acquisition of Pacific International Grout Company. The prior year costs of $619,723 are for the acquisition of MOS which closed on May 31, 2018.

The earnout liability for the first 12 month period ended May 31, 2019 has come to pass and is estimated at $971,419. The previously recorded liability was adjusted to this new estimate and resulted in a non cash adjustment of $146,181. The $971,419 is due 90 days after the anniversary date or August 29, 2019 and accrues interest at 8% per year if not paid.

Non-cash accretion was an expense of $289,645 in the first half of 2019 compared to $22,234 for the same period last year. The increase in non-cash accretion expense is largely attributed to the Earn-out Liability of $248,462 and the host debt contract of the Convertible Note of $42,113, both of which originated from the acquisition of MOS and were recorded at a discount.

On acquisition, the Convertible Note was trifurcated into the previously discussed host debt contract and conversion and prepayment features, both of which are accounted for as derivatives and revaluated at every reporting period. Based upon the black-scholes option pricing model, the fair value of the conversion and prepayment features of the Convertible Note decreased by $9,122 in the first half of 2019 resulting in a gain for the same amount compared to an increase of $175,605 in the first half of 2018 resulting in a loss in the first six months of 2018.

Unrealized foreign exchange gains and losses on the translation of foreign subsidiaries are recognized through other comprehensive income. Both MOS and Cematrix (USA) Inc. have a USD functional currency and as the Canadian dollar strengthened relative to the USD, the value of these assets depreciated resulting in an unrealized foreign exchange loss of $328,477 in the first six months of 2019. The opposite effect occurred in the first six months of 2018 which resulted in an unrealized foreign exchange gain of $39,319.

The total comprehensive loss was lower by $252,060. This was principally due to higher Gross Margin resulting from the increase in sales offset partially by finance costs related to MOS, higher operating expenses, non-cash stock based compensation and acquisition costs for the six months ended June 30, 2019

D. Selected Quarterly Financial Information

The Company's business is seasonal in nature as it follows the construction season. Typically, revenues in the second half of the year are significantly greater than the first half of the 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
	$	$	$	$
2019 Year				
March 31	**3,185,726**	**(999,612)**	**(0.019)**	**(0.019)**
June 30	**6,448,543**	**6,946**	**0.004**	**0.004**
	9,634,269	**(992,666)**	**(0.015)**	**(0.015)**
2018 Year				
March 31	1,476,468	(314,375)	(0.009)	(0.009)
June 30	2,907,933	(930,351)	(0.026)	(0.026)
September 30	7,039,839	(56,096)	(0.000)	(0.000)
December 31	6,136,476	573,009	0.004	0.004
Total for year	17,560,716	(727,813)	(0.027)	(0.027)

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 Statements of Financial Position

	June 30 2019	December 31 2018	Change
Total current assets	$ **6,825,305**	$ 6,542,167	$ 283,138
Total non current assets	**13,736,968**	13,879,797	(142,829)
Total assets	$ **20,562,273**	$ 20,421,964	$ 140,309
Current liabilities	$ **6,997,113**	$ 6,672,199	$ 324,914
Non current liabilities	**9,634,174**	9,004,190	629,984
Total liabilities	$ **16,631,287**	$ 15,676,389	$ 954,898
Shareholders' equity	$ **3,930,986**	$ 4,745,575	$ (814,589)

Total current assets increased by $283,138. This increase in aggregate is summarized below:

- Cash increased by $253,301 (See the discussion in Section F - Consolidated Statement of Cash Flows);
- Trade and other receivables decreased by $132,188 as a result of the timing differences in the collections of trade receivables;
- Inventory increased by $134,486 in anticipation of the construction season;
- Prepaids and deposits increased by $26,170 mainly due to a deposit for a new building lease that will take effect January 1, 2020; and
- Share acquisition loans increased by $1,369 as a result of $930 in accretion income and interest income of $439.

Total non current assets decreased by $142,829. This decrease in aggregate is summarized below:

- Property and equipment increased by $353,376 primarily as a result of adopting IFRS 16, which resulted in an increase in buildings of $643,632 and additional expenditures of $378,809 on equipment. This was offset by depreciation expense for the six months ended June 30, 2019 of $527,571, dispositions of $42,084 and a $99,410 reduction relating to foreign exchange recognized on the translation of foreign denominated subsidiaries.
- Goodwill and intangibles assets decreased by $482,934 as a result of a $259,970 reduction relating to the translation of foreign denominated subsidiaries and $246,497 in amortization of the sales backlog, being offset by $23,533 on capitalized expenditures relating to research projects (including $3,462 of capitalized labour).
- The deferred tax asset decreased by $13,271 as a result of recording a deferred income tax expense on Canadian income during the six months ended June 30, 2019.

Total current liabilities increased by $324,914. This increase in aggregate is summarized below:

- Bank overdraft decreased by $418,865 (See the discussion in Section F - Consolidated Statement of Cash Flows);
- Bank operating loan decreased by $133,992 due to timing differences to fund working capital requirements in the Canadian operations;
- The US operating loan is $750,000 USD and was fully drawn on the close of the MOS acquisition. The CAD equivalent was $981,975 at June 30, 2019 a decrease of $41,175 from $1,023,150 at

December 31, 2018. This reduction is accounted for in the translation of foreign denominated subsidiaries.

- Trade and other payables increased by $925,117 largely as a result of increased sales and timing difference in payments in the first six months of 2019 as compared to 2018;
- Current portion of long term debt decreased by $12,352 as a result of a unrealized foreign exchange gain on the revaluation of the $1,800,000 USD BDC loan entered into by the Company on May 31, 2018.;
- Current portion of lease obligations increased by $86,534 mainly due to adopting IFRS 16 on January 1, 2019. The effect at June 30, 2019 was an increase of $117,540 relating to the current portion of a building lease.
- Current portion of the Earn-out Liability is $971,419 and originated from the acquisition of MOS. The Earn-out Liability is based upon management's estimate and represents 70% of MOS's EBITDA above $500,000 USD for the 12 month period from June 1, 2018 to May 31, 2019.

Total non-current liabilities increased by $629,984. This increase in aggregate is summarized below:

- Long term debt increased by $241,212 due to an additional $319,445 drawn on BDC Loan 3 offset partially by a unrealized foreign exchange gain of $78,233 on the revaluation of the $1,800,000 USD BDC loan entered into by the Company on May 31, 2018.
- Lease obligations increased by $451,133 due to the adoption of IFRS 16.
- Earn-out Liability is $1,220,564 and originated from the acquisition of MOS. The Earn-out Liability is based upon management's estimate and represents 65% of MOS's EBITDA above $500,000 US for the 24 month period from June 1, 2019 to May 31, 2021.
- The Convertible Note has a face value of $2,500,000 USD and was issued on the acquisition of MOS. On issuance, the Convertible Note was trifurcated into a conversion feature, prepayment feature and a debt host contract. At June 30, 2019 the Convertible Note had an aggregate carrying value of $3,282,712. The decrease of $95,680 is the result of a unrealized foreign exchange gain of $128,671 on the host debt contract and gain of $9,122 recognized on the marked to market derivatives being offset by accretion expense of $42,113,. The fair value of the conversion feature decreased $45,612 while the fair value of the prepayment feature increased $36,490 at June 30, 2019.
- The deferred tax liability decreased by $58,987 as a result of the recording a recovery of current period deferred income tax on US subsidiaries losses, which consists of MOS and Cematrix (USA) Inc., during the six months ended June 30, 2019.

Shareholders' Equity decreased by $814,589. This decrease in aggregate is summarized below:

- Contributed surplus increased by $70,234 as a result of non-cash stock based compensation of $178,077 recorded in the period partially offset by the reclassification of $107,843 to deficit relating to the expiry of options.
- Accumulated other comprehensive income decreased by $328,477 due to the unrealized foreign exchange loss on the translation of MOS and Cematrix USA for the six months ended June 30, 2019.
- The Deficit increased by $556,346 due to the loss to common shareholders in the first six months of $664,189 and offset partially by the reclassification of $107,843 from contributed surplus for options expired in March 2019.

See the Consolidated Statements of Shareholders' Equity included in the Consolidated Financial Statements.

F. Consolidated Statements of Cash Flows

Comparison of the Three Months ended June 30, 2019 and June 30, 2018

The cash position of the Company at June 30, 2019 was $791,804 (consisting of cash in the bank of $906,654 net of the bank overdraft of $114,850) compared to a cash position of $50,506 (consisting of cash in the bank of $330,383 net of the bank overdraft of $279,877) at June 30, 2018. The change in cash in the second quarter of 2019 was an increase of $741,804 as compared to a decrease of $57,938 in the same period of 2018. This change is outlined in the table on the next page:

	Three Months Ended June 30		
	2019	2018	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	**$ 653,286**	$ (654,483)	$ 1,307,769
Net change in non-cash working capital items	**168,945**	424,922	(255,977)
	822,231	(229,561)	1,051,792
Cash used in investing activities	**(147,758)**	(2,830,794)	2,683,036
Cash generated from financing activities	**(114,562)**	3,300,608	(3,415,170)
Foreign exchange effect on cash	**5,829**	1,560	4,269
Increase (decrease) in cash	**565,740**	241,813	323,927
Cash (cash deficiency), at beginning of period	**226,064**	(191,307)	417,371
Cash (cash deficiency), at end of period	**$ 791,804**	$ 50,506	$ 741,298

- Cash generated from operating activities increased by $1,051,792.
  - Cash flow before non cash working capital adjustments increased by $1,307,769. The increase was due to the increase in the income before taxes of $1,139,779, an increase in non-cash items for depreciation and amortization expense, accretion offset partially by fair value adjustments on derivatives.
  - Net change in non-cash working capital items was a negative $255,977.
- Cash used in investing activities decreased by $2,683,036.
  - Property and equipment additions were up $128,499 as the Company purchased a new truck and upgrades were made to an existing dry mix unit.
  - Intangible asset spending relating to product testing decreased by $3,550. Expenditures of $12,487 (including $2,488 of capitalized internal labour) were incurred in the second quarter of 2019 compared to $16,037 (including $5,945 of capitalized internal labour) in the second quarter of 2018.
  - Absence of MOS acquisition on May 31, 2018 for net cash of $2,807,985.
- Cash generated from financing activities decreased by $3,415,170.
  - In 2019 the Company used $114,562 on financing activities. This includes $205,334 on principal repayments on the operating loan and $50,297 on regularly scheduled lease repayments. This was offset by an additional draw of $141,069 on an equipment loan provided by the BDC to financing upgrades on two pieces of equipment.
  - In 2018 the Company generated $3,300,608 from financing activities. The following sources of financing were received by the Company: Long term debt generated $2,332,620 of cash pursuant to a $1,800,000 USD loan from the BDC; the private placement generated net proceeds of $684,644 from the issuance of common shares and share purchase warrants and the demand operating loan provided $300,524. This was offset by repayments of $17,180 on lease obligations.

Comparison of the Six Months ended June 30, 2019 and June 30, 2018

The cash position of the Company at June 30, 2019 was $791,804 (consisting of cash in the bank of $906,654 net of the bank overdraft of $114,850) compared to a cash position of $50,506 (consisting of cash in the bank of $330,383 net of the bank overdraft of $279,877) at June 30, 2018. The change in cash in the second quarter of 2019 was an increase of $741,804 as compared to a decrease of $57,938 in the same period of 2018. This change is outlined in the table on the next page:

	Six Months Ended June 30		
	2019	2018	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	**$ 189,396**	$ (951,229)	$ 1,140,625
Net change in non-cash working capital items	**770,593**	(288,638)	1,059,231
	959,989	(1,239,867)	2,199,856
Cash used in investing activities	**(361,342)**	(2,886,653)	2,525,311
Cash generated from financing activities	**83,773**	4,185,183	(4,101,410)
Foreign exchange effect on cash	**(10,254)**	3,963	(14,217)
Increase (decrease) in cash	**672,166**	62,626	609,540
Cash (cash deficiency), at beginning of period	**119,638**	(12,120)	131,758
Cash (cash deficiency), at end of period	**$ 791,804**	$ 50,506	$ 741,298

- Cash generated from operating activities increased by $2,199,856.
  - Cash flow before non cash working capital adjustments increased by $1,140,625. The increase was due to the increase in the income before taxes of $619,856, an increase in non-cash items for depreciation and amortization expense, accretion offset partially by fair value adjustments on derivatives.
  - Net change in non-cash working capital items was a positive $1,059,231.
- Cash used in investing activities decreased by $2,525,311.
  - Property and equipment additions were up $367,966 as the Company purchased a new truck and upgrades were made to an existing wet mix unit;
  - Proceeds on the sale of equipment were $41,000 as three vehicles were sold in the first six months of 2019;
  - Intangible asset spending relating to product testing decreased by $44,292. Expenditures of $23,533 (including $3,462 of capitalized internal labour) were incurred in the first six months of 2019 compared to $67,825 (including $22,326 of capitalized internal labour) in the first six months of 2018;
  - Absence of MOS acquisition on May 31, 2018 for net cash of $2,807,985
- Cash generated from financing activities decreased by $4,101,410.
  - In 2019 the Company received $83,773 from financing activities. The Company received a further $319,445 on an equipment loan provided by the BDC to finance upgrades on two pieces of equipment. This was offset by repayments of $133,992 on its operating loan and scheduled repayments of $101,680 on lease obligations; and
  - In 2018 the Company generated $4,185,183 from financing activities. The following sources of financing were received by the Company: Long term debt generated $2,332,620 of cash pursuant to a $1,800,000 USD loan from the BDC; the demand operating loan provided $1,182,909; the private placement generated net proceeds of $684,644 from the issuance of common shares and share purchase warrants and

government grants provided $16,775. This was offset by repayments of $31,765 on lease obligations.

G. Liquidity and Capital Resources

Liquidity

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

The Company, through its wholly owned subsidiary CEMATRIX Canada, has a $1,500,000 bank operating loan with the Canadian Western Bank ("CWB" or "Bank"). Under the bank operating loan, the Bank will advance up to $1,500,000 based on 75% of trade receivables less than ninety days outstanding at the end of each month and 50% of inventories (up to a maximum $250,000). Based on these restrictions, $1,300,000 of the bank operating loan was available at June 30, 2019 with $1,071,451 being drawn.

The bank operating loan bears interest at 5.95% and is set at the greater of 4.7% or 2.0% above the CWB prime lending rate.

The bank 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 leases. EBITDA will be calculated excluding the extraordinary items (acquisition cost, gain/loss on disposition of assets) and significant non-cash items (stock-based compensation, revaluation of the earn out liability, mark to market adjustments, unrealized foreign exchange gains and losses);

- 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 leases divided by the net tangible worth. The definition of debt excludes the convertible debenture and earn-out liability. Tangible net worth is defined as equity and includes the value of the convertible debenture.

- Debt to tangible net worth ratio not greater than 3.00, tested no less than monthly. This is similar to the covenant described above with the exception that value of Goodwill is deducted or excluded from the definition of tangible net work.

- 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. Earn-out liabilities due to its contingent nature and vendor payable to MOS, as subordinated, will not be considered as Liabilities.

On June 4, 2019, the Bank renewed the operating loan and provided a general tolerance for its covenants until December 31, 2019.

The Company, through its wholly owned subsidiary MOS, has a $750,000 USD operating loan which is fully drawn. The interest, which is payable quarterly and is based upon a rate of 2.0% above the JPMorgan Chase Bank's prime lending rate. On May 21, 2019, the loan was extended to September 30, 2019 with an annual interest rate of 14%, payable monthly. At June 30, 2019 the Canadian equivalent of this loan was $981,975.

At June 30, 2019, the Company had Net Working Capital of $2,875,251 compared to $3,771,900 at December 31, 2018, reflecting a decrease in activity in the first half of 2019 in comparison to the second half of 2018.

For the six months ended June 30, 2019, the Company reported a loss before other items of $140,813 and positive cash flow from operations before net change in non-cash working capital items of $189,396 and a positive EBITDA of $775,973.

Management continues to closely monitor discretionary costs.

The realization of Net Working Capital, the availability of the CWB bank operating loan and the successful completion of sales contracts that are in place provide the necessary liquidity to carry the Company's operations through 2019. Ongoing liquidity beyond this, is dependent on the Company achieving additional sales and profitable results.

Capital resources

Building additional productive capacity in future years is dependent on the Company generating the required funds from operations or new debt or equity financing, however, there is no need for the Company to add additional capacity at this time. In the future, if the Company needs to add production capacity, 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 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 26 - Capital management to the Interim Consolidated Financial Statements, was $14,437,619 at June 30, 2019 as compared to $14,756,528 at December 31, 2018 (see Section H. Consolidated Statements of Financial Position for details).

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements at June 30, 2019 or December 31, 2018.

I. Transactions with Related Parties

A director of the Company was a partner at the Companies Law firm. During the three and six months ended June 30, 2019, the Company incurred legal fees of $26,053 and $39,207 ($156,920 was incurred for the same period ended June 30, 2018) and $25,489 is outstanding in trade and other payables as at June 30, 2019 (December 31, 2018 - $4,347). In February 2019, the director is no longer a partner at the Companies Law firm.

Ed Weiner is currently a director of the Company and holds half of the US operating loan ($981,975 at June 30, 2019), half of the earn-out liability ($2,191,983 at June 30, 2019) and half of the convertible note ($3,282,712 at June 30, 2019). The Vendor is also a consultant and is entitled to an annual consulting fee of $20,000 USD over the term of the agreement which is 3 years from May 31, 2018.

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, 2018. 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 condensed consolidated financial statements for the year ended December 31, 2018. There have been no changes since that date other than what is outlined below.

Effective January 1, 2019, the Company adopted IFRS 16 Leases (IFRS 16) using the modified retrospective approach. The new standard requires a lessee to recognize a liability to make lease payments (the lease liabilities) and an asset to recognize the right to use the underlying asset during the lease term (the lease assets) in the statement of financial position.

Comparative information has not been restated and continues to be reported under IAS 17 Leases (IAS 17) The Company used the practical expedient not to reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied IFRS 16 only to contracts previously identified as leases under IAS 17.

The Company also used the following practical expedients to account for leases at January 1, 2019:

- Applied recognition exemptions for operating leases when the underlying asset was of low value or the lease term ends within 12 months. The payments associated with these leases are recognized as an expense.

- Applied a single discount rate to a portfolio of leases with similar characteristics.

- Relied on the Company's assessment of whether leases are onerous immediately before January 1, 2019, and adjusted the lease asset by this amount.

- Excluded initial direct costs when measuring the lease asset.

- Used hindsight to determine the lease term when the contract contained options to extend or terminate the lease.

These policies apply to contracts entered into or changed on or after January 1, 2019.

A contract is a lease or contains a lease if it conveys the right to control the use of an asset for a time period in exchange for consideration. To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company has elected not to recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. These lease payments are recognized in expenses over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component. Lease payments generally include fixed payments less any lease incentives receivable.

The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

The lease asset is recognized at the present value of the liability at the commencement date of the lease less any incentives received from the lessor. Added to the lease asset are initial direct costs, payments made before the commencement date, and estimated restoration costs. The lease asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the lease asset or the end of the lease term. The lease asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The recognized right-of-use assets relate to the buildings. Right-of-use assets were measured at the amount equal to the lease liability, except for onerous contracts.

The change in accounting policy resulted in an increase in property and equipment and lease obligations of $643,632 as follows:

Operating lease commitments disclosed at December 31, 2018	**$**	**1,085,422**
Less: short-term lease exemption		**(285,868)**
Undiscounted lease payments		**799,554**
Discount effect at January 1, 2019		**(155,922)**
	$	**643,632**

Consolidated net income did not change materially as a result of the adoption of IFRS 16.

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 (O) – Significant Accounting Policies – New Accounting Policies – IFRS 9 Financial Instruments in the audited consolidated financial statements at December 31, 2018 and Note 26 – 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 Financings, which had a balance of $3,343,875 outstanding at June 30, 2019 and the bank operating loan, which had a balance at June 30, 2019 of $1,071,451 are subject to floating market rates. Based on the floating rate debt outstanding as at June 30, 2019, a 1% increase/decrease in interest rates would result in a decrease/increase in net loss attributable to common shareholders of approximately $32,300.

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.

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. The credit risk on share acquisition loans is minimal as the Company can cancel the common shares issued to these individuals in the event of non payment. At June 30, 2019, 12 customers accounted for approximately 66.25% of trade receivables (at December 31, 2018, 6 customers accounted for approximately 51% of trade receivables). For the six months ended June 30, 2019, 7 customers each accounted for over 58.66% of revenue. At June 30, 2019, the Company had $906,654 of cash and cash equivalents (2018 - $653,353), an $80,000 term deposit (2018 - $80,000) and $45,243 (2018 - $43,874) of fair valued share acquisition loans that are outstanding with two officers, and a former officer of the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of working capital financing.

The table below summarizes the maturity profile of the Corporation's financial liabilities at June 30, 2019 and December 31, 2018 based on contractual undiscounted payments.

	Less than 1 year	**1 to 2 years**	**2 to 6 years**	**Total**
As at June 30, 2019				
Bank overdraft	**$ 114,850**	**$ -**	**$ -**	**$ 114,850**
Bank operating loan	**1,071,451**	**-**	**-**	**1,071,451**
US operating loan	**981,975**	**-**	**-**	**981,975**
Trade and other payables	**2,918,157**	**-**	**-**	**2,918,157**
Long-term debt	**685,055**	**1,618,100**	**2,040,720**	**4,343,875**
Lease obligations	**254,206**	**232,738**	**339,676**	**826,620**
Earn-out liability	**971,419**	**642,925**	**577,639**	**2,191,983**
Convertible note	**-**	**3,282,712**	**-**	**3,282,712**
	$ 6,997,113	**$ 5,776,475**	**$ 2,958,035**	**$ 15,731,623**

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at December 31, 2018				
Bank overdraft	$ 533,715	$ -	$ -	$ 533,715
Bank operating loan	1,205,443	-	-	1,205,443
US operating loan	1,023,150	-	-	1,023,150
Trade and other payables	1,993,040	-	-	1,993,040
Long-term debt	697,407	2,004,233	1,413,375	4,115,015
Lease obligations	167,672	118,771	2,510	288,953
Earn-out liability	1,051,772	594,304	533,954	2,180,030
Convertible note	-	-	3,378,392	3,378,392
	$ 6,672,199	$ 2,717,308	$ 5,328,231	$ 14,717,738

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 balances denominated in US dollars ("USD") and the operations of its US 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, 2019 and December 31, 2018 the following balances were denominated in USD:

	June 30, 2019	December 31, 2018
Cash and cash equivalents	**$ 683,110**	$ 477,244
Trade and other receivables	**$ 2,063,054**	$ 1,355,817
Prepaid expenses and deposits	**$ 78,703**	$ 62,916
Trade and other payables	**$ 695,041**	$ 1,148,915
US operating loan	**$ 750,000**	$ 750,000
Long term debt	**$ 1,650,000**	$ 1,650,000
Lease obligations	**$ 490,805**	$ 49,242
Earn-out liability	**$ 1,674,164**	$ 1,598,028
Convertible note	**$ 2,507,227**	$ 2,221,772

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at June 30, 2019 a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total comprehensive loss of approximately $47,300.

M. Disclosure of Outstanding Share Data

As at June 30, 2019 and August 7, 2019, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company

	Authorized	**Outstanding as at June 30, 2019**	**Outstanding as at August 7, 2019**
Voting or equity securities issued and outstanding	Unlimited Common Shares	44,480,769 Common Shares	44,480,769 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 4,220,000 Common Shares at an exercise price at between $0.18 - $0.43	Stock options to acquire 4,220,000 Common Shares at an exercise price at between $0.18 - $0.43
Securities convertible or exercisable into voting or equity securities – share purchase warrants	Unlimited Share Purchase Warrants	Share purchase warrants to acquire 3,263,177 common shares at a price of $0.35	Share purchase warrants to acquire 3,263,177 common shares at a price of $0.35

N. Outlook

The outlook for 2019 continues to be positive and we reiterate our revenue forecast of $25 million and EBITDA of $4 million. The year is unfolding a little slower than we anticipated, but we have confidence in our ability to meet our targets and a return to being cash flow positive and earnings positive by year end based on the following:

- Strength of the second quarter with $6.4 million in revenues and $1.0 million in EBITDA
    - Excluding the MOS acquisition, best second quarter in terms of revenue in the history of Cematrix; and
    - Including the MOS acquisition, second quarter revenues increased by 122% or $3.5 million compared to second quarter 2018 and 92% or $3.3 million compared to first quarter 2019. Year to date revenues increased by 120% or $5.2 million compared to 2018.
- Validation of the new quarterly norm as the second quarter of 2019 is consistent with:
    - Q4 2018 ($6.1 million in revenues and $1.2 million in EBITDA); and
    - Q3 2018 ($7.0 million in revenues and $0.7 million in EBITDA).
- Contracts and verbally award projects continues to grow with $32.8 million to date, of which $6.8 million is scheduled for 2020.

The financial position and liquidity of the company continues to improve based upon the follow:

- The cash position of the Company at June 30, 2019 was $791,804 (consisting of cash in the bank of $906,654 net of the bank overdraft of $114,850)
- Funds flow from operations in the second quarter of 2019 was $0.7 million an improvement of $1.4 million compared to the negative $0.7 million in the prior year period;
- The $1.5 million CAD bank operating loan was renewed on June 4, 2019 which not only provided a general tolerance on our covenants until December 31, 2019 but amended certain covenants to be more palatable for the Company;
- EBITDA in the trailing twelve month period was $2.7 million;
- The $750,000 USD operating loan, with an original maturity date of May 31, 2019 was extended to September 30, 2019. The Company is looking at a US denominated operating loan to support the working capital needs of MOS which would result in the repayment of the US operating loan ; and
- The $2.3 million CAD private placement announced on July 4th, 2019, will provide funds that the Company will need to close the proposed acquisition of PIGCO shares and an excess to improve the financial position of the Company.

The acquisition of Pacific International Grout Company continues to move forward, with the aforementioned private placement and represents the next step change in the future of Cematrix.

Form 51-102F1 - Management's Discussion & Analysis
For the Three and Six Months Ended June 30, 2019

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three and six months ending June 30, 2019 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 2019; sales forecasts include work which is under contract for 2019, 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 2019 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.

Form 51-102F1 - Management's Discussion & Analysis
For the Three and Six Months Ending June 30, 2019

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), a 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.

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; and 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 / (Loss):
Income / (loss) before non-cash stock based compensation, finance costs and other miscellaneous items and taxes.

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

EBITDA
Earnings before interest, taxes, depreciation, amortization, non cash stock based compensation, non cash unrealized foreign exchange gains / (loss), non cash revaluation of derivatives, non cash revaluation of earn-out liabilities and business acquisition costs.

Funds Flow from Operations
Cash generated from (used in) operating activities before net change in non-cash working capital items.