CEMATRIX CORPORATION

Management's Discussion and Analysis

Three Months Ended March 31, 2016

Date Completed: May 4, 2016

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ended March 31, 2016

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, 2016. 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, 2016 (the "Interim Consolidated Financial Statements") and the related notes thereto and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2015 and related notes thereto. The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. All dollar figures included therein and in this MD&A are in Canadian dollars.

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

On May 4, 2016 the Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Consolidated Financial Statements and MD&A for the three months ended March 31, 2016. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on May 4, 2016.

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, 2015, the significant market drivers and risk factors that affect its business and could cause actual results to differ materially from the forward-looking information disclosed herein. These factors remain substantially unchanged as of the date hereof. The Company cautions the reader that these factors are not exhaustive. The risk factors that could lead to differences in business results and which could cause actual results to differ materially from the forward-looking information disclosed herein include, without limitation, legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where the Company operates, results of financing efforts, changes in counterparty risk and the impact of 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, 2016, the Company's financial condition as at March 31, 2016 and its future prospects.

B. First Quarter Highlights

- Achieved record first quarter sales of $3,170,689, up by 12.5% and operating income of $132,613, up by 24.7%, from the same period in 2015. EBITDA (earnings before interest, taxes, depreciation and amortization, including non-cash stock based compensation) was $258,288.

- Total contracted work to date in 2016 is $11.3 million.

- A new operating loan of $2,000,000 was put in place with the Canadian Western Bank ("CWB"). The demand operating loan bears interest at the greater of 4.7% or 2% above the CWB prime lending rate. Cash generated from operations and a portion of the demand operating loan were used to repay a mezzanine loan of $750,000 that had an interest rate of 16.5%.

C. Results of Operations for Quarter Ending March 31, 2016

	Three Months Ended March 31		
	2016	2015	Change
Revenue	$ **3,170,689**	$ 2,819,022	$ 351,667
Gross margin	$ **730,146**	$ 638,712	$ 91,434
Operating expenses	**(597,533)**	(532,395)	(65,138)
Operating income	**132,613**	106,317	26,296
Non-cash stock based compensation	**(24,079)**	(57,382)	33,303
Finance costs	**(72,396)**	(56,844)	(15,552)
Oher income	**9,136**	15,365	(6,229)
Income before income taxes	**45,274**	7,456	37,818
Provision of deferred taxes	**(48,223)**	(2,745)	(45,478)
Net income (loss) attributable to the common shareholders	**(2,949)**	4,711	(7,660)
Unrealized foreign exchange loss on translation of foreign subsidiary	**(19,538)**	(7,132)	(12,406)
Total comprehensive loss for period	$ **(22,487)**	$ (2,421)	**$** (20,066)
Income (loss) per common share	$ **-**	$ -	$ -

Revenue			
Infrastructure			
Western Canada	**$** **602,552**	$ 651,124	$ (48,572)
Eastern Canada	**354,290**	583,367	(229,077)
United States	**-**	795,275	(795,275)
	956,842	2,029,766	(1,072,924)
Oil and Gas	**2,213,847**	789,256	1,424,591
	$ **3,170,689**	$ 2,819,022	$ 351,667

The revenue was higher by 12.5% or $351,667. Oil & gas sector sales were up $1,424,591, or 180.5%, as a result of work on two large projects in Alberta which generated sales of $2,148,667 in 2016. Work on one of these projects is scheduled to continue for another 3 to 6 months and work on existing contacts at the other project was completed in March 2016. Infrastructure sales were down $1,072,924, or 52.9%, with most of the decrease occurring in the United States (“U.S’). The Company had a large tunnel project during the same period of 2015 and no comparable sale during the same period in 2016. On another note, in March the Company commenced its first infrastructure project in the province of Quebec.

The gross margin on sales was higher by $91,434, or 14.3%. The gross margin percentage achieved of 23.0% compared to 22.7% in 2015. The increase in the gross margin dollars was mainly due to the increase in revenue. The gross margin percentage in both periods were negatively affected by winter construction costs, equipment repair work that is carried out during this period and the fact that sales volume is not yet at a level to fully absorb the fixed costs of operations.

Operating expenses were higher by $65,138 or 12.2% due to the aggregate of the following:

- Salaries and benefits were up $35,500 due to non-senior management salary increases and the addition of new staff;
- Business development and investor relations costs were up by $17,800 as the Company has been active in 2016 in developing new markets for its services and in developing growing investor interest;
- Insurance costs were up $3,400 due to higher premiums on the policy renewal because of increased sales levels; and
- Other costs were up by $8,438.

Non-cash stock based compensation was down by $33,303, or 58.0%, 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 $15,552, or 27.4%. The increase is due to higher financing costs related to the financing arrangement put in place in 2015 with the mezzanine loan and the receivable factoring agreement, both of which were put in place in order to fund the increased working capital requirements resulting from increased sales in 2015. In April the balance of the mezzanine loan, which bore interest at 16.5%, was fully repaid with proceeds from a new bank operating loan with the CWB which will bear interest at the greater of 4.7% or 2% above the CWB prime rate.

Other income, which represents foreign exchange gains, was lower by $6,229; in the same period of 2015 the Company benefitted from unrealized foreign exchange gains on the translation of a high level of $U.S receivables from U.S. sales; there were no similar $U.S. receivables or sales in 2016.

Deferred income taxes were higher by $45,478 due to the strong results of the Canadian operations in comparison to the same period in 2015.

Unrealized foreign exchange loss on translation of foreign subsidiary was higher by $12,406, or 173.9%, as a result of the continued strengthening of the U.S. dollar to the Canadian dollar and changes in the levels of the assets, liabilities, revenues and expenses of the U.S. subsidiary between the two periods.

The total comprehensive loss was higher by $20,066. This was due to higher operating and finance costs and the increase in the unrealized foreign exchange loss on translation adjustment of foreign subsidiary; partially offset by higher gross margin on sales and lower non-cash stock based compensation.

D. Selected Quarterly Financial Information

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

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

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

E. Consolidated Statement of Financial Position

		March 31 2016		December 31 2015		Change
Total current assets	**$**	**5,075,622**	$	6,784,310	$	(1,708,688)
Total non current assets		**4,373,303**		4,476,313		(103,010)
Total Assets	**$**	**9,448,925**	$	11,260,623	$	(1,811,698)
Current liabilities	**$**	**2,052,013**	$	3,900,605	$	(1,848,592)
Non current liabilities		**1,867,759**		1,877,457		(9,698)
Total liabilities	**$**	**3,919,772**	$	5,778,062	$	(1,858,290)
Shareholders' equity	**$**	**5,529,153**	$	5,482,561	$	46,592

Total current assets decreased by $1,708,688. This decrease in aggregate is summarized below:

- Cash in the bank was down $672,334 (See the discussion in Section F - Consolidated Statement of Cash Flows);

- Trade and other receivables were down by $903,245 as a result of the lower sales in the first quarter of 2016 in comparison to the fourth quarter of 2015 combined with timing differences in the collection of trade receivables;

- Inventory was down $163,696 due to the normal usage in the production process and the sale of foaming agent to a contractor for an international mining project;

- Prepaids and deposits were up $29,695; mainly due to timing differences on certain items in 2016 as compared to the 2015 year end balances; and

- Current portion of share acquisition loans was up $892 due to the accretion of the fair value adjustment.

Total non current assets decreased by $103,010. This decrease in aggregate is summarized below:

- The long term portion of the share acquisition loans was up $2,270 due to the accretion of the fair value adjustment;

- Property and equipment was down $57,057 - depreciation and amortization expense for the three months ended March 31, 2016 was $116,539 and this was partially offset by additions to property and equipment of $59,482;

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

- The deferred tax asset decreased by $48,223 as a result of recording a provision for deferred tax on Canadian income earned during the three months ended March 31, 2016.

Total current liabilities decreased by $1,848,592. This decrease in aggregate is summarized below:

- Trade and other payables were down $886,030 principally due to the application of collections of trade receivables to pay down trade payables and reduced business activity in the three month ended March 31, 2016 as compared to the three months ended December 31, 2015;

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

- Mezzanine loan was down $250,000 as the Company used cash collected during the first three months of 2016 to make a payment against the loan.

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

- Current portion of finance lease obligations was down $9,100 due to scheduled repayment of $18,798 as offset by the reclassification from the long term portion of $9,698.

Total non current liabilities decreased by $9,698. This decrease in aggregate is summarized below:

- Long term debt remained the same as at December 31, 2014 as the repayments for the BDC Financing run from July to December; and

- Finance lease obligations were down $9,698 due to reclassification to current portion in the three months ended March 31, 2016 (see comment above).

Shareholders' Equity increased by $46,592. This increase in aggregate is summarized below:

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

- Contributed surplus decreased by $7,717 due the reclassification of $16,000 to share capital and $15,796 to deficit, in regard to non-cash stock based compensation previously recorded in contributed surplus, for options exercised and options that expired or were forfeited without being exercised; partially offset by the non-cash stock based compensation of $24,079 recorded in the three months ended March 31, 2016;

- Accumulated other comprehensive loss increased by $19,538 due to the unrealized foreign exchange loss on translation of the Company's U.S. subsidiary in the three months ended march 31, 2016; and

- The Deficit decreased by $12,847 due to the loss to common shareholders in the period of $2,949 as offset by the reclassification of $15,796 from contributed surplus (see above under contributed surplus).

See the Consolidated Statements of Shareholders' Equity included in the Interim Consolidated Financial Statements at March 31, 2016.

F. Consolidated Statement of Cash Flows

The cash position of the Company at March 31, 2016 was $778,451 (consisting of cash in the bank) compared to a cash position of $1,450,785 (consisting of cash in the bank) at December 31, 2015.

The change in the cash position from the December 31, 2015 and 2014 to the three months ending March 31, 2016 and 2015 was a decrease of $672,334 in 2016 as compared to an increase of $146,864 in the same period of 2015. This change is outlined in the table below:

	Three Months Ended March 31		
	2016	2015	Change
Cash generated from operating activities			
Before non-cash working capital adjustment	**$ 163,192**	$ 143,753	$ 19,439
Net change in non-cash working capital items	**151,216**	489,504	(338,288)
	314,408	$ 633,257	$ (318,849)
Cash used in investing activities	**(59,482)**	(38,017)	(21,465)
Cash used in financing activities	**(927,260)**	(448,376)	(478,884)
Increase (decrease) in cash	**(672,334)**	146,864	(819,198)
Cash (cash deficiency), at beginning of period	**1,450,785**	(144,135)	1,594,920
Cash, at end of period	**$ 778,451**	$ 2,729	$ 775,722
Cash, at end of period			
Cash and cash equivalents	**$ 778,451**	$ 20,684	$ 757,767
Bank overdraft	**-**	(17,955)	17,955
	$ 778,451	$ 2,729	$ 775,722

- Cash generated from operating activities decreased by $318,849.

  - The cash flow, before non cash working capital adjustments, increased by $19,439. The increase was due to the increase in net income before taxes of $37,818 combined with a lower addback of non-cash items of $18,379, due primarily to higher unrealized foreign exchange adjustment of foreign subsidiary and lower non-cash stock based compensation as partially offset by higher depreciation; and

  - The net change in non-cash working capital items decreased by $338,288 due primarily to the level of trade receivables generated in the respective periods and the timing of their collection.

- Cash used in investing activities increased by $21,465.

  - Plant and equipment purchases were up $21,465.

- Cash used in financing activities increased by $478,884.

  - In 2016 the Company used $927,260 in financing activities; cash collected on trade receivables that had been factored at December 31, 2015 was used to repay the factoring liability of $703,462; cash was used to make a payments of $250,000 on the mezzanine loan and scheduled repayments of $18,798 on finance lease obligations; and cash was received from the issue of common shares for $45,000 on the exercise of stock options by The Howard Group, the Company's investor relations firm.

  - In 2015 the Company used $448,376 in financing activities; cash generated from operations was used to reduce a bank loan by $435,000 and to make scheduled repayments of $13,376 on finance lease obligations.

G. Liquidity, Capital Resources and Commitments

Liquidity

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

At March 31, 2016, the Company had a current asset/current liability position of $3,023,609.

The Company reported income of $69,353, before the non-cash deferred tax provision and non-cash stock based compensation, cash from operations of $163,192, before the non-cash working capital adjustment and EBITDA (earnings before income taxes, interest, depreciation and amortization, including non-cash stock based compensation) of $258,288.

In order to improve the liquidity and to reduce finance costs, the Company, through its wholly owned subsidiary, CEMATRIX (Canada) Inc., in April completed the transfer of its day to day banking to the CWB pursuant to an agreement for a $2,000,000 demand operating loan. The demand operating loan bears interest at an amount equal to the greater of 4.70% or 2% above the Bank's prime lending rate, as may occur from time to time, and is secured by a general security agreement providing a first secured interest in the receivables and inventory of CEMATRIX (Canada) Inc. and is further guaranteed by the Company with the Company granting a general security agreement providing a first secured interest in all present and after acquired property of the Company.

The new demand operating loan from the CWB was used to repay the balance of the outstanding mezzanine loan of $500,000 which had an interest rate of 16.5% and will be used to finance day-to-day operations of CEMATRIX (Canada) Inc.

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

As of this date the Company has signed contracts on hand for $11.3 million, of which over 60%, is for infrastructure sales scheduled for 2016.

The realization of the net working capital as at March 31, 2016, the availability of the new operating loan facility and the successful completion of sales contracts that are in place provide the necessary liquidity to carry the Company's operations through the first part of 2016. Ongoing liquidity through the balance of 2016 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.

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 $7,730,721 at March 31, 2016 as compared to $7,702,927 at December 31, 2015 (see Section E. Consolidated Statements of Financial Position for details).

Commitments

The following is a summary of the Company's lease and debt obligations and commitments for the next five years from March 31, 2016.

Debt Category	2016/17	2017/18	2018/19	2019/20	2020/21
	$	$	$	$	$
Finance lease obligations (1)	58,861	65,006	31,254	46,093	5,791
BDC Financing (2) (3)	286,662	200,862	200,862	200,862	133,908
Secured Debenture (2)	-	1,000,000	-	-	-
Operating leases	280,551	277,168	277,168	207,876	-

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

H. Off Balance Sheet Arrangements

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

I. Transactions with Related Parties

During the three months ending March 31, 2016, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $3,550 ($nil for the three months ending March 31, 2015) of which $3,550 was in trade and other payables as at March 31, 2016 (December 31, 2015 - $nil). There were no other significant related party transactions.

J. Critical Accounting Judgements, Estimates and Assumptions

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

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

K. Changes in Accounting Policies including Initial Adoption

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

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

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

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

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

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

L. Financial Instruments

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

Risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the

Company's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

Interest Rate Risk

The BDC Financing, which had a balance of $1,023,156 outstanding at March 31, 2016, is subject to floating rates. Based on the floating rate debt outstanding at March 31, 2016 a 1% increase/decrease in interest rates would result in a decrease/increase in the comprehensive income (loss) of approximately $7,570.

Credit Risk

Financial instruments that subject the Company to credit risk consist primarily of trade receivables. The Company manages credit risk using credit approval and monitoring practices. At March 31, 2016, 9 customers accounted for approximately 92% of trade receivables (at December 31, 2015, 5 customers accounted for approximately 90% of trade receivables). (See Note 5 for details of credit policy and aging of outstanding trade receivables at March 31, 2016 and December 31, 2015).

Liquidity Risk

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

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

	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Total**
As at March 31, 2016				
Trade and other payables	**$ 1,218,204**	**$ -**	**$ -**	**$ 1,218,204**
Mezzanine loan	**500,000**	**-**	**-**	**500,000**
Long-term debt	**286,662**	**1,200,862**	**535,632**	**2,023,156**
Finance lease obligations	**47,147**	**55,070**	**76,195**	**178,412**
	$ 2,052,013	**$ 1,255,932**	**$ 611,827**	**$ 3,919,772**

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

Foreign Exchange Risk

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

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

	2016	2015
Cash and cash equivalents	**$ 23,908**	$ 213,748
Trade and other receivables	**$ 55,842**	$ 55,842
Inventory	**$ 1,906**	$ 1,906
Prepaid expenses and deposits	**$ 9,690**	$ 9,805
Trade and other payables	**$ 23,194**	$ 22,937

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on the USD balances outstanding at March 31, 2016, a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total annual comprehensive loss of approximately $4,425.

M. Disclosure of Outstanding Share Data

As at March 31, 2016 and May 4, 2016, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding as at March 31, 2016	Outstanding as at May 4, 2016
Voting or equity securities issued and outstanding	Unlimited Common Shares	34,475,994 Common Shares	34,475,994 Common Shares
Securities convertible or exercisable into voting or equity securities - stock options	Stock options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 3,075,000 Common Shares at an exercise price at between $0.145-$0.40	Stock options to acquire 3,425,000 Common Shares at an exercise price at between $0.145-$0.43

In the three months ended March 31, 2016 the Company issued 300,000 common shares on the exercise of stock options by The Howard Group, the Company's investor relations firm; issued 300,000 new options to the Howard Group with an exercise price of $0.40, pursuant to the extension of their investor relations agreement for 18 months; and 66,667 options expired without being exercised.

On May 4, 2016, 350,000 options were issued to three employees with an exercise price of $0.43. The options vest as to one third on each of the three subsequent anniversary dates of the option issue date and are exercisable four years from the option issue date.

O. Outlook

The first three months of 2016 were another solid quarter during the Company's offseason. This early success has set the stage for another strong year. Based on quotes that have submitted, or are in the process of being submitted, management is forecasting strong growth in Canadian and U.S. infrastructure sales and steady sales in the oil and gas sector. Contracted sales are already at $11.3 million and the new bank operating loan will provide the necessary funding to finance expected sales growth and at a much lower cost than the previous working capital financing arrangement.

<u>CEMATRIX CORPORATION</u>
<u>www.cematrix.com</u>

Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ended March 31, 2016

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three months ending March 31, 2016 are outlined below:

Page 9 – Liquidity, Capital Resources and Commitments - Liquidity

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

Page 13 – Outlook

The first three months of 2016 were another solid quarter during the Company's offseason. This early success has set the stage for another strong year. Based on quotes that have submitted, or are in the process of being submitted, management is forecasting strong growth in Canadian and U.S. infrastructure sales and steady sales in the oil and gas sector. Contracted sales are already at $11.3 million and the new bank operating loan will provide the necessary funding to finance expected sales growth and at a much lower cost than the previous working capital financing arrangement.

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