CEMATRIX CORPORATION
Condensed Consolidated Financial Statements
(in Canadian dollars)
June 30, 2018

Management's Responsibility for Financial Reporting and Notice of No Auditor Review of the Interim Condensed Consolidated Financial Statements for the Three and Six Months Ended June 30, 2018

To the Shareholders:

CEMATRIX CORPORATION

Management has responsibility for preparing the accompanying condensed consolidated financial statements. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgement. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has developed and maintains appropriate accounting and systems of internal control designed to provide reasonable assurance that reliable and relevant financial information is produced. In addition, programs of proper business conduct and risk management have been implemented to protect the Company's assets and operations. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable financial information for the preparation of the condensed consolidated financial statements.

The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the condensed consolidated financial statements. The Board carries out these responsibilities principally through the Audit Committee (the "Committee"), which includes two independent directors.

The Committee has the responsibility of meeting with management to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the interim condensed consolidated financial statements and reports its findings to the Board for approval.

The Company's external auditor MNP LLP, an independent firm of Chartered Accountants, has not performed a review of these interim condensed consolidated financial statements.

August 15, 2018

Signed "James Chong" Chief Financial Officer
James Chong

CEMATRIX CORPORATION
Condensed Consolidated Statements of Financial Position
As at June 30, 2018 (unaudited) and December 31, 2017 (audited)
(in Canadian Dollars)

		2018		2017
ASSETS				
Current Assets				
Cash and cash equivalents	$	**330,383**	$	42,933
Term deposit		**80,000**		80,000
Trade and other receivables *(note 6)*		**4,314,917**		871,364
Inventory *(note 7)*		**470,890**		444,981
Prepaid expenses and deposits		**207,452**		107,374
Current portion of share acquisition loans *(note 8)*		**29,633**		27,611
		5,433,275		1,574,263
Non Current Assets				
Share acquisition loans *(note 8)*		**20,756**		20,756
Property and equipment		**5,708,203**		3,209,391
Goodwill and intangible assets *(note 9)*		**7,171,258**		639,312
Deferred taxes		**304,643**		1,086,340
		13,204,860		4,955,799
Total Assets	$	**18,638,135**	$	6,530,062
LIABILITIES and EQUITY				
Current Liabilities				
Bank overdraft	$	**279,877**	$	55,053
Bank operating loan *(note 10)*		**1,249,308**		66,399
US operating loan *(note 11)*		**987,916**		-
Trade and other payables *(note 12)*		**2,649,511**		569,364
Current portion of long term debt *(note 13)*		**546,217**		349,142
Current portion of finance lease obligations *(note 14)*		**90,915**		62,606
Current portion of earn-out liability *(note 15)*		**620,206**		-
		6,423,950		1,102,564
Non Current Liabilities				
Long term debt *(note 13)*		**4,031,670**		1,864,085
Finance lease obligations *(note 14)*		**197,166**		178,468
Earn-out liability *(note 15)*		**943,097**		-
Convertible note *(note 16)*		**3,465,307**		-
		8,637,240		2,042,553
Total Liabilities		**15,061,190**		3,145,117
SHAREHOLDERS' EQUITY				
Share capital *(note 17)*		**8,680,146**		7,495,530
Contributed surplus		**1,155,263**		903,153
Accumulated other comprehensive loss		**2,372**		(36,947)
Deficit		**(6,260,836)**		(4,976,791)
Total Shareholders' Equity		**3,576,945**		3,384,945
Total Liabilities and Shareholders' Equity	$	**18,638,135**	$	6,530,062

Approved on behalf of the Board

Signed "Jeffrey Kendrick" **Director** *Signed "Steve Bjornson"* **Director**

The accompanying notes are an integral part of these condensed consolidated financial statements.

CEMATRIX CORPORATION

Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ending June 30 (unaudited)
Canadian Dollars

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Revenue *(note 27)*	**$ 2,907,933**	$ 2,208,230	**$ 4,384,401**	$ 4,735,701
Cost of sales *(note 18)*	**(2,269,129)**	(2,061,061)	**(3,573,462)**	(4,053,847)
Gross margin	**638,804**	147,169	**810,939**	681,854
Operating expenses				
General and administrative	**(444,998)**	(254,022)	**(716,037)**	(513,752)
Sales, marketing and engineering	**(316,150)**	(254,452)	**(557,930)**	(518,398)
Total operating expenses	**(761,148)**	(508,474)	**(1,273,967)**	(1,032,150)
Operating loss	**(122,344)**	(361,305)	**(463,028)**	(350,296)
Non-cash stock based compensation *(note 22)*	**(11,163)**	49,502	**(16,529)**	21,093
Business acquisition costs *(note 5)*	**(619,723)**	-	**(619,723)**	-
Finance costs *(note 19)*	**(301,842)**	(53,906)	**(354,898)**	(104,427)
Other income / (expenses) *(note 20)*	**(88,986)**	16,929	**(91,470)**	18,816
Loss before income taxes	**(1,144,058)**	(348,780)	**(1,545,648)**	(414,814)
Provision of deferred taxes	**176,791**	99,118	**261,603**	112,757
Net loss attributable to the common shareholders	**(967,267)**	(249,662)	**(1,284,045)**	(302,057)
Unrealized foreign exchange gain / (loss) on translation of foreign subsidiary	**36,916**	(5,773)	**39,319**	(5,237)
Total comprehensive loss for the period	**$ (930,351)**	$ (255,435)	**$ (1,244,726)**	$ (307,294)
Loss per common share *(note 21)*				
Basic	**$ (0.02)**	$ (0.01)	**$ (0.03)**	$ (0.01)
Fully Diluted	**$ (0.02)**	$ (0.01)	**$ (0.03)**	$ (0.01)
Weighted average number of common shares *(note 21)*				
Basic	**37,812,883**	34,475,994	**36,153,656**	34,365,554
Fully Diluted	**37,812,883**	34,475,994	**36,153,656**	34,365,554

CEMATRIX CORPORATION
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the three and six months ending June 30 (unaudited)
Canadian Dollars

	Share Capital	Contributed Surplus	Accumulated other Comprehensive income (loss)	Deficit	Total Shareholders' Equity
Balance at December 31, 2017	**$ 7,495,530**	**$ 903,153**	**$ (36,947)**	**$ (4,976,791)**	**$ 3,384,945**
Non-cash stock based compensation *(note 22)*	**-**	**5,366**	**-**	**-**	**5,366**
Net loss attributable to common shareholders	**-**	**-**	**-**	**(316,778)**	**(316,778)**
Unrealized foreign exchange gain on translation of foreign subsidiary	**-**	**-**	**2,403**	**-**	**2,403**
Balance at March 31, 2018	**7,495,530**	**908,519**	**(34,544)**	**(5,293,569)**	**3,075,936**
Common shares issuance *(note 17)*	**735,553**	**-**	**-**	**-**	**735,553**
Non-cash stock based compensation *(note 22)*	**-**	**11,163**	**-**	**-**	**11,163**
Private Placement *(note 17)*	**449,063**	**235,581**	**-**	**-**	**684,644**
Net loss attributable to common shareholders	**-**	**-**	**-**	**(967,267)**	**(967,267)**
Unrealized foreign exchange gain on translation of foreign subsidiary	**-**	**-**	**36,916**	**-**	**36,916**
Balance at June 30, 2018	**$ 8,680,146**	**$ 1,155,263**	**$ 2,372**	**$ (6,260,836)**	**$ 3,576,945**
Balance at December 31, 2016	$ 7,495,530	$ 909,890	(41,605)	$ (3,791,590)	$ 4,572,225
Non-cash stock based compensation *(note 22)*	-	28,409	-	-	28,409
Net loss attributable to common shareholders	-	-	-	(52,395)	(52,395)
Unrealized foreign exchange gain on translation of foreign subsidiary	-	-	536	-	536
Balance at March 31, 2017	7,495,530	938,299	(41,069)	(3,843,985)	4,548,775
Non-cash stock based compensation *(note 22)*	-	(49,502)	-	-	(49,502)
Net loss attributable to common shareholders	-	-	-	(249,662)	(249,662)
Unrealized foreign exchange loss on translation of foreign subsidiary	-	-	(5,773)	-	(5,773)
Balance at June 30, 2017	$ 7,495,530	$ 888,797	(46,842)	$ (4,093,647)	$ 4,243,838

The accompanying notes are an integral part of these condensed consolidated financial statements.

CEMATRIX CORPORATION
Condensed Consolidated Statements of Cash Flows
For the three and six months ending June 30 (unaudited)
Canadian Dollars

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Cash generated from (used in):				
Operating activities				
Net loss attributable to common shareholders	**$ (967,267)**	$ (249,662)	**$ (1,284,045)**	$ (302,057)
Add (deduct) non-cash items				
Provision of deferred taxes	**(176,791)**	(99,118)	**(261,603)**	(112,757)
Depreciation	**181,145**	115,806	**281,517**	246,521
Non-cash stock based compensation *(note 22)*	**11,163**	(49,502)	**16,529**	(21,093)
Gain on sale of equipment	**-**	-	**-**	(2,300)
Unrealized foreign exchange loss	**98,534**	-	**98,534**	-
Non-cash accretion of convertible debenture *(note 16)*	**24,256**	-	**24,256**	-
Non-cash fair value adjustment in derivative liability *(note 16)*	**175,605**	-	**175,605**	-
Non-cash interest income on share acquisition loans *(note 8)*	**(234)**	-	**(234)**	-
Non-cash fair value adjustment on share acquisition loans *(note 8)*	**(894)**	(1,290)	**(1,788)**	(2,580)
	(654,483)	(283,766)	**(951,229)**	(194,266)
Net change in non-cash working capital items *(note 23)*	**424,922**	723,365	**(288,638)**	268,311
Cash generated from (used in) operations	**(229,561)**	439,599	**(1,239,867)**	74,045
Investing activities				
Purchase of property and equipment	**(6,772)**	(61,457)	**(10,843)**	(194,900)
Proceeds on sale of property and equipment	**-**	-	**-**	2,300
Purchase of intangibles	**(16,037)**	(46,421)	**(67,825)**	(105,215)
Business acquisition, net of cash acquired *(note 5)*	**(2,807,985)**	-	**(2,807,985)**	-
Cash used in investing activities	**(2,830,794)**	(107,878)	**(2,886,653)**	(297,815)
Financing activities				
Proceeds from bank operating loan	**300,524**	(287,886)	**1,182,909**	-
Proceeds from long term debt	**2,332,620**	53,855	**2,332,620**	280,555
Proceeds from government grants on intangibles	**-**	18,430	**16,775**	34,430
Repayment of finance lease obligations	**(17,180)**	(14,556)	**(31,765)**	(28,667)
Proceeds from private placement	**684,644**	-	**684,644**	-
Cash generated from (used in) financing activities	**3,300,608**	(230,157)	**4,185,183**	286,318
Foreign exchange effect on cash	**1,560**	(5,773)	**3,963**	(5,237)
Increase in cash	**241,813**	95,791	**62,626**	57,311
Cash, beginning of period	**(191,307)**	12,653	**(12,120)**	51,133
Cash, end of period	**50,506**	108,444	**50,506**	108,444
Cash (Cash Deficiency)				
Cash and cash equivalents	**330,383**	108,444	**330,383**	108,444
Bank overdraft	**(279,877)**	-	**(279,877)**	-
	$ 50,506	$ 108,444	**$ 50,506**	$ 108,444
Supplemental Information				
Finance costs paid during the period	**$ 62,865**	$ 53,619	**$ 116,407**	$ 102,812

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Corporate information

CEMATRIX CORPORATION ("CEMATRIX" or the "Company") is a limited company incorporated in the province of Alberta, Canada whose common shares are publicly traded on the TSX venture exchange under the symbol "cvx.v". It is domiciled in Canada with its registered office at 5440 - 53rd Street S.E., Calgary, Alberta, Canada.

Through its wholly-owned subsidiaries, MixOnSite USA, Inc. ("MOS") and CEMATRIX (Canada) Inc. and its subsidiary CEMATRIX (USA) Inc., the Company is a manufacturer and supplier of cellular concrete products with applications in a variety of markets. The current market focus is in the construction market for infrastructure in Western Canada and Ontario and on a selective basis in Quebec, the Northwest Territories and the United States of America (U.S.) and oil and gas construction projects in Western Canada.

The condensed consolidated financial statements of the Company for the three and six months ended June 30, 2018 were authorized for issue in accordance with a resolution of the Board of Directors dated August 15, 2018.

2. Basis of preparation

Statement of compliance
These condensed consolidated financial statements for the three and six months ended June 30, 2018 have been prepared in accordance with IAS 34, Interim Financial Reporting under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2017 and the condensed consolidated financial statements for the three months ended March 31, 2018.

Basis of measurement
These condensed consolidated financial statements are stated in Canadian dollars and were prepared under the historical cost convention except for financial instruments and share-based payment transactions which are measured at fair value.

Use of estimates and judgments
The preparation of condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed consolidated financial statements are disclosed in note 3.

Functional and presentation currency
These condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of MOS and CEMATRIX (USA) Inc. is US dollars ("USD").

3. Significant accounting judgements, estimates and assumptions

The preparation of condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Judgements, estimates and assumptions 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 these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2017. There has been no changes since that date other than as indicated below:

Business acquisitions – In a business combination, the Company may acquire certain assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment to determine the fair values assigned to the tangible and intangible assets (i.e. sales backlog) acquired and the liabilities assumed on the acquisition. Determining fair value involves a variety of assumptions, including expected earnings and discount rates. During a measurement period, not to exceed one year, adjustments of the initial estimates may be required to finalize the fair value of assets acquired and liabilities assumed. After the measurement period, a revision of fair value may impact the Company's earnings.

Earn-out liability – The earn-out is based upon an estimate of future earnings before interest, income taxes, depreciation and amortization ("EBITDA"). There is a significant amount of uncertainty with respect to estimating EBITDA given the necessity of making key economic projections related to the following key assumptions: future cash flows, industry growth opportunities, including general economic risk assumptions, gross margins, and discount rate.

Intangible assets useful lives – Management considers the useful lives of assets to be the period of time over which these assets are expected to be used by the Company. Actual useful lives could differ from estimates.

4. Significant accounting policies

The significant accounting policies of the Company are outlined in Note 4 of the audited consolidated financial statements for the year ended December 31, 2017. There have been no changes since that date other than as indicated below:

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

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

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

4. Significant accounting policies *(continued)*

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

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

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

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

All of trade receivables were generated from contracts with customers.

IFRS 9 Financial Instruments ("IFRS 9")

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

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

4. Significant accounting policies *(continued)*

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

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

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

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

I*FRS 3 Business Combinations ("IFRS 3")*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued or cash paid by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred, unless related to the issuance of debt or equity. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

-Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12, Income Taxes, and IAS 19, Employee Benefits, respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, Share-based Payment, at the acquisition date; and

-Assets that are classified as held-for-sale in accordance with IFRS 5, Non-current Assets Held for Sale and

Discontinued Operations, are measured in accordance with that standard.

4. Significant accounting policies *(continued)*

The Company measures goodwill as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests, and the fair value of the acquirer's previously held interest in the acquiree, if any, over the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the consideration transferred includes liabilities from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are those that arise from additional information obtained during the 'measurement period' about facts and circumstances that existed at the acquisition date.

Subsequent to the acquisition date, contingent consideration that is classified as a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognized in earnings or loss.

Future accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after April 1, 2018 or later periods. The standards impacted that are applicable to the Company are as follows:

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

The Company has not determined the impact on its condensed consolidated financial statements from the adoption of this future accounting pronouncement.

5. Business acquisition

On May 31, 2018 the Company acquired of all of the issued and outstanding shares of MixOnSite USA, Inc. ("MOS"). MOS is incorporated under the laws of California, with a head office in Buffalo Grove, Illinois, U.S. MOS is a contractor in the same business as CEMATRIX specializing in low density concrete and offering complete installation services including technical mix design support and development for a wide variety of construction applications in the U.S. The acquisition provides a platform for long-term growth opportunities and diversification into new markets. The transaction was accounted for as a business combination.

(in Canadian dollars)

5. Business acquisition *(continued)*

The purchase price for all the issued and outstanding shares of MOS was $9,537,319 and was comprised of the following:

Cash	$	3,051,595
Common shares *(note 17)*		735,553
Convertible note *(note 16)*		3,239,750
US operating loan *(note 11)*		968,300
Earn-out *(note 15)*		1,542,121
	$	9,537,319

The net cash payment of $2,807,985 was financed with a $1,800,000 USD loan from the from the Business Development Bank of Canada, a portion of the funds raised from the private placement and from working capital.

The common shares were valued at $0.22, which was the trading price on the date of acquisition.

Purchase price allocation

Final valuations of certain items are not yet complete due to the inherent complexity associated with valuations and the timing of the acquisition. Therefore, the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process. The Company determined the preliminary fair values based on discounted cash flows, market information, independent valuations and management's estimates.

Cash	$	243,610
Accounts receivable		1,961,426
Inventory		105,836
Prepaid expenses		69,541
Property and equipment		2,709,402
Intangible assets		638,879
Goodwill		5,881,947
Trade and other payables		(952,317)
Finance lease obligation		(77,705)
Deferred income tax liability		(1,043,300)
	$	9,537,319

The intangible assets acquired relate to the sales backlog for which contracts existed on May 31, 2018. The sales backlog acquired by the Company is amortized over 16 months on a straight line basis, which is consistent with the time period the Company expects to complete the aforementioned contracts.

(in Canadian dollars)

5. Business acquisition *(continued)*

Goodwill arises principally from the ability to leverage the larger base of operations, the assembled workforce, future growth and the potential to realize synergies in the form of cost savings.

Acquisition-related costs, primarily for advisory services, were approximately $619,723 and have been recognized in the consolidated statement of loss.

Pro-forma disclosures

The following pro-forma supplemental information presents certain results of operations as if the acquisition had been completed at the beginning of the fiscal period presented to the end of the reporting period.

	Pro-forma
Revenues	7,028,640
Net loss	(376,713)

The pro-forma supplemental information is based on estimates and assumptions which are believed to be reasonable. The pro-forma supplemental information is not necessarily indicative of the Company's consolidated financial results in future periods or the results that would have been realized had the business acquisition been completed at the beginning of the period presented. The pro-forma supplemental information excludes business integration costs and opportunities.

From the date of acquisition to June 30, 2018, MOS revenue totaled $517,159 and its net loss totaled $46,150.

6. Trade and other receivables

Trade and other receivables consist of the following components as at June 30, 2018 and December 31, 2017:

		2018		2017
Trade receivables	**$**	**4,139,821**	$	741,951
Holdbacks		**89,980**		72,148
Other receivables		**311,324**		57,265
Allowance for doubtful accounts		**(226,208)**		-
	$	**4,314,917**	$	871,364

Trade receivables and holdbacks are unsecured and non-interest bearing and are generally on 30 day terms subject to standard ten percent construction holdbacks on most of its sales over $100,000. Holdbacks are generally collectible forty-five days after completion of the work performed by the Company, however, holdbacks can be outstanding much longer, if the holdback release is tied to the completion of the entire project by the general contractor. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more.

(in Canadian dollars)

6. Trade and other receivables *(continued)*

The aging of the trade receivables as at June 30, 2018 and December 31, 2017 is detailed below.

	2018	2017
1-30 days	**$ 2,200,991**	$ 118,297
31-60 days	**756,127**	519,011
61-90 days	**446,261**	26,881
Greater than 90 days	**736,442**	77,762
	$ 4,139,821	$ 741,951

In determining the recoverable amount of a trade, holdbacks and other receivables, the Company performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties. Included in general and administrative expenses is $nil of bad debt expense (2017 - $nil). The Company considers trade accounts receivable past due if they are greater than 60 days, except for holdbacks that have been invoiced, and are part of trade receivables, but are not collectible until the completion of the entire project as discussed above.

7. Inventory

Inventory consists of the following components as at June 30, 2018 and December 31, 2017:

	2018	2017
Raw materials (principally foaming agent)	**$ 469,863**	$ 444,588
Spare parts and marketing material	**1,027**	393
	$ 470,890	$ 444,981

Inventory expensed as part of cost of sales was $94,639 and $150,996, respectively, for the three and six months ending June 30, 2018 ($82,151 and $161,457, respectively for the same periods in 2017). There were no inventory write-downs in either 2018 or 2017.

(in Canadian dollars)

8. Share acquisition loans

Share acquisition loans consist of the following components as at June 30, 2018 and December 31, 2017:

	2018	2017
Share acquisition loans, beginning of period	**$ 53,812**	$ 67,875
Repayments	**-**	(14,063)
Interest	**234**	-
Share acquisition loans, end of period	**54,046**	53,812
Non-cash fair value adjustment, beginning of period	**(5,445)**	(10,605)
Accretion of non-cash fair value adjustment	**1,788**	5,160
Non-cash fair value adjustment, end of period	**(3,657)**	(5,445)
	50,389	48,367
Less current portion	**(29,633)**	(27,611)
	$ 20,756	$ 20,756

In 2001 and 2002, share acquisition loans totalling $113,125 were issued to management to purchase shares of the Company. In October 2014, the terms of the share acquisition loans were changed to introduce equal annual repayment terms beginning 2015 such that the loans will be fully repaid by December 31, 2019. Prior to this change the share acquisition loans were included as a reduction in share capital. The loans bear no interest unless the loans are not repaid in accordance with the repayment terms, then the interest is payable annually on the amount then outstanding at Bank of Canada prime rate, then in effect, plus two percent and at the option of the Company the loans become immediately due and payable. For accounting purposes, because the loans bear no interest, the loans were fair valued at December 31, 2014 using the effective interest rate method. An effective interest rate used was 9%. This fair value adjustment is being accreted to income over the life of the loans.

One of the individuals, who is not a Company employee, with a shareholder loan, of which $25,686 was outstanding at June 30, 2018 and December 31, 2017, was out of the country and was unable to make the scheduled repayment of $8,562 on December 31, 2017. Commencing January 1, 2018 interest is being charged on this outstanding payment at the Bank of Canada prime plus two percent until the outstanding repayment is made. The $8,562 amount is included in the current portion of the share acquisition loans.

(in Canadian dollars)

9. Goodwill and intangible assets

Goodwill and intangibles consist of the following components as at June 30, 2018 and December 31, 2017:

	Foaming agent technology	Process licenses	Trademarks	Product testing costs	Sales backlog	Goodwill	Total
Cost							
At December 31, 2017	315,000	141,110	9,006	174,196	-	-	639,312
Acquisitions	-	-	-	-	638,879	5,881,947	6,520,826
Additions	-	-	-	67,825	-	-	67,825
Government grants	-	-	-	(16,775)	-	-	(16,775)
At June 30, 2018	315,000	141,110	9,006	225,246	638,879	5,881,947	7,211,188
Accumulated amortization							
As December 31, 2017	-	-	-	-	-	-	-
Amortization	-	-	-	-	(39,930)	-	(39,930)
At June 30, 2018	-	-	-	-	(39,930)	-	(39,930)
Net book value							
At June 30, 2018	**315,000**	**141,110**	**9,006**	**225,246**	**598,949**	**5,881,947**	**7,171,258**

Intangible assets with indefinite lives includes foaming agent technology, process licenses and trademarks. The foaming agent technology relates to the cost of obtaining a foaming agent formula which is used by the Company to produce one of the unique foaming agents which it uses in the production of cellular concrete. This foaming agent formula, which enables the production of cellular concrete which has certain unique properties, cannot be easily duplicated. The process licenses relates to the cost of obtaining a mechanical process patent which the Company believes will enhance the production of its cellular concrete. To date the Company has not had the necessary funds to develop this process. The process is protected by the patent which is registered in the U.S. The trademarks relate to cost of initially registering certain trademarks in both Canada and the U.S. These trademarks are renewed as required for a nominal cost. As a result of an assessment of these facts Management believes that these items have an indefinite life.

Product testing costs relate to third party testing and verification of certain characteristic of the Company's products. This information is particularly important for the further development of the infrastructure market. The product testing costs are not completed and therefore are not available for use. At the end of each testing program, the specific product testing costs related to the particular program will be amortized over a future years based on their estimated useful life. For the three months and six months ended June 30, 2018, the Company spent $16,037 and $67,825 respectively, on product testing costs, including capitalized labour costs of approximately $5,945 and $22,326, respectively, and received government grants of $nil and $16,775 (year ended December 31, 2017 – $153,896, $42,700 and $51,596, respectively).

9. Goodwill and intangible assets *(continued)*

The sales backlog and goodwill were the result of the acquisition of MOS. The sales backlog represents the value of contracted sales that existed on the closing date. The sales backlog acquired by the Company is being amortized over 16 months on a straight line basis, which is consistent with the time period the Company expects to complete the aforementioned contracts. Goodwill arises principally from the ability to leverage the larger base of operations, the assembled workforce, future growth and the potential to realize synergies in the form of cost savings.

10. Bank operating loan

In April 2016, CEMATRIX's wholly owned subsidiary, CEMATRIX (Canada) Inc. entered into a financing arrangement with the Canadian Western Bank (the "Bank") which provided a $2,000,000 operating loan. In March 2018, the Bank reduced the operating loan to $1,500,000.The bank operating loan (the "Loan") bears interest at an amount equal to the greater of 4.7% or 2.0% 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. The Loan 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.

Under the 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 the actual Loan availability at June 30, 2018 was $1,500,000.

The Loan is used to finance day-to-day operations of CEMATRIX (Canada) Inc.

The Loan contains covenants in regard to consolidated debt to tangible net worth ratio, consolidated current ratio and consolidated amount of tangible net worth (all calculated monthly), and consolidated cash flow coverage ratio (calculated annually). At June 30, 2018, the Company is in compliance with all of these covenants except for the consolidated current ratio. Subsequent to June 30, 2018, the Bank provided a loan covenant waiver.

The Loan was $1,249,308 as at June 30, 2018 ($66,399 as at December 31, 2017).

11. US Operating loan

In conjunction with the acquisition of MOS on May 31, 2018, the former owner of MOS ("Vendor") has agreed to enter into a financing arrangement with MOS to provide a $750,000 USD operating loan. The interest, which is payable quarterly, is at a variable rate of 2.00% above the JPMorgan Chase Bank Bank's prime lending rate, which is currently set at 5.00%. The principal must be repaid in full before May 31, 2019.

The operating loan is secured by MOS's accounts receivable and inventories and is further guaranteed with a general security agreement provided by the Company.

The Loan was $987,916 as at June 30, 2018.

(in Canadian dollars)

12. Trade and other payables

Trade and other payables consist of the following components as at June 30, 2018 and December 31, 2017:

		2018		2017
Trade payables	**$**	**1,382,447**	$	325,794
Accrued interest		**46,358**		8,325
Payroll remittance and goods & services tax		**223,498**		83,784
Business acquisition cost accruals		**448,042**		-
Other accruals		**549,166**		151,461
	$	**2,649,511**	$	569,364

13. Long term debt

Long term debt consists of the following components as at June 30, 2018 and December 31, 2017:

	Maturity	**Interest rate**		**2018**		2017
BDC financing						
Loan 1	October 1, 2020	Floating	$	**535,632**	$	535,632
Loan 2	December 1, 2022	Floating		**416,400**		416,400
Loan 3	September 1,2024	Floating		**180,555**		180,555
Loan 4	September 1, 2021	Floating		**80,640**		80,640
Loan 5	August 1, 2026	Floating		**2,364,660**		-
				3,577,887		1,213,227
Secured debenture	February 1, 2020	Fixed		**1,000,000**		1,000,000
				4,577,887		2,213,227
Less current portion				**(546,217)**		(349,142)
			$	**4,031,670**	$	1,864,085

Business Development Bank of Canada (“BDC”) Financing:

Loan 1 – This loan of $1,406,000 was fully drawn down in 2015. The proceeds from the loan were used to support equipment additions and was drawn down as these expenditures were incurred. The interest, which is payable monthly, is at a variable rate of 1.75% above the BDC floating base rate, currently set at 5.55%. The loan is repayable over seven years. Payments of principal of $33,477 are required monthly from July to December of each of the years to October 2020.

Loan 2 – In June 2016, the Company’s wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for a working capital loan of $500,000. The loan was drawn down in December 2016. The interest, which is payable monthly, is at a variable rate of 3.86% above the BDC floating base rate, currently set at 5.55%. The loan is repayable over six years, with seasonal payments of principal required from July to

13. Long term debt *(continued)*

December of each year starting in July 2017. Payments of principal of $14,200 are required in July 2017 and $13,880 from August to December 2017 and each year thereafter $13,880 monthly from July to December.

Loan 3 – In October 2016, the Company's wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for an equipment loan of $500,000. This loan can be drawn down anytime over the 24 months from the date of the loan. As of June 30, 2018, $180,555 has been drawn down. The interest, which is payable monthly, is at a variable rate of 1.85% above the BDC floating base rate, currently set at 5.55%. At the Company's option the interest rate can be fixed once the loan is fully drawn. Interest, on any loan amounts drawn, is payable monthly. The loan is repayable over six years, with seasonal payments of principal required. Payments of principal of $14,200 are required in October 2018 and $13,880 from November to December 2018, of $13,880 monthly from July to December for each of the years 2019 to 2023 and $13,880 monthly from July to September 2024. .

Loan 4 – In March 2017, the Company's wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for a loan of $100,000 to fund the first year costs related to a program offered by the BDC that assisted the Company in establishing its growth strategy. The loan was fully drawn down in March 2017. The interest, which is payable monthly, is at a variable rate of 1.00% above the BDC floating base rate, currently set at 5.55%. The loan is repayable over four years, with seasonal payments of principal required. Payments of principal of $4,000 are required in August 2017 and $3,840 from September to December 2017, of $3,840 monthly from July to December for each of the years 2018 to 2020 and $3,840 monthly from July to September 2021.

Loan 5 – In May 2018 the Company entered into an agreement with the BDC for a loan of $1,800,000 US to fund a portion of the purchase price of the MOS acquisition. The interest, which is payable monthly, is at a variable rate of 1.60% above the BDC floating base rate, currently set at 6.60%. The loan is repayable over eight years, with seasonal payments of principal required. Payments of principal of $37,500 USD are required from July to December for each of the years 2018 to 2025 and from July to August 2026. On May 31, 2018, the Canadian equivalent of this loan was $2,332,632. On June 30th, 2018, the Canadian equivalent of this was $2,364,660 with the difference, $32,040, being an unrealized foreign exchange loss, which was recognized into income.

Loan 1 may be prepaid, on each anniversary date, up to 15% of the then outstanding principal amount but if not used the prepayment privilege for that anniversary date ceases. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable if the loan is at floating rates, or if the loan is at a fixed rate, the sum of three months interest on the prepaid principal at the fixed interest rate then applicable and an interest differential relative to current fixed rate loans of the BDC.

Loan 2 may be prepaid at any time without indemnity. For Loan 3, the BDC will, within 24 months of the loan, and provided there are no adverse material changes, re-advance, one time only, any repaid portion of the loan in an amount not less than $10,000 under the same terms and conditions, other than a revised amortization period and maturity date, if applicable.

Loan 3 may be prepaid at any time without indemnity. If the loan is at floating rates any prepayment must include any interest owing up to the time of the prepayment. If the loan is at a fixed rate any prepayment must include any interest owing up to the time of the prepayment and an interest differential charge.

13. Long term debt *(continued)*

Loan 4 may be prepaid, once in any twelve month period, up to 15% of the then outstanding principal amount but the prepayment privilege is not cumulative. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable if the loan is at floating rates, or if the loan is at a fixed rate, the sum of three months interest on the prepaid principal at the fixed interest rate then applicable and an interest differential relative to current fixed rate loans of the BDC.

Loan 5 may be prepaid, once in any twelve month period, up to 15% of the then outstanding principal amount but the prepayment privilege is not cumulative. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable if the loan is at floating rates, or if the loan is at a fixed rate, the sum of three months interest on the prepaid principal at the fixed interest rate then applicable and an interest differential relative to current fixed rate loans of the BDC.

Management determined that the economic characteristics and risks of the prepayment features are closely related to those of the host debt contract and, therefore, no embedded derivative was identified for any of the loans.

The BDC loans are secured with a general security agreement providing a first security interest in the Company's current owned equipment and new equipment acquired pursuant to the BDC Capital Financing and a security interest in all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Company's line of credit and future charges on specific equipment to a creditor for financing the purchase or lease thereof.

There are no financial covenants with the BDC loans 1 to 4. The BDC loan 5 has a consolidated fixed charge coverage ratio financial covenant which is tested annually.

Secured Debenture:

In February 2014 the Company issued a secured debenture for $1,000,000 ("Secured Debenture") to an unrelated party. The Secured Debenture bears interest of 9%, payable monthly, and was initially repayable in full in February 2017. This was extended by one year to February 2018 in April 2016 and further to February 2019, with no other items being amended. In May 2018, the Company negotiated a further extension of the repayment of the principal of the Secured Debenture to February 2020. The Company has the option to prepay the full amount of the Secured Debenture without penalty. The Secured Debenture is secured by the Company's currently owned equipment and new equipment acquired, subject to the priority of the BDC Financing. The Secured Debenture is further secured by all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Companies line of credit and any charges on specific equipment financed or leased.

The terms of the Secured Debenture restrict the amount of bank operating loan to an amount equal to $1,000,000, with an increase to $1,500,000 on a short term basis during the Company's busy season, plus 60% of the Company's aggregate after tax earnings from the date the Secured Debenture was issued, without prior consent from the lender.

14. Finance lease obligations

Finance leases, which relate to the purchase of equipment, bear interest at 8.9% to 16.1% and are repayable in blended monthly payments and mature from July 2018 to July 2022. The leases are secured by the leased assets which have a carrying value of $235,954 at June 30, 2018 (December 31, 2017 - $260,764). The annual future commitments under the leases are as follows:

2018/19	$	**119,440**
2019/20		**124,436**
2020/21		**55,822**
2021/22		**6,641**
2022/23		**237**
		306,576
Less imputed interest		**(18,495)**
		288,081
Current portion		**(90,915)**
	$	**197,166**

Finance lease obligations of $nil were made during the three and six months ended June 30, 2018 ($nil during the three and six months ended June 30, 2017).

15. Earn-out liability

The earn-out will pay the Vendor 70% of the earnings before interest, income taxes, depreciation and amortization (“EBITDA”) of MOS above $500,000 US for the first 12 month period after May 31, 2018 and 65% of the EBITDA above $500,000 US for the second and third 12 month periods after May 31, 2018. At a 27% discount rate, the Company estimates the earn-out liability to be $1,563,303 of which $620,206 is estimated to be payable at the end of the first 12 month period. The earn-out liability, which is denominated in USD is measured at fair value through profit or loss (“FVTPL”) and is recalculated at every reporting period based upon management's estimate which considers economic conditions, customer demand for MOS’s services and current borrowing rates available to the Company.

16. Convertible note

In conjunction with the acquisition of MOS on May 31, 2018 a $2,500,000 US convertible note was issued to the Vendor. The convertible note bears interest at a rate of 8% per year, payable quarterly, for a period of three years. The convertible note will convert into 13,373,684 CEMATRIX Shares at the option of the holder, at any time, at $0.2375 per CEMATRIX common share. CEMATRIX may repay the convertible note and may force the conversion of the convertible note upon 40 days’ written notice after a period of 12 months, subject to an early payment and forced conversion penalties, as applicable.

The convertible note is bifurcated into a conversion feature and host debt contract. The conversion feature is an embedded derivative as the convertible note violates the fixed for fixed criterion because the convertible note is denominated in a currency other than the Company’s functional currency. The conversion feature is measured at FVTPL. Changes in the fair value of the conversion feature will be recognized in profit or loss. The fair value of the conversion feature has been deducted from the face value of the convertible note and the residual was assigned to the host debt contract. The host debt contract is subsequently measured at amortized cost over the term to maturity using a interest rate of 28.7%.

(in Canadian dollars)

16. Convertible note *(continued)*

The Company has assessed that the early payment option is an embedded derivative as the option, if exercised, would constitute payment of more than the amortized cost of the convertible note or its carrying value and accordingly it is considered not closely related to the host debt contract. The Company has calculated the value of the early payment option to be negligible as at May 31, 2018 and June 30, 2018.

The fair value of the conversion feature was determined using a Black-Scholes option pricing model and at May 31, 2018 and June 30, 2018 used the following assumptions:

	June 30, 2018	May 31, 2018
Estimated per share fair value per common share	**$0.11**	$0.11
Risk-free interest rate	**1.84%**	1.99%
Expected life	**2.9 years**	3.0 years
Expected volatility in stock price	**72.5 %**	72.5 %
Expected annual dividend yield	**nil**	nil
Estimated forfeiture rate	**nil**	nil

Convertible note consists of the following components as at June 30, 2018 and December 31, 2017

	2018	2017
Host debt contract		
Principal of convertible note on issuance	**$ 3,239,750**	$ -
Less: Derivative liability component	**(1,370,041)**	-
Value of liability component on initial recognition	**1,869,709**	-
Accretion expense	**24,256**	-
Foreign exchange	**25,696**	-
	1,919,661	-
Conversion feature		
Fair value of derivative liability component on initial recognition	**1,370,041**	-
Fair value adjustment on derivative liability	**175,605**	-
	1,545,646	**-**
Balance, June 30, 2018	**$ 3,465,307**	$ **-**

(in Canadian dollars)

17. Share capital

(a) Authorized

Unlimited number of no par value voting common shares
Preferred shares – to be issued in series as authorized by the Board of Director

(b) Issued

The following table summarizes the changes in the issued common shares of the Company for the six months ended June 30, 2018 and the year ended December 31, 2017:

	2018		2017	
	Number Of Shares	**$ Amount**	Number Of Shares	$ Amount
Common shares, beginning of period	**34,475,994**	**$7,495,530**	34,475,994	$7,495,530
Private placement, net of costs	**3,481,130**	**684,644**	-	-
Business acquisition (note 5)	**3,343,421**	**735,553**	-	-
Reclassification of warrants	-	**(235,581)**	-	-
Common shares, end of period	**41,300,545**	**$8,680,146**	34,475,994	$7,495,530

On April 30, 2018 and June 25, 2018, the Company completed the first and second tranches of a non-brokered private placement for 3,481,130 units (each, a "Unit") at a price of $0.20 per Unit for gross proceeds of $696,226 (the "Private Placement"). Each Unit is comprised of one common share and one half warrant (each a "Warrant"). Each full warrant is exercisable into one common share for a period of two years at an exercise price of $0.35 per common share.

The Company paid a finder's fee and finder's warrants of 6% of the gross proceeds to qualified non-related parties that participated. The fees amounted to $8,100 and the Company issued 20,250 Warrants that entitle the holder thereof to acquire one common share for $0.35 until the expiry date of April 30, 2020. In addition to this, costs of $3,482 were incurred in conjunction with the Private Placement.

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

The Company has issued 1,740,565 share purchase warrants as of June 30, 2018. Each warrant entitled the holder thereof to purchase one common share at a price of $0.35 per share. The fair value per share purchase warrant was determined to be $0.43, using the following weighted average assumptions at the time of the issuance using the Black Scholes option pricing model:

Estimated per share fair value per share purchase warrant	**$0.14**
Risk-free interest rate	**1.99%**
Expected life	**2 years**
Expected volatility in stock price	**104.0 %**
Expected annual dividend yield	**nil**
Estimated forfeiture rate	**nil**

(in Canadian dollars)

17. Share capital *(continued)*

(c) Share Purchase Warrants

The following table reflects the issuance of warrants for the six months ended June 30, 2018 which is recorded in contributed surplus:

	2018			2017		
	Number Of Shares		**$ Amount**	Number Of Shares		$ Amount
Warrants, beginning of period	**-**	**$**	**-**	-	**$**	-
Private placement	**1,740,565**		**235,581**	-		-
Warrants, end of period	**1,740,565**	**$**	**235,581**	-	$	-

18. Cost of sales

Cost of sales consists of the following components for the three and six months ending June 30, 2018 and 2017:

	Three months ended June 30,				*Six months ended June 30,*			
		2018		2017		**2018**		2017
Materials	**$**	**1,233,889**	$	1,205,974	**$**	**1,831,266**	$	2,386,664
Direct labour		**583,006**		380,487		**947,182**		752,096
Variable expenses		**233,250**		246,657		**403,269**		468,757
Fixed overhead		**86,922**		119,183		**166,906**		213,930
Depreciation		**132,062**		108,760		**224,839**		232,400
	$	**2,269,129**	$	2,061,061	**$**	**3,573,462**	$	4,053,847

(in Canadian dollars)

19. Finance costs

The finance costs incurred for the three and six months ending June 30, 2018 and 2017 are as follows:

	Three months ended June 30,		*Six months ended June 30,*	
	2018	2017	**2018**	2017
Interest				
BDC financing	**$ 41,358**	$ 26,815	**$ 65,116**	$ 49,575
Secured debenture	**22,500**	22,500	**45,000**	45,000
Convertible note	**21,118**	-	**21,118**	-
Finance lease obligations	**3,404**	3,886	**7,251**	8,217
Bank operating loan	**10,096**	1,024	**12,336**	1,982
Share acquisition loans	**(234)**	-	**(234)**	-
Other	**4,633**	971	**6,238**	2,233
	102,875	55,196	**156,825**	107,007
Accretion of share acquisition loans	**(894)**	(1,290)	**(1,788)**	(2,580)
Accretion of convertible note	**24,256**	-	**24,256**	-
Fair value adjustment of derivative liability	**175,605**	-	**175,605**	-
	$ 301,842	$ 53,906	**$ 354,898**	$ 104,427

20. Other income / (expenses)

Other income / (expense) for the three and six months ending June 30, 2018 and 2017 consist of the following:

	Three months ended June 30,		*Six months ended June 30,*	
	2018	2017	**2018**	2017
Unrealized foreign exchange losses	**$ (98,534)**	$ -	**$ (98,534)**	$ -
Realized foreign exchange gains / (losses)	**556**	1,129	**(1,928)**	716
Gain on sale of equipment	**-**	-	**-**	2,300
Equipment rental	**7,900**	15,800	**7,900**	15,800
Other	**1,092**	-	**1,092**	-
	$ (88,986)	$ 16,929	**(91,470)**	18,816

In 2017, the Company sold idle equipment, which had a book value of $nil, for proceeds of $2,300.

(in Canadian dollars)

21. Loss per common share

The number of common shares included in the computation of basic and diluted loss per common share for the three and six months ending June 30, 2018 and 2017 is as follows:

	Three months ended June 30,		*Six months ended June 30,*	
	2018	2017	**2018**	2017
Weighted average shares outstanding - basic	**37,812,883**	34,475,994	**36,153,656**	34,365,554
Effect of convertible note	**-**	-	**-**	-
Effect of share purchase warrants	**-**	-	**-**	-
Effect of stock options	**-**	-	**-**	-
Weighted average shares outstanding - diluted	**37,812,883**	34,475,994	**36,153,656**	34,365,554

The stock options, share purchase warrants and convertible note for the three and six months ended June 30, 2018 and June 30, 2017 have no dilutive effect as the Company experienced a loss during these periods.

22. Non-cash stock based compensation

The Company has an option plan for the issue of up to 10% of the issued and outstanding common shares of the Company. All options that are outstanding will expire upon maturity, or earlier, if the optionee ceases to be a director, officer, employee or consultant or there is a merger, amalgamation or change in control of the Company. The purpose of the option plan is to reward and retain directors, management and consultants important to the continued operation and growth of the Company.

At June 30, 2018, the Company had 4,025,000 shares reserved for the issuance of stock options (December 31, 2017 – 3,275,000).

Options issued to employees and directors generally vest as to one third immediately on grant and one third on each of next two anniversary dates. Options issued to new employees generally do not vest for a year after issue. The options issued to The Howard Group, the Company's investor relation firm, vest in relationship to the term of their investor relation agreement.

The table below summarizes the changes in options for the six months ended June 30, 2018 and the year ended December 31, 2017:

	2018		2017	
	Number of Options	**Weighted average price**	Number of Options	Weighted average price
Outstanding, beginning of period	**3,275,000**	**$0.23**	3,425,000	$0.25
Granted	**750,000**	**$0.20**	100,000	$0.18
Forfeited	**-**	**-**	(250,000)	$0.43
Outstanding, end of period	**4,025,000**	**$0.22**	3,275,000	$0.23
Exercisable, end of period	**3,075,000**	**$0.22**	3,000,000	$0.21

(in Canadian dollars)

22. Non-cash stock based compensation *(continued)*

Effective April 28, 2018, the Company announced the appointment of Mr. James Chong to the position of Chief Financial, Officer of the Company. Mr. Bruce McNaught, former Chief Financial Officer of the Company, retired on June 30, 2018. Mr. Chong was awarded 250,000 stock options with an exercise price of $0.20 per common share. These stock options are for a three year term and will vest over three years as to one third at the end of each year.

In May 2018, as part of the MOS acquisition agreement, the Vendor was appointed a director of the Company and engaged as a consultant. This is for a period of three years as of the closing date. The Vendor received 150,000 stock options for his role as a director and 350,000 for his role as a consultant. The stock options will be exercisable into common shares of the Company at an exercise price of $0.20 per common share. These stock options will be for a three year term and will vest over three years as to one third at the end of each year.

During the year ended December 31, 2017, 100,000 options were issued to a new employee and 250,000 options were forfeited when an employee left the Company before any of the options were vested.

There are 950,000 options that have not vested as at June 30, 2018 (December 31, 2017 – 275,000 options). The following table summarizes the options to acquire common shares outstanding as at June 30, 2018:

Grant Date	Number Options	Exercise Price ($)	Weighted average remaining life (years)	Expiry Date
March 26, 2014	900,000	0.145	0.74	March 26, 2019
October 22, 2014	1,625,000	0.240	1.31	October 22, 2019
March 5, 2015	100,000	0.200	1.68	March 5, 2020
April 15, 2015	150,000	0.190	1.79	April 15, 2020
March 18, 2016	300,000	0.400	0.72	March 18, 2019
May 4, 2016	100,000	0.430	1.85	May 4, 2020
August 2, 2017	100,000	0.180	3.09	August 2, 2021
April 30, 2018	250,000	0.200	2.84	April 30, 2021
May 31, 2018	500,000	0.200	2.92	May 31, 2021
	4,025,000	0.224		

Non-cash stock based compensation expense for the three and six months ended June 30, 2018 of $11,163 and $16,529, respectively (2017 – non-cash stock based compensation recovery of $49,502 and $21,093) was recognized in the consolidated statement of loss and comprehensive loss with an offsetting amount charged to contributed surplus. Non-cash stock based compensation has no current period impact on the Company's cash position.

At the date of grant, the per share fair value of the options granted and other assumptions, using the Black-Scholes option pricing model are as follows:

	2018	2017
Estimated per share fair value per option	**$0.14 - $0.15**	$0.14
Risk-free interest rate	**1.99%**	1.44%
Expected life	**3 years**	4 years
Expected volatility in stock price	**105%**	113%
Expected annual dividend yield	**nil**	nil
Estimated forfeiture rate	**nil**	nil

(in Canadian dollars)

23. Change in non-cash working capital

The changes in non-cash working capital items - asset (increase) decrease and liability increase (decrease) - are outlined below for the three and six months ending June 30, 2018 and 2017.

	Three months ended June 30,		*Six months ended June 30,*	
	2018	2017	**2018**	2017
Trade and other receivables	**$ (424,237)**	$ 1,282,368	**$ (1,455,186)**	$ (433,118)
Inventory	**64,113**	6,266	**81,381**	(55,403)
Prepaid expenses and deposits	**702**	(28,781)	**(29,582)**	(21,302)
Trade and other payables	**784,344**	(536,488)	**1,114,749**	778,134
	$ 424,922	$ 723,365	**$ (288,638)**	$ 268,311

24. Related party transactions

During the three and six months ended June 30, 2018, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $156,920 ($14,305 and $17,864, respectively for the same periods in 2017) of which $128,389 is in trade and other payables as at June 30, 2018 (December 31, 2017 - $2,651).

The Vendor is currently a director of the Company and holds half of the US operating loan ($987,916), half of the earn-out liability ($1,563,303) and half of the convertible note ($3,465,307).

25. Financial instruments and risk management

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company financial instruments that are carried in the condensed consolidated financial statements and how the fair value of financial instruments are measured.

Fair values

The fair values of cash and cash equivalents, term deposits, trade and other receivables, bank overdraft, bank operating loan, US operating loan, and trade and other payables approximate their carrying values due to the relatively short periods to maturity of these instruments.

The fair value of the BDC Financing loans approximate its carrying value as the debt rate floats with prime and is representative of market rates offered to the Company.

The fair value of the share acquisition loans has been determined using the effective interest rate method.

The fair value of the secured debenture approximates its carrying value as the interest rate is a market rate for similar instruments offered to the Company for similar instruments.

The Company has no plans to prepay any debt instruments prior to maturity.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

25. Financial instruments and risk management *(continued)*

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Cash and cash equivalent and term deposit are measured based on level 1

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place. The embedded derivative related to the conversion option on the convertible note is measured based on level 2 (note 16).

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market date. The earn-out liability is measured at level 3 (note 15).

There were no transfers between level 1, 2 and 3 inputs during the year.

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.

(a) Interest Rate Risk
The BDC loans, which had a balance of $3,577,887 outstanding at June 30, 2018, the bank operating loan, which had a balance of $1,249,308 outstanding at June 30, 2018 and the operating loan, which had a balance of $987,916 at June 30, 2018 are subject to floating market rates. Based on this floating rate debt outstanding as at June 30, 2018, a 1% increase/decrease in interest rates would result in a decrease/increase in net loss attributable to common shareholders of approximately $42,450.

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

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, term deposits, trade receivables and the share acquisition loans. The Company's cash is held with large established financial institutions. The Company manages credit risk using credit approval and monitoring practices. At June 30, 2018, 6 customers accounted for approximately 86% of trade receivables (at December 31, 2017, 6 customers accounted for approximately 89% of trade receivables). For the six months ended June 30, 2018, 3 customers each accounted for over 18% of revenues. At June 30, 2018, the Company had $330,383 of cash and cash equivalents (December 31, 2017 - $42,933), an $80,000 term deposit (December 31, 2017 - $80,000) and $50,389 (December 31, 2017 - $48,367) of fair valued share acquisition loans that are outstanding with an officer and a former officer of the Company.

25. Financial instruments and risk management *(continued)*

(c) 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 Company's financial liabilities at June 30, 2018 and December 31, 2017 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at June 30, 2018				
Bank overdraft	**$ 279,877**	**$ -**	**$ -**	**$ 279,877**
Bank operating loan	**1,249,308**	**-**	**-**	**1,249,308**
US operating loan	**987,916**	**-**	**-**	**987,916**
Trade and other payables	**2,649,511**	**-**	**-**	**2,649,511**
Long-term debt	**546,217**	**1,686,044**	**2,345,626**	**4,577,887**
Finance lease obligations	**90,915**	**136,326**	**60,840**	**288,081**
Earn-out liability	**620,206**	**496,771**	**446,326**	**1,563,303**
Convertible note	**-**	**-**	**3,465,307**	**3,465,307**
	$ 6,423,950	**$ 2,319,141**	**$ 6,318,099**	**$ 15,061,190**
As at December 31, 2017				
Bank overdraft	$ 55,053	$ -	$ -	$ 55,053
Bank operating loan	66,399	-	-	66,399
Trade and other payables	569,364	-	-	569,364
Long-term debt	349,142	1,390,462	473,623	2,213,227
Convertible note	-	-	-	-
Finance lease obligations	62,606	135,287	43,181	241,074
	$ 1,102,564	$ 1,525,749	$ 516,804	$ 3,145,117

(d) 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 cash and cash equivalents, trade and other receivables, prepaid expenses and deposits, trade and other payables 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.

25. Financial instruments and risk management *(continued)*

As at June 30, 2018 and December 31, 2017, the following balances are denominated in USD:

		2018		2017
Cash and cash equivalents	**$**	**137,445**	$	32,136
Trade and other receivables	**$**	**1,026,548**	$	39,191
Prepaid expenses and deposits	**$**	**71,004**	$	10,127
Trade and other payables	**$**	**510,903**	$	8,148
US operating loan	**$**	**750,000**	$	-
Long term debt	**$**	**1,800,000**	$	-
Finance lease obligations	**$**	**58,439**	$	-
Earn-out liability	**$**	**1,190,000**	$	-
Convertible note	**$**	**2,500,000**	$	-

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, 2018 a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total comprehensive loss of approximately $270,200.

26. Capital management

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the six months ended June 30, 2018. The Company is subject to externally imposed financial covenants with its bank operating loan and certain restrictions imposed by the Secured Debenture. As at June 30, 2018 the Company is not in compliance with one of its financial covenants. In August 2018, the Company is working with its lender to provide tolerance.

The total capitalization as at June 30, 2018 and December 31, 2017 is outlined below:

		2018		2017
Bank operating loan (*Note 10*)	**$**	**1,249,308**	$	-
US operating loan *(Note 11)*		**987,916**		-
Long term debt *(Note 13)*		**4,577,887**		2,213,227
Finance lease obligations *(Note 14)*		**288,081**		241,074
Convertible note *(Note 16)*		**3,465,307**		-
Total debt		**10,568,499**		2,454,301
Shareholders' equity		**3,576,945**		3,384,945
	$	**14,145,444**	$	5,839,246

(in Canadian dollars)

27. Geographical segmented information

The Company's primary business is the supply and placement of cellular concrete. It currently markets its services in Canada and the U.S. The tables below, present the sales to external customers for the three and six months ended June 30, 2018 and 2017 and the total non-current assets attributable to the Company's geographical segments as at June 30, 2018 and December 31, 2017:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Sales to external customers				
Canada	**$ 2,390,774**	$ 2,208,230	**$ 3,867,242**	$ 4,735,701
United States	**517,159**	-	**517,159**	-
	$ 2,907,933	$ 2,208,230	**$ 4,384,401**	$ 4,735,701

	2018	2017
Total non-current assets		
Canada	**$ 5,047,572**	$ 4,933,555
United States	**8,157,288**	22,244
	$ 13,204,860	$ 4,955,799