CEMATRIX CORPORATION
Management's Discussion and Analysis
For Three and Nine Months Ended September 30, 2018

Date Completed: November 7, 2018

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three and Nine Months Ended September 30, 2018

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three and nine months ended September 30, 2018. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2018 (the "Interim Condensed Consolidated Financial Statements") and the related notes thereto and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2017 and related notes thereto. The Interim Condensed 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 unless otherwise noted.

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 November 7, 2018 the Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Consolidated Financial Statements and MD&A for the three and nine months ended September 30, 2018. The Board of Directors of the Company has reviewed and approved the Interim Condensed Consolidated Financial Statements and MD&A on November 7, 2018.

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Forward Looking Statements

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

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

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

The Company has discussed, in Section D. – Key Market Drivers and in Section E. - Key Risks and Uncertainties of its MD&A for the year ended December 31, 2017, the significant market drivers and risk factors that affect its business and could cause actual results to differ materially from the forward-looking information disclosed herein. These factors remain substantially unchanged as of the date hereof. The Company cautions the reader that these factors are not exhaustive. The risk factors that could lead to differences in business results and which could cause actual results to differ materially from the forward-looking information disclosed herein include, without limitation, legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where the Company operates, results of financing efforts, changes in counterparty risk and the impact of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretation Committee ("IFRIC").

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

A. Purpose of the Company's MD&A

The purpose of this MD&A is to provide a narrative explanation, through the eyes of management, to assist the reader in understanding the Company's performance for the three and nine months ended September 30, 2018, the Company's financial condition as at September 30, 2018 and its future prospects.

B. Highlights

Financial Review

The third quarter 2018 results are directionally positive and should improve further as the Company is now fully immersed in the construction season. Furthermore, CEMATRIX is now able to include the operational results from the U.S. based MixOnSite (MOS) acquisition for a full quarter as the transaction closed on May 31, 2018.

Revenues were $7.0 million in the third quarter and $11.4 million for year representing an increase of $4.6 million or 190% for the quarter and $4.3 million or 59% for the year to date when compared to 2017. Directionally, quarterly revenue has doubled every quarter this year, with $1.5 million in revenue in the first quarter, $2.9 million in revenue in the second and $7.0 million in the third quarter. The top line revenue growth has had a positive effect on Gross Margin Percentage, earnings and cash flow.

The Gross Margin Percentage improved to 22% from 20% in the third quarter of 2018 and to 20% from 16% on a year to date basis when compared to the prior year.

Notwithstanding the revenue growth, losses attributable to common shareholders were $7,200 for the quarter and $1,291,245 for the nine months ended September 30, 2018. The earnings are negatively affected by $619,723 in non-recurring one-time costs relating to the acquisition of MOS and $545,489 in non cash accretion and mark to market costs and has therefore presented them as other items on the statement of loss and comprehensive loss. For the third quarter of 2018 income before other items was $266,042, an increase of $394,878 or 307% from the loss before other items of $128,476 recorded in the third quarter of 2017. For the year to date, the loss before other items was $461,450, an improvement of $84,420 or 15% when compared to a loss of $545,870 in the prior year.

Liquidity continues to be a focus for management and has improved since the second quarter of 2018. Cash flow from operations before the net change in non-cash working capital was $508,003 in the third quarter of 2018, a private placement raised net proceeds of $539,601 on August 24, 2018 and cash on hand at September 30, 2018 was $683,723.

Appointment of New Chief Financial Officer

The Company announced the appointment of Mr. James Chong to the position of Chief Financial Officer of CEMATRIX effective April 27, 2018. Mr. Bruce McNaught, former Chief Financial Officer of CEMATRIX, retired on June 30, 2018, but still provides consulting services to the company.

Acquisition of MixOnSite ("MOS")

On May 31, 2018 (the 'Closing Date'), the Company executed ("the 'Acquisition') the share purchase agreement (the "Definitive Agreement") between the Company and Mr. Ed Weiner (the "Vendor"), for the acquisition of all of the issued and outstanding shares (the "MOS Shares") of MixOnSite USA, Inc. ("MOS").

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

- cash in the amount of $2,000,000 US dollars ("USD") (the "Cash Purchase Price");
- secured convertible note (the "Convertible Note") issued by the Purchaser in the amount of $2,500,000 USD;

- 3,343,421 common shares of CEMATRIX (the "CEMATRIX Shares") issued at a deemed price of $0.19 per CEMATRIX Share;
- and earn-out payment (the "Earn-out") calculated on the operations of MOS for three years following closing of the Acquisition.

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

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

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

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

In addition to the consideration payable pursuant to the Definitive Agreement, the Vendor was appointed a director of the Company and was engaged as a consultant 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 are exercisable into common shares of the Company at an exercise price of $0.20 per common share. These stock options are for a three year term and vest over three years as to one third at the end of each year.

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 cellular concrete and offering complete installation services including technical mix design support through its foaming agent supplier for development for a wide variety of construction applications in the U.S.

MOS is a profitable growing supplier of cellular concrete in the U.S. CEMATRIX is already known as a leader in cellular concrete technologies in North America and the leading supplier of cellular concrete in Canada, so management of CEMATRIX believes the acquisition of MOS by CEMATRIX is poised to make CEMATRIX the foremost source of cellular concrete throughout North America. MOS' sales have averaged approximately $10,000,000 USD and EBITDA has averaged approximately $1,300,000 USD over the past two years ended December 31, 2017. At the time of the acquisition, if CEMATRIX and MOS had been combined at the beginning of 2018, the combined contracted and verbally awarded projects at the time of the acquisition would have been in excess of $33.5 million, $7 to $8 million of which is scheduled or may carry over to 2019. Since CEMATRIX will only be recording 7 months of the MOS sales in its 2018 results, this will amount to approximately $20 to $22 million in CEMATRIX consolidated sales for 2018 and a more than $14 million in carryover to 2019, as adjusted for new contracts and schedule changes since the date of the acquisition.

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

Private Placements

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 finder's 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 offering.

On August 24, 2018, the Company completed a non-brokered private placement for 2,880,224 units (each, a "Unit") at a price of $0.20 per Unit for gross proceeds of $576,045 (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 $24,900 and the Company issued 1,440,112 Warrants that entitle the holder thereof to acquire one common share for $0.35 until the expiry date of August 24, 2020. In addition to this, costs of $11,544 were incurred in conjunction with the Private Placement.

The net proceeds of the Private Placement were used to fund working capital requirements and to finance a portion of the Acquisition purchase price.

BDC USD Loan

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

Report on Major Initiatives

Development and Implementation of a Strategic Growth Strategy

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

The first phase resulted in a Growth Strategy to achieve $20 million in Canadian sales by 2020 the implementation of which was delayed by the acquisition of MixOnSite, which essentially achieve the $20 million sales goal by acquiring that sales base. Now that the acquisition is complete, Phase 2, the implementation of the new growth strategy will continue and continue to involve:

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

3. Eliminating non-core sales activities;
4. Investing in sales support systems (SalesForce is now in place);
5. Aligning the sales incentive program with the sales strategy; and
6. Integrating the strategy into succession and physical locations.

Phase two of the Growth Strategy program with the BDC will include the development of comprehensive plans for implementing the Growth Strategy and to establish metrics to measure the success of the program. BDC consulting will provide regular advisory support throughout the two-year implementation period as well as provide a series of leadership and growth management courses.

Introduction of New Lower Density Cellular Concretes

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

CEMATRIX is now working on the development of a 300 kg/m3 product, as it continues to set new standards in the industry.

The Joint Marketing Arrangement with Lafarge:

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

The overall objective of the agreements for both parties continues to be to work together to increase sales of cellular concrete, which in turn results in the sale of more cement and ready mix products for Lafarge. Although the joint efforts did not generate a significant number of new sales in 2017, both parties believe that together a great deal was accomplished, in the education of the market and Lafarge's significant staff across Canada on the uses and benefits of cellular concrete. Much was also learned about the implementation of the regional expansion approach, although successful, it has not worked as intended. Recent changes to that program by both parties, should generate stronger results, and become a model for expansion into other regions across Canada. This will include additional support for the hiring of experienced sales professionals for the development of each new regional market. This process started on August 20, 2018 with the hiring of a salesperson to develop and grow the Prairie Region.

Research Projects

Road Construction

The University of Waterloo is currently working on a research program that will measure performance of cellular concrete as a roadway subbase. This program is co-funded by CEMATRIX and the Natural Science and Engineering Research Council of Canada (NSERC). The project includes both laboratory testing and multiple instrumented roadway test sections. Laboratory testing of cellular concrete samples is ongoing, and preliminary test results are excellent. The first test section was successfully installed in October 2018 in The Region of Waterloo, with another to follow in 2019. Positive results from this study will lead to specification of CEMATRIX Cellular Concrete on road construction projects in Ontario and other provinces. CEMATRIX's cost of the three-year program will be approximately $270,000 spread over three years.

C. Results of Operations

For the three months ending September 30, 2018 compared to the three months ending September 30, 2017

	Three Months Ended September 30		
	2018	2017	Change
Revenue	**$ 7,039,839**	$ 2,429,421	$ 4,610,418
Gross margin	**$ 1,514,938**	$ 493,299	$ 1,021,639
Operating expenses	**(1,143,295)**	(584,559)	(558,736)
Operating income / (loss)	**371,643**	(91,260)	462,903
Non-cash stock based compensation	**(24,783)**	(8,822)	(15,961)
Finance costs	**(193,868)**	(52,626)	(141,242)
Other income	**113,410**	24,232	89,178
Income / (loss) before other items	**266,402**	(128,476)	394,878
Non-cash accretion costs	**(206,958)**	1,290	(208,248)
Non-cash fair value of derivatives	**(140,828)**	-	(140,828)
Net loss before income taxes	**(81,384)**	(127,186)	45,802
Recovery of deferred taxes	**74,184**	19,446	54,738
Net loss attributable to the common shareholder	**(7,200)**	(107,740)	100,540
Unrealized foreign exchange gain / (loss) on translation of foreign subsidiary	**(48,896)**	2,430	(51,326)
Comprehensive loss for period	**$ (56,096)**	$ (105,310)	**$** 49,214
Fully diluted loss per common share for period	**$ (0.000)**	$ (0.003)	$ 0.003

	Three Months Ended September 30		
	2018	2017	Change
Revenue			
Infrastructure			
Western Canada	**$ 878,401**	$ 1,152,765	$ (274,364)
Eastern Canada	**1,144,003**	1,276,656	(132,653)
United States	**5,017,435**	-	5,017,435
	7,039,839	2,429,421	4,610,418
Western Canada oil and gas	**-**	-	-
	$ 7,039,839	$ 2,429,421	$ 4,610,418

Revenue was higher by 190% or $4,610,418 largely as a result of the MOS acquisition which contributed $5,017,435 in sales. This was offset by a decline of $274,364 or 24% in infrastructure projects in Western Canada and a decline of $132,653 or 10% in Eastern Canada infrastructure projects. The decrease in sales is due to delays in projects originally slated for completion in September being pushed into the fourth quarter of the year.

Gross Margin was higher by $1,021,639 or 207% when compared to the third quarter of 2018. As a percentage of revenues, the Gross Margin Percentage improved to 22% compared to 20% in 2017. The increase in Gross Margin Percentage is mainly due to the effect of increased revenues on a cost base that includes fixed costs. This effect is commonly referred to as operating leverage.

Operating expenses were higher by $558,736 or 96% mainly due to the following:

- MOS operating costs of $465,337;
- Consulting charges increased by $43,714 as a result of costs associated with the BDC growth driver program and transition costs associated with the new CFO and MOS acquisition;
- Recruitment costs of $22,000 were incurred to hire a new Prairie sales representative; and
- Salaries and benefits increased by $23,973 as a result of an additional part time employee and a new Prairie sales representative.

Non-cash stock based compensation was $24,783 in the third quarter of 2018 compared to $8,822 in the third quarter of 2017. The increase of $15,961 is the result of the 1,095,000 options granted in 2018.

Finance costs were $193,868 in the third quarter of 2018 an increase of $141,242 or 268% from the $52,626 incurred in the third quarter of 2017. The increase mainly relates to the MOS acquisition which was financed primarily with debt and can be specifically attributed to the following factors:

- Interest on the bank operating loan in the amount of $14,629;
- Interest on the new $750,000 USD Operating Loan in the amount of $19,364;
- Interest on the new $1,800,000 USD BDC Loan in the amount of $47,505; and
- Interest on the new $2,500,000 USD Convertible Note in the amount of $63,066.

Other income was $113,410 in the third quarter of 2018 compared to $24,232 in the third quarter of 2017. The increase of $89,178 or 368% is largely the result of $122,340 in unrealized foreign exchange gains recognized on the following USD denominated liabilities: US operating loan of $19,616, USD BDC Loan of $40,500, earn-out liability of $27,275 and Convertible Note of $33,955. As the Canadian dollar strengthened relative to the USD, the value of these liabilities decreased, which gives rise to an unrealized foreign exchange gain.

Accretion and market to market adjustments on derivatives were expenses of $206,958 and $140,828 for the third quarter of 2018 compared to a recovery of $1,290 in the third quarter of 2017. The increase is the result of the Earn-out Liability and Convertible Note, both of which originated from acquisition of MOS. The Earn-out liability was recorded at a discount, while the Convertible Note was bifurcated into the host debt contract, which was recorded at a discount and the conversion feature, which is accounted for as a derivative.

- Non cash accretion expense on the host debt contract portion of the new Convertible Note in the amount of $77,479;
- Non-cash accretion expense on the Earn-out Liability in the amount of $130,373; and
- Non cash fair value adjustment to the derivative liability portion of the Convertible Note in the amount of $140,828.

Unrealized foreign exchange gains and losses are recognized on the translation of foreign subsidiaries. Both MOS and Cematrix USA have a USD functional currency and as the Canadian dollar strengthened relative to the USD, the value of these assets depreciated resulting in an unrealized foreign exchange loss of $48,896 in the third quarter of 2018. The opposite effect occurred in the third quarter of 2017 which resulted in an unrealized foreign exchange gain of $2,430.

For the nine months ending September 30, 2018 compared to the nine months ending September 30, 2017

	Nine Months Ended September 30		
	2018	2017	Change
Revenue	**$ 11,424,240**	$ 7,165,122	$ 4,259,118
Gross margin	**$ 2,325,877**	$ 1,175,153	$ 1,150,724
Operating expenses	**(2,417,262)**	(1,616,709)	(800,553)
Operating loss	**(91,385)**	(441,556)	350,171
Non-cash stock based compensation	**(41,312)**	12,271	(53,583)
Finance costs	**(350,693)**	(159,633)	(191,060)
Other income	**21,940**	43,048	(21,108)
Loss before other items	**(461,450)**	(545,870)	84,420
Business acquisition costs	**(619,723)**	-	(619,723)
Non-cash accretion costs	**(229,426)**	3,870	(233,296)
Non-cash fair value of derivatives	**(316,433)**	-	(316,433)
Loss before income taxes	**(1,627,032)**	(542,000)	(1,085,032)
Recovery of deferred taxes	**335,787**	132,203	203,584
Net loss attributable to the common shareholder	**(1,291,245)**	(409,797)	(881,448)
Unrealized foreign exchange loss on translation of foreign subsidiary	**(9,577)**	(2,807)	(6,770)
Comprehensive loss for period	**$ (1,300,822)**	$ (412,604)	**$** (888,218)
Fully diluted loss per common share for period	**$ (0.034)**	$ (0.012)	$ (0.022)

	Nine Months Ended September 30		
	2018	2017	Change
Revenue			
Infrastructure			
Western Canada	**$ 1,519,304**	$ 3,642,127	$ (2,122,823)
Eastern Canada	**4,370,342**	3,447,521	922,821
United States	**5,534,594**	-	5,534,594
	11,424,240	7,089,648	4,334,592
Western Canada oil and gas	**-**	75,474	(75,474)
	$ 11,424,240	$ 7,165,122	$ 4,259,118

Revenue was $11,424,240 for the nine month period end September 30, 2018, an increase of $4,259,118 or 59%, when compared to revenue of $7,165,122 recognized in the prior year period. This increase was the result of the MOS acquisition which contributed revenue of $5,534,594 and an increase of $922,821 or 27% in Eastern Canada driven by tunnel projects. This was offset by a $2,122,823 or 58% decline in revenue from infrastructure projects in Western Canada and a $75,474 or 100% decline in Western Canada oil and gas projects.

The Gross Margin on revenues increased by $1,150,724 or 98% and Gross Margin Percentage increased to 20% for the nine month period ended 2018 compared to 16% for the nine month period ended 2017.

Operating expenses were higher by $800,553 or 50%, primarily due to the following:

- MOS operating costs of $620,002;
- Consulting charges increased by $58,436 as a result of costs associated with the BDC growth driver program and transition costs associated with the new CFO and MOS acquisition;
- Recruitment costs of $22,000 were incurred to hire a new Prairie sales representative; and
- Salaries and benefits increased by $92,574 as a result of transition costs relating due to the new CFO, an additional part time employee and a new Manitoba sales representative,

Non-cash stock based compensation expense was $41,312 in first nine months of 2018 compared to a recovery of $12,271 in the first nine months of 2017, an increase of $53,583. During 2018 an additional 1,095,000 stock options were granted. In the prior year, 250,000 stock options were forfeited when an employee left the Company before they vest. As a result, the non-cash stock based compensation previously recorded in the amount of $63,544 was reversed to income. 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 $351,693 in the first nine months of 2018 an increase of $191,060 or 120% from the $159,633 incurred in the same period last year. The increase mainly relates to the MOS acquisition which was financed primarily with debt and can be specifically attributed to the following factors:

- Interest on the bank operating loan in the amount of $24,982;
- Interest on the new $750,000 USD Operating Loan in the amount of $22,567;
- Interest on the new $1,800,000 USD BDC Loan in the amount of $63,947; and
- Interest on the new $2,500,000 USD Convertible Note in the amount of $84,184.

Other income was $21,940 in the first nine months of 2018 compared to $43,048 in the third quarter of 2017. The decrease of $21,108 or 49% is largely the result of an increase in realized foreign exchange losses in the current year on the settlement of USD denominated payables and a reduction in equipment rental fees.

Business acquisition costs of $619,723 were incurred in the first nine months of 2018. These costs were for the MOS acquisition and relate to: legal services of $310,190, audit and accounting services of $175,296, one time costs incurred to secure financing of $75,333, valuations of $15,672 and other of $43,232.

Accretion and market to market adjustments on derivatives were expenses of $229,426 and $316,433 for the first nine month of 2018 compared to a recovery of $3,870 for the same period last year. The increase is the result of the Earn-out Liability and Convertible Note, both of which relate to the MOS acquisition. The Earn-out liability was recorded at a discount, while the Convertible Note was bifurcated into the host debt contract, which was recorded at a discount and the conversion feature, which is accounted for as a derivative.

- Non cash accretion expense on the host debt contract portion of the new Convertible Note in the amount of $101,735;
- Non-cash accretion expense on the Earn-out Liability in the amount of $130,373; and
- Non cash fair value adjustment to the derivative liability portion of the Convertible Note in the amount of $316,433.

Unrealized foreign exchange gains and losses are recognized on the translation of foreign subsidiaries. Both MOS and Cematrix USA have a USD functional currency and as the Canadian dollar strengthened relative to the USD, the value of these assets depreciated resulting in a unrealized foreign exchange loss of $9,577 in the first nine months of 2018 and loss of $2,807 for the same period last year.

D. Selected Quarterly Financial Information

The Company's business is seasonal in nature as it follows the construction season. Typically, revenues in the second half of the year are significantly greater than the first half of the year. The Company continues pursuing other markets where seasonality is less of an issue. This seasonality is reflected in the quarterly results summarized in the table below:

Quarters Ended	Revenues	Comprehensive Income (Loss)	Income (Loss) Per Share Basic	Income (Loss) Per Share Diluted
	$	$	$	$
2018 Year				
March 31	**1,476,468**	**(314,375)**	(0.009)	(0.009)
June 30	**2,907,933**	**(930,351)**	(0.026)	(0.026)
September 30	**7,039,839**	**(56,096)**	(0.000)	(0.000)
	11,424,240	**(1,300,822)**	(0.034)	(0.034)
2017 Year				
March 31	2,527,471	(51,859)	(0.002)	(0.002)
June 30	2,208,230	(255,435)	(0.007)	(0.007)
September 30	2,429,421	(105,310)	(0.003)	(0.003)
December 31	548,784	(767,939)	(0.022)	(0.022)
Total for year	7,713,906	(1,180,543)	(0.034)	(0.034)

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

E. Consolidated Statement of Financial Position

		September 30 2018		December 31 2017		Change
Total current assets	**$**	**6,582,545**	$	1,574,263	$	5,008,282
Total non current assets		**12,986,408**		4,955,799		8,030,609
Total assets	**$**	**19,568,953**	$	6,530,062	$	13,038,891
Current liabilities	**$**	**6,918,887**	$	1,102,564	$	5,816,323
Non current liabilities		**8,521,333**		2,042,553		6,478,780
Total liabilities	**$**	**15,440,220**	$	3,145,117	$	12,295,103
Shareholders' equity	**$**	**4,128,733**	$	3,384,945	$	743,788

Total current assets increased by $5,008,282. This increase in aggregate is summarized below:

- Cash increased by $640,790 (See the discussion in Section F - Consolidated Statement of Cash Flows);
- Trade and other receivables increased by $4,164,649 as a result of the higher sales in the quarter compared to the the fourth quarter of 2017;
- Inventory increased by $190,440 largely as a result of the MOS acquisition in addition to a bulk purchase of foaming agent that occurred in the third quarter of 2018;

- Prepaids and deposits increased by $9,361 mainly due to timing differences on certain items as compared to the 2017; and
- Current portion of share acquisition loans increased by $3,042 as a result of $2,682 in accretion income and interest income of $360. One of the individuals, who is no longer a Company employee, did not make the scheduled repayment of $8,562 which was due on December 31, 2017. Interest is being charged on this outstanding repayment for January to September 2018.

Total non current assets increased by $8,030,609. This increase in aggregate is summarized below:

- Property and equipment increased by $2,310,324 as a result of $2,709,402 in assets being assumed on the acquisition of MOS, $46,856 in a new capital lease and general additions of $17,902 being offset by depreciation expense for the nine months ended September 30, 2018 of $461,081.
- Goodwill and intangibles assets increased by $6,424,067 largely as a result of the acquisition of MOS which resulted in $5,881,947 in goodwill and a $638,879 sales backlog. In addition to this, $79,736 was spent on research projects (including $24,237 of capitalized labour). This was partially offset by $159,720 in amortization of the aforementioned sales backlog and $16,775 in government grants received in respect research projects.
- The deferred tax asset decreased by $703,782 as a result of the $1,043,300 deferred tax liability assumed on the acquisition of MOS which was offset by the current period deferred income tax recovery of $335,787 recognized in the nine months ended September 30, 2018.

Total current liabilities increased by $5,816,323. This increase in aggregate is summarized below:

- Bank overdraft decreased by $44,540 (See the discussion in Section F - Consolidated Statement of Cash Flows);
- Bank operating loan increased by $877,118 to fund working capital requirements in the Canadian operations;
- US operating loan increased by $968,325 largely as a result of the MOS acquisition;
- Trade and other payables increased by $2,987,467 largely as a result of the acquisition of MOS, which had trade payables of $1,928,583 and increased business activity in the three month period ended September 30, 2018 as compared to the three months period ended December 31, 2017;
- Current portion of long term debt increased by $332,138 largely as a result of the new $1,800,000 USD BDC loan entered into by the Company on May 31, 2018 to close the MOS acquisition.;
- Current portion of finance lease obligations increased by $35,056 as a result of the current portion of a capital lease assumed on the MOS acquisition and a new capital lease on a vehicle used to support the new Prairie sales representative.
- Current portion of the earn-out liability was $660,759 and was originally recognized on the acquisition of MOS. The earn-out is based upon management's estimate and represents 70% of MOS's EBITDA above $500,000 USD for the 12 month period from June 1, 2018 to May 31, 2019.

Total non-current liabilities increased by $6,478,780. This increase in aggregate is summarized below:

- Long term debt increased by $1,789,835 largely as a result of the new $1,800,000 USD BDC loan entered into by the Company on May 31, 2018 to close the MOS acquisition.
- Finance lease obligations increased by $34,523 as a result of a vehicle lease assumed on the acquisition of MOS and a new capital lease on a vehicle used to support the new Prairie sales representative.
- Earn-out liability was $1,004,763 and was initially recognized on the acquisition of MOS. The earn-out is based upon management's estimate and represents 65% of MOS's EBITDA above $500,000 US for the 24 month period from June 1, 2019 to May 31, 2021.
- The Convertible Note has a face value of $2,500,000 USD and was issued on the acquisition of MOS. On issuance, the convertible note was bifurcated into a conversion feature and a debt host contract. At September 30, 2018, the convertible note had an aggregate carrying value of $3,649,659. The conversion feature is accounted for at fair value and had a value of $1,686,474 at September 2018. The host debt contract is accounted for at amortized cost and had a value of $1,963,185 at September 2018.

Shareholders' Equity decreased by $743,788. This increase in aggregate is summarized below:

- Share capital increased by $1,645,146 as a result of the acquisition of MOS ($735,553), the proceeds from the exercise of employee options ($43,500) and reclassification of related non-cash stock based compensation previously charged to contributed surplus ($41,922), private placement ($1,224,245). This was offset by a reclassification to contributed surplus for the value of the share purchase warrant issued as part of the private placement ($400,074).
- Contributed surplus increased by $386,462 as a result of non-cash stock based compensation of $41,312 recorded in the period and the reclassification of share purchase warrants from the private placement of $400,074 from share capital. This was partially offset by the reclassification of $41,922 to share capital relating to the exercise of employee options and the reclassification of $13,002 to deficit relating to the forfeiture of employee options.
- Accumulated other comprehensive income decreased by $9,577 due to the unrealized foreign exchange loss on translation of MOS and Cematrix USA in the nine months ended September 30, 2018; and
- The Deficit increased by $1,278,243 due to the loss to common shareholders in the period ($1,291,245) and the reclassification from contributed surplus for employee options that were forfeited in September 2018 ($13,002).

See the Consolidated Statements of Shareholders' Equity included in the Interim Consolidated Financial Statements at September 30, 2018.

F. Consolidated Statement of Cash Flows

For the three months ending September 30, 2018 compared to the three months ending September 30, 2017

The cash position of the Company at September 30, 2018 was $673,210 (consisting of cash in the bank of $683,723 net of the bank overdraft of $10,513) compared to negative $57,400 (consisting of cash in the bank of $42,741 net of the bank overdraft of $100,141) at September 30, 2017.

The change in the cash position in the quarters ending September 30, 2018 and 2017 was an increase of $622,704 in 2018 as compared to a decrease of $165,844 in the same period of 2017. This change is outlined in the table below:

	Three Months Ended September 30		
	2018	2017	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	**$ 508,003**	$ (14,345)	$ 522,348
Net change in non-cash working capital items	**88,574**	26,557	62,017
	596,577	12,212	584,365
Cash used in investing activities	**(18,970)**	(18,586)	(384)
Cash from (used in) financing activities	**51,750**	(161,900)	213,650
Foreign exchange effect on cash	**(6,653)**	2,430	(9,083)
Increase (decrease) in cash	**622,704**	(165,844)	788,548
Cash, at beginning of period	**50,506**	108,444	(57,938)
Cash (Cash Deficiency), at end of period	**$ 673,210**	$ (57,400)	$ 730,610

- Cash generated from operating activities increased by $584,365.
  - Cash flow before non cash working capital adjustments increased by $522,348 and is the result of the acquisition of MOS which is having a positive effect on cash flow.
  - Net change in non-cash working capital items increased by $62,017 primarily due to the level of trade receivables generated in the respective periods and the timing of their collection.
- Cash used in investing activities decreased by $384.
  - Equipment purchases increased by $2,688 which was offset by a $2,304 reduction in spending on research programs.
- Cash used in financing activities increased by $213,650.
  - In 2018 the Company generated $51,750 from financing activities. The following sources of financing were received by the Company: a private placement generated net proceeds of $539,601 and the exercise of employee stock options resulted in proceeds of $43,500. This was offset by principal repayments of $305,791 on the demand operating loan, $202,187 on the long term debt and $23,373 on finance lease obligations.
  - In 2017 the Company used $161,900 in financing activities; principal repayments of $150,231 were made on long term debt and $14,525 finance lease obligations. This was offset by $2,856 in government grants received on its research projects.

For the nine months ending September 30, 2018 compared to the nine months ending September 30, 2017

The cash position of the Company at September 30, 2018 was $673,210 (consisting of cash in the bank of $683,723 net of the bank overdraft of $10,513) compared to negative $57,400 (consisting of cash in the bank of $42,741 net of the bank overdraft of $100,141) at September 30, 2017.

The change in the cash position in the quarters ending September 30, 2018 and 2017 was an increase of $685,330 in 2018 as compared to a decrease of $108,533 in the same period of 2017. This change is outlined in the table below:

	Nine Months Ended September 30		
	2018	2017	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	**$ (443,226)**	$ (208,611)	$ (234,615)
Net change in non-cash working capital items	**(200,064)**	294,868	(494,932)
	(643,290)	86,257	(729,547)
Cash used in investing activities	**(2,905,623)**	(316,401)	(2,589,222)
Cash generated from (used in) financing activities	**4,236,933**	124,418	4,112,515
Foreign exchange effect on cash	**(2,690)**	(2,807)	117
Increase (decrease) in cash	**685,330**	(108,533)	793,863
Cash (Cash Deficiency), at beginning of period	**(12,120)**	51,133	(63,253)
Cash (Cash Deficiency), at end of period	**$ 673,210**	$ (57,400)	$ 730,610

- Cash generated from operating activities decreased by $729,547.
  - Cash flow before non-cash working capital adjustments decreased by $234,615. The decrease was due to the increase in net loss before taxes of $881,448 offset with higher addback of non-cash items of $646,833. The increase in non-cash items is the result of the MOS acquisition, elements of which are accounted for at a discount, which gives rise to non cash accretion expense and derivatives, which give rise to non cash mark to market adjustments.
  - Net change in non-cash working capital items decreased by $494,932 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 $2,589,222.
  - Equipment purchases decreased by $181,369; in 2017 there was an acquisition of a new service vehicle to support the agreement with Lafarge for the regional expansion of cellular concrete and Ready Mix sales;
  - Spending on research programs decreased by $39,694 in 2018;
  - Absence of $2,300 in proceeds of disposition from an asset sold in 2017;
  - The gross cash cost of the acquisition of MOS was $3,051,595, which was financed with a $1,800,000 USD loan from the BDC, a portion of the funds raised from the Private Placement and from working capital. Cash held by MOS on the acquisition date was $243,610 and is net from the gross cash cost of the acquisition for the purposes of the statement of cash flow.

- Cash used in financing activities increased by $4,112,515.
    - In 2018 the Company generated $4,236,933 from financing activities. The following sources of financing were received by the Company: Long term debt generated $2,332,620 of cash pursuant to a $1,800,000 USD loan from the BDC ; the bank operating loan provided $877,118 in cash; the private placement generated net proceeds of $1,224,245 from the issuance of common shares and share purchase warrants, the exercise of employee stock options generated proceeds of $43,500 and $16,775 was received in government grants on it's project testing programs This was offset by scheduled repayments of $202,187 on long term debt and $55,138 on finance lease obligations.
    - In 2017 the Company generated $124,418 from financing activities: new BDC debt provided $280,555 to finance the completion of production equipment and acquisition of a new service vehicle to support the agreement with Lafarge for the regional expansion of cellular concrete and Ready Mix sales and to fund the first year cost of the BDC program to assist the Company in establishing its growth strategy; proceeds of $37,286 were received from government grants on its research projects and scheduled repayments of $150,231 and $43,192 were made on the BDC loans and on finance lease obligations, respectively.

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 continued sales, profits, cash flow from operations, maintaining a facility to finance working capital, accessing capital debt facilities through loans or lease financing and financing supplied through public offerings of its shares.

The Company, through its wholly owned subsidiary CEMATRIX Canada, has a $1,500,000 bank operating loan with the Canadian Western Bank ("CWB" or "Bank"). Under the bank operating loan, the Bank will advance up to $1,500,000 based on 75% of trade receivables less than ninety days outstanding at the end of each month and 50% of inventories (up to a maximum $250,000). Based on these restrictions the actual bank operating loan availability at September 30, 2018 was $1,095,000. The actual bank operating loan was $943,517 as at September 30, 2018.

The bank operating loan bears interest at an amount equal to the greater of 4.7% or 2.0% above the CWB prime lending rate, which is currently set at 3.7%.

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

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

- Tangible net worth of not less than $3,000,000, tested no less than monthly. Tangible net worth is defined as the aggregate of share capital and retained earnings (shareholders' equity);

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

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

At September 30, 2018, one of the bank operating loan covenants were not met - the current ratio test. In November 2018, the CWB granted relief on the current ratio test in relation to the bank operating loan for the period ended September 30, 2018.

The Company, through its wholly owned subsidiary MOS, has a $750,000 USD operating loan which is fully drawn. The interest, which is payable quarterly, is at a variable rate of 2.0% above the JPMorgan Chase Bank's prime lending rate, which is currently set at 5.0%. The principal must be repaid in full before May 31, 2019. At September 30, 2018 the Canadian equivalent of this loan was $968,325.

The Company has $319,445 of undrawn equipment financing with the BDC that will be used, as required, to fund the construction of additional production units. (See note 13 to the Interim Consolidated Financial Statements).

At September 30, 2018, the Company had Net Working Capital of $2,231,338 compared to $854,355 at December 31, 2017.

For the nine months ended September 30, 2018, the Company reported a loss before other items of $461,450, before taxes, negative cash from operations of $443,226, before net change in non-cash working capital items, and negative EBITDA of $527,550.

On April 30, 2018 and June 25, 2018, the Company completed the first and second tranches of a Private Placement for net proceeds of $684,644. The net proceeds were used for general working and growth capital and to finance a portion of the purchase price for the MOS acquisition.

On August 24, 2018, the Company another Private Placement for net proceeds of $539,601. The net proceeds were used for general working capital.

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

The Company has signed contracts on hand for $28.9 million and Verbally Awarded projects of $6.1 million for a total of $34.9 million, $20.7 million of which will be scheduled for completion in 2018 and the Company has a number of other contracts in process.

The realization of the net working capital as at September 30, 2018, the availability of the CWB demand operating loan and the successful completion of sales contracts that are in place provide the necessary liquidity to carry the Company's operations through 2018. Ongoing liquidity beyond this, is dependent on the Company achieving additional sales and profitable results.

Capital resources

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

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

The Company defines its capital as the long term debt, the finance lease obligations and shareholders' equity. The current objective of the Company is to manage its capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders in relation to the risks underlying the Company's assets. The consolidated capital of the Company, as outlined in Note 26 - Capital management to the Interim

Consolidated Financial Statements, was $14,336,087 at September 30, 2018 as compared to $5,839,246 at December 31, 2017 (see Section E. Consolidated Statements of Financial Position for details).

Commitments

The following is a summary of the Company's lease and long term debt obligations and commitments for the next five years from September 30, 2018.

Debt Category	2018/19	2019/20	2020/21	2021/22	2022/23
	$	$	$	$	$
Finance lease obligations (1)	139,562	109,144	60,555	21,751	-
BDC Financing (2) (3)	681,280	680,960	443,970	373,777	332,137
Secured Debenture (2)	-	1,000,000	-	-	-
Operating leases	304,865	77,992	-	-	-
Earn-out liability	660,759	529,254	476,388	-	-
Convertible note	-	-	3,649,659	-	-

(1) Includes principal and interest
(2) Principal only
(3) Based on BDC loans drawn down as of September 30, 2018
(4) The Company's lease on its head office and shop facilities in Calgary expires December 31, 2019.

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements at September 30, 2018 or December 31, 2017

I. Transactions with Related Parties

During the three and nine months ended September 30, 2018, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $5,028 and $161,849 respectively ($nil and $17,864, respectively for the same periods in 2017) of which $33,318 is in trade and other payables as at September 30, 2018 (December 31, 2017 - $2,651).

The Vendor is currently a director of the Company and holds half of the US operating loan ($968,325), half of the earn-out liability ($1,666,401) and half of the convertible note ($3,649,659).

J. Critical 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 have 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 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.

K. Changes in Accounting Policies including Initial Adoption

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

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

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

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

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

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

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

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

All of trade receivables were generated from contracts with customers.

IFRS 9 Financial Instruments ("IFRS 9")

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

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

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

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

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

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

IFRS 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.

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 consolidated financial statements from the adoption of this future accounting pronouncement.

L. Financial Instruments

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. For information on financial instruments refer to Note 4 (M) – Significant Accounting Policies – Non-derivative financial instruments in the audited consolidated financial statements at December 31, 2017 and Note 25 – 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 loans, which had a balance of $3,335,200 outstanding at September 30, 2018, the bank operating loan, which had a balance of $943,517 outstanding at September 30, 2018 and the US operating loan, which had a balance of $968,325 at September 30, 2018 are subject to floating market rates. Based on this floating rate debt outstanding as at September 30, 2018, a 1% increase/decrease in interest rates would result in a decrease/increase in net loss attributable to common shareholders of approximately $38,300.

Credit Risk

The Company is responsible for reviewing the credit risk for each customer before standard payment and delivery terms and conditions are offered. The Company review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before the Company extends credit. The Company monitors its trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk. The Company also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. 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 September 30, 2018, 6 customers accounted for approximately 83% of trade receivables (at December 31, 2017, 6 customers accounted for approximately 89% of trade receivables). For the nine months ended September 30, 2018, 4 customers each accounted for over 12% of revenues. At September 30, 2018, the Company had $683,723 of cash and cash equivalents (December 31, 2017 - $42,933), an $80,000 term deposit (December 31, 2017 - $80,000) and $51,409 (December 31, 2017 - $48,367) of fair valued share acquisition loans that are outstanding with an officer and a former officer of the Company.

Liquidity Risk

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

The following table summarizes the maturity profile of the Company's financial liabilities at September 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 September 30, 2018				
Bank overdraft	**$ 10,513**	**$ -**	**$ -**	**$ 10,513**
Bank operating loan	**943,517**	**-**	**-**	**943,517**
US operating loan	**968,325**	**-**	**-**	**968,325**
Trade and other payables	**3,556,831**	**-**	**-**	**3,556,831**
Long-term debt	**681,280**	**1,124,929**	**2,528,991**	**4,335,200**
Finance lease obligations	**97,662**	**173,321**	**39,670**	**310,653**
Earn-out liability	**660,759**	**529,253**	**475,510**	**1,665,522**
Convertible note	**-**	**-**	**3,649,659**	**3,649,659**
	$ 6,918,887	**$ 1,827,503**	**$ 6,693,830**	**$ 15,440,220**

	Less than 1 year	1 to 2 years	2 to 6 years	Total
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
Finance lease obligations	62,606	135,287	43,181	241,074
	$ 1,102,564	$ 1,525,749	$ 516,804	$ 3,145,117

Foreign Exchange Risk

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

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

	2018	2017
Cash and cash equivalents	**$** 383,628	$ 32,136
Trade and other receivables	**$** 2,458,843	$ 39,191
Prepaid expenses and deposits	**$** 68,532	$ 10,127
Trade and other payables	**$** 1,513,427	$ 8,148
US operating loan	**$** 750,000	$ -
Long term debt	**$** 1,762,500	$ -
Finance lease obligations	**$** 53,584	$ -
Earn-out liability	**$** 1,190,000	$ -
Convertible note	**$** 2,826,783	$ -

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 September 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 $247,100.

M. Disclosure of Outstanding Share Data

As at September 30, 2018 and November 7, 2018, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company.

	Authorized	**Outstanding as at September 30, 2018**	**Outstanding as at November 7, 2018**
Voting or equity securities issued and outstanding	Unlimited Common Shares	44,480,769 Common Shares	44,480,769 Common Shares
Securities convertible or exercisable into voting or equity securities – stock options	Stock options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 4,020,000 Common Shares at an exercise price at between $0.145 - $0.43	Stock options to acquire 4,020,000 Common Shares at an exercise price at between $0.145 - $0.43
Securities convertible or exercisable into voting or equity securities – share purchase warrants	Unlimited Share Purchase Warrants	Share purchase warrants to acquire 3,263,377 common shares at a price of $0.35	Share purchase warrants to acquire 3,263,177 common shares at a price of $0.35

On April 30, 2018 and June 25, 2018, the Company completed the first and second tranches a non-brokered Private Placement for 3,481,130 units (each, a "Unit") at a price of $0.20 per Unit for net proceeds of $684,644. Each Unit is comprised of one common share and one half warrant (each a "Warrant"). Each full Warrant entitles the holder thereof to acquire one common share for $0.35 until their expiry date of April 30, 2020.

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

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.

In August 2018, the Company issued 345,000 options to MOS employees. 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 five year term and will vest over three years as to one third at the end of each year.

On August 24, 2018, the Company completed a non-brokered private placement for 2,880,224 units (each, a “Unit”) at a price of $0.20 per Unit for gross proceeds of $576,045 (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 $24,900 and the Company issued 1,440,112 Warrants that entitle the holder thereof to acquire one common share for $0.35 until the expiry date of August 24, 2020. In addition to this, costs of $11,544 were incurred in conjunction with the Private Placement.

On September 25, 2018, 300,000 common shares were issued on the exercise of employee stock options by the former Chief Financial Officer, proceeds of $43,500 were received by the Company and $41,922 of related non-cash stock based compensation previously charged to contributed surplus was reclassified to share capital

N. Outlook

Management continues to focus on liquidity, cash flow and a return to profitability. This will be achieved as the accretive benefits of the MOS acquisition are realized and contracted projects are completed. The third quarter 2018 was a step in the right direction with revenues of $7.0 million and income before other items of $266,402. Management forecasts that the fourth quarter of 2018 will exceed the results of the third quarter.

The Company’s Sales Pipeline continues to grow in Canada and the United States and this confirms that there will be significant growth in infrastructure sales for 2018 and bodes well for a strong future in this growing market. future. Management also expects sales in the oil and gas sector of Western Canada will continue to improve in 2019 and continue to improve in the future, as well.

“The positive operating results for the third quarter and year to date reflect both the benefit to the Corporation of acquiring MixOnSite on May 31, 2018 and continued growth of infrastructure markets in Canada and the United States” stated Jeff Kendrick, President and CEO of CEMATRIX Corporation. “Scheduled contracts in place for the fourth quarter are expected to continue this trend.”

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Form 51-102F1 - Management's Discussion & Analysis
For the Three and Nine Months Ended September 30, 2018

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three and nine months ending September 30, 2018 are outlined below:

General

There are a number of statements in the MD&A which refer to "expect", "will", "believes", "expected sales growth or increase", "forecast revenue growth", "anticipated growth" and "forecasting".

The foregoing statements contains forward-looking statements which are based on sales forecasts prepared for 2018; sales forecasts include work which is under contract for 2018, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in the coming year, where the probabilities applied to the sales forecast are based on management's assessment of the particular project based on historical experience and the stage the project is in the sales cycle. There are a number of risks that could affect these assumptions which include: contracted work is delayed; the failure of 2018 sales to materialize, because of project delays or cancelations or because CEMATRIX's cellular concrete is not specified into projects, management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect, and product acceptance in new markets takes longer than anticipated resulting in reduced sales.

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Appendix B – Definitions

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

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

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

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

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

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

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

Ready Mix
This refers to pre-designed cement slurry which is delivered by a ready mix supplier.

EBITDA
Earnings before interest, taxes, depreciation, amortization, non cash stock based compensation, non cash unrealized foreign exchange gains / (loss) and business acquisition costs.