CEMATRIX CORPORATION

Management's Discussion and Analysis

Three Months Ended March 31, 2019

Date Completed: May 27, 2019

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ended March 31, 2019

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three months ended March 31, 2019. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2019 (the "Interim Consolidated Financial Statements") and the related notes thereto and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2018 and related notes thereto. The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. All dollar figures included therein and in this MD&A are in Canadian dollars.

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

On May 27, 2019 the Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Consolidated Financial Statements and MD&A for the three months ended March 31, 2019. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on May 27, 2019.

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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, 2018, the significant market drivers and risk factors that affect its business and could cause actual results to differ materially from the forward-looking information disclosed herein. These factors remain substantially unchanged as of the date hereof. The Company cautions the reader that these factors are not exhaustive. The risk factors that could lead to differences in business results and which could cause actual results to differ materially from the forward-looking information disclosed herein include, without limitation, legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where the Company operates, results of financing efforts, changes in counterparty risk and the impact of accounting standards issued by the International Accounting Standards Board.

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

A. Purpose of the Company's MD&A

The purpose of this MD&A is to provide a narrative explanation, through the eyes of management, to assist the reader in understanding the Company's performance for the three months ended March 31, 2019, the Company's financial condition as at March 31, 2019 and its future prospects.

B. First Quarter Comments

Financial Review

Revenue was $3,185,726 in the first quarter of 2019 an increase of $1,709,258 or 116% as compared to the same period in 2018. The acquisition of MixOnSite USA, Inc. ("MOS") closed on May 31, 2018 and continues to perform, delivering approximately half or $1,564,714 of the revenue earned in the first quarter of 2019. The Canadian operations earned revenue of $1,621,012 in the first quarter of 2019, an increase of $144,544 or 10% compared to the first quarter of 2018.

The increase in revenues resulted in Gross Margin of $520,208 in the first quarter of 2019 an increase of $348,073 or 202% compared to the first quarter of 2019. Gross Margin Percentage increased to 16% in the first quarter of 2019 compared to 12% in the first quarter of 2018. The improvement in the Gross Margin Percentage is the result of the CEMTRIX's fixed cost structure which results in high operating leverage. The revenues earned in the first quarter of 2019 did not allow for the recovery of this fixed cost structure and resulted in a loss attributed to common shareholders of $836,701 which is an increase of $519,923 or 164% compared to the first quarter of 2018.

The first quarter is historically slow and representative of the seasonal construction industry that Cematrix is a part of. The full year 2019 guidance of $25 million in revenues and $4 million in EBITDA remains unchanged and the high operating leverage will result in higher Gross Margin Percentage on higher sales. Contracted and Verbally awarded contracts are approximately $25.9 million, of which, $3.9 is scheduled for 2020. As these sales are realized, CEMTRIX will return to profitability and positive free cash flow by the end of 2019.

Report on Major Initiatives

Proposed Acquisition of Pacific International Grout Company and Engagement of Joseph Gunnar LLC as the Company's Exclusive Investment Banker

On Jan 21, 2019, CEMATRIX announced that it had entered into a letter of intent with Pacific International Grout Company January 18, 2019 (the "Letter of Intent") in respect of a proposed transaction pursuant to which CEMATRIX is anticipated to acquire all of the issued and outstanding shares of PIGCO (the "PIGCO Shares"), such that PIGCO will be a wholly owned subsidiary of CEMATRIX (the "Acquisition"). It is currently anticipated that the Acquisition will occur as a share sale, with the final structure of the Acquisition being subject to receipt of tax, corporate and securities law advice for both CEMATRIX and PIGCO. Upon completion of the Acquisition, PIGCO, or such other appropriate US entity the Purchaser uses to acquire the PIGCO Shares and continue the operations of PIGCO (the "Operational Subsidiary"), will continue to carry on the business of PIGCO.

Effective January 1, 2019, the Company entered into an exclusive agreement with a Wall Street investment banking and securities boutique, Joseph Gunnar & Co. LLC. This investment bank will be providing CEMATRIX with financial advisory services, in particular relating to evaluating financing options and targeting further U.S. based acquisitions including the PIGCO acquisition.

Additionally, Joseph Gunnar & Co. LLC will also focus on assisting CEMATRIX in creating and executing new strategies for maximizing shareholder value, through its full scope of investment banking services. The Corporation does not have a defined timeline for any specific financing and cannot provide any assurance whether or when a financing will be announced or consummated.

The due diligence on the Acquisition has been substantially completed with no significant issues raised. The value of the acquisition to CEAMTRIX, it's shareholders and management have been confirmed. Proposals on the debt component of the financing plan have been received, reviewed and considered acceptable to management. The transaction is now contingent upon finalizing a purchase and sale agreement, equity financing, approval by the Board of Directors and all relevant regulatory bodies.

C. Results of Operations for Quarter Ending March 31, 2019

		Three Months Ended March 31		
		2019	2018	Change
Revenue	**$**	**3,185,726**	$ 1,476,468	$ 1,709,258
Gross margin	**$**	**520,208**	$ 172,135	$ 348,073
Operating expenses		**(1,047,110)**	(512,819)	(534,291)
Operating loss		**(526,902)**	(340,684)	(186,218)
Non-cash stock based compensation		**(34,117)**	(5,366)	(28,751)
Finance costs		**(216,844)**	(53,950)	(162,894)
Other income (expense)		**181,583**	(2,484)	184,067
Loss before other items		**(596,280)**	(402,484)	(193,796)
Amortization of intangibles		**(122,865)**	-	(122,865)
Acquisition costs		**(48,868)**	-	(48,868)
Non-cash accretion costs		**(132,025)**	894	(132,919)
Non-cash fair value of derivatives		**(119,547)**	-	(119,547)
Loss before income taxes		**(1,019,585)**	(401,590)	(617,995)
Deferred taxes recovery		**182,884**	84,812	98,072
Net loss attributable to the common shareholder		**(836,701)**	(316,778)	(519,923)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		**(162,911)**	2,403	(165,314)
Comprehensive loss	**$**	**(999,612)**	$ (314,375)	**$** (685,237)
Fully diluted loss per common share	**$**	**(0.019)**	$ (0.009)	$ (0.010)

		Three Months Ended March 31		
		2019	2018	Change
Revenue				
Infrastructure				
Western Canada	**$**	**609,287**	**$** 111,486	**$** 497,801
Eastern Canada		**714,728**	1,364,982	(650,254)
United States		**1,861,711**	-	1,861,711
	$	**3,185,726**	$ 1,476,468	$ 1,709,258

Revenue was higher by 116% or $1,709,258. The increase of $1,861,711 in infrastructure sales in the United States was driven mainly by the acquisition of MOS, which closed on May 31, 2018. Infrastructure sales in Eastern Canada were $714,728 in the first quarter of 2019, a decrease of $650,254 compared $1,364,982 in the same period last year. This decrease was due to large tunnel projects in Ontario and Quebec in 2018 as compared to 2019. Western Canada infrastructure sales were $609,287 in the first quarter of 2019 compared to $111,486 in the prior year period

Gross Margin was $520,208 in the first quarter of 2019, an increase of $348,073, compared to a Gross Margin of $172,135 in the prior year period. As a percentage of revenues, the Gross Margin Percentage improved to 16% compared to 12% in 2018.

Operating expenses were higher by $534,291 or 104% mainly due to the following:

- Inclusion of MOS operating costs of $350,355;
- Salaries and benefits increased by $85,241 as a result of an additional part time employee and a new Prairie sales representative. As well, in the beginning of 2018, salary reductions were taken to reduce cash flow requirements;
- Consulting charges increased by $21,100 as a result of costs associated with the BDC growth driver program and transition costs associated with the new CFO and MOS acquisition; and
- The Audit fee accrual increased by $12,960 as a result of MOS acquisition.

Non-cash stock based compensation was $34,117 in the first quarter of 2019 compared to $5,366 in the prior year period. The increase of $28,751 is the result of the 1,295,000 options being granted after the first quarter of 2018.

Finance costs were $216,844 in the first quarter of 2019 compared to $53,950 in the prior year period. The increase of $162,894, is mainly due to the MOS acquisition which was financed primarily with debt. The significant increases are outlined below:

- Incremental interest on the bank operating loan in the amount of $13,207;
- Interest on the new $750,000 USD Operating Loan in the amount of $20,723;
- Interest on the new $1,800,000 USD BDC Loan in the amount of $46,619; and
- Interest on the new $2,500,000 USD Convertible Note in the amount of $71,901.

Other income of $181,583 was recognized in the first quarter of 2019 compared to an expense of $2,484 in the prior period. The increase of $184,067 is largely the result of $116,710 in unrealized foreign exchange gains recognized on the following USD denominated liabilities: USD BDC Loan of $48,180 and Convertible Note of $67,943. As the Canadian dollar strengthened relative to the USD, the value of these liabilities decreased, which gives rise to an unrealized foreign exchange gain.

Amortization of the intangibles was $122,865 in the first quarter of 2019 and originated from the acquisition of MOS where an intangible asset of $638,879 was attributed to the value of the sales backlog on the business combination.

Acquisition costs were $48,868 in the first quarter of 2019. These cost relate to the proposed acquisition of Pacific International Grout Company.

Non-cash accretion was an expense of $132,025 in the first quarter of 2019 compared to income of $894 for the same period last year. The increase in non-cash accretion expense can be mostly attributed to the Earn-out Liability and Convertible Note, both of which originated from the acquisition of MOS. On acquisition, the Earn-out liability was recorded at a discount, while the Convertible Note was trifurcated into the host debt contract, which was recorded at a discount and conversion and prepayment features, which are accounted for as derivatives. Furthermore the Earn-out Liability and conversion feature must be revaluated at every period post acquisition. Based upon the black-scholes option pricing model, the fair value of the conversion and prepayment features of the Convertible Note decreased by $119,547 in the first quarter of 2019 resulting in a non-cash fair value adjustment gain.

- Non-cash accretion expense on the Earn-out Liability in the amount of $111,790;
- Non cash accretion expense on the host debt contract portion of the new Convertible Note in the amount of $20,700; and
- Non cash fair value adjustment to the derivative portions of the Convertible Note in the amount of $119,547.

Unrealized foreign exchange gains and losses are recognized on the translation of foreign subsidiaries. Both MOS and Cematrix (USA) Inc have a USD functional currency and as the Canadian dollar strengthened relative to the USD, the value of these assets depreciated resulting in an unrealized foreign exchange loss of $162,991 in the first quarter of 2019. The opposite effect occurred in the first quarter of 2018 which resulted in an unrealized foreign exchange gain of $2,430.

The total comprehensive loss was higher by $685,237 This was principally due to finance costs related to MOS, higher operating expenses, non-cash stock based compensation and acquisition costs offset partially by higher Gross Margin and Gross Margin Percentage resulting from the increase in sales for the quarter ended March 31, 2019.

D. Selected Quarterly Financial Information

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

Quarters Ended	Revenues	Comprehensive Income (Loss)	Income (Loss) Per Share Basic	Per Share Diluted
	$	$	$	$
2019 Year				
March 31	**3,185,726**	**(999,612)**	**(0.019)**	**(0.019)**
2018 Year				
March 31	1,476,468	(314,375)	(0.009)	(0.009)
June 30	2,907,933	(930,351)	(0.026)	(0.026)
September 30	7,039,839	(56,096)	(0.000)	(0.000)
December 31	6,136,476	573,009	0.004	0.004
Total for year	17,560,716	(727,813)	(0.027)	(0.027)

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

E. Consolidated Statements of Financial Position

		March 31 2019		December 31 2018		Change
Total current assets	$	**5,652,501**	$	**6,542,167**	$	(889,666)
Total non current assets		**14,268,142**		**13,879,797**		388,345
Total assets	$	**19,920,643**	$	**20,421,964**	$	(501,321)
Current liabilities	$	**6,502,837**	$	**6,672,199**	$	(169,362)
Non current liabilities		**9,637,726**		**9,004,190**		633,536
Total liabilities	$	**16,140,563**	$	**15,676,389**	$	464,174
Shareholders' equity	$	**3,780,080**	$	**4,745,575**	$	(965,495)

Total current assets decreased by $889,666. This decrease in aggregate is summarized below:

- Cash decreased by $397,643 (See the discussion in Section F - Consolidated Statement of Cash Flows);
- Trade and other receivables decreased by $594,264 as a result of the lower sales in the quarter compared to the fourth quarter of 2018;
- Inventory increased by $156,338 as a result of increased inventory levels in anticipation of the construction season;
- Prepaids and deposits decreased by $54,780 and
- Share acquisition loans increased by $683 as a result of $465 in accretion income and interest income of $218.

Total non current assets increased by $388,345. This increase in aggregate is summarized below:

- Property and equipment increased by $537,156 as a result of adopting IFRS 16, which resulting in an increase in buildings of $643,632, additional equipment purchased of $243,538 offset by depreciation expense for the three months ended March 31, 2019 of $262,985, dispositions of $42,084 and a $44,945 reduction relating to the translation of foreign denominated subsidiaries.
- Goodwill and intangibles assets decreased by $252,991 as a result of a $141,172 reduction relating to the translation of foreign denominated subsidiaries and $122,865 in amortization of the sales backlog, being offset by $11,046 on capitalized expenditures relating to research projects (including $973 of capitalized labour).
- The deferred tax asset increased by $104,180 as a result of the recording a recovery of current period deferred income tax on Canadian losses during the three months ended March 31, 2019.

Total current liabilities decreased by $169,362. This decrease in aggregate is summarized below:

- Bank overdraft decreased by $504,069 (See the discussion in Section F - Consolidated Statement of Cash Flows);
- Bank operating loan increased by $71,342 to fund working capital requirements in the Canadian operations;
- The US operating loan is $750,000 USD and is fully drawn on the close of the MOS acquisition. The CAD equivalent was $1,001,250 at March 31, 2019 a decrease of $21,900 from $1,023,150 at December 31, 2018. This reduction is accounted for in the translation of foreign denominated subsidiaries.

- Trade and other payables increased by $146,130 largely due to timing difference in payments in the first quarter of 2019 as compared to 2018;
- Current portion of long term debt decreased by $6,570 as a result of a unrealized foreign exchange gain on the revaluation of the $1,800,000 USD BDC loan entered into by the Company on May 31, 2018.;
- Current portion of lease obligations increased by $105,090 mainly due to adopting IFRS 16 on January 1, 2019. The effect at March 31, 2019 was an increase of $116,483 relating to the current portion of a building lease.
- Current portion of the Earn-out Liability is $1,092,387 and originated from the acquisition of MOS. The increase of $40,615 is due to accretion of $69,225 offset partially by a translation gain of $28,609. The Earn-out Liability is based upon management's estimate and represents 70% of MOS's EBITDA above $500,000 USD for the 12 month period from June 1, 2018 to May 31, 2019.

Total non-current liabilities increased by $633,539. This increase in aggregate is summarized below:

- Long term debt increased by $136,766 due to an additional $178,376 drawn on BDC Loan 3 offset partially by a unrealized foreign exchange gain of $41,610 on the revaluation of the $1,800,000 USD BDC loan entered into by the Company on May 31, 2018.
- Lease obligations increased by $496,064 due to the adoption of IFRS 16.
- Earn-out Liability is $1,153,233 and originated from the acquisition of MOS. The increase of $24,975 is due to reclassification of current portion of accretion of $42,565 offset partially by a translation gain of $17,591. The Earn-out Liability is based upon management's estimate and represents 65% of MOS's EBITDA above $500,000 US for the 24 month period from June 1, 2019 to May 31, 2021.
- The Convertible Note has a face value of $2,500,000 USD and was issued on the acquisition of MOS. On issuance, the Convertible Note was trifurcated into a conversion feature, prepayment feature and a debt host contract. At March 31, 2019 the Convertible Note had an aggregate carrying value of $3,450,696. The increase of $72,304 is due to accretion of $20,700, unrealized foreign exchange loss of $67,943 on the host debt. The fair value of the conversion feature increased $597,733 while the fair value of the prepayment feature decreased $478,186 at March 31, 2019.
- The deferred tax liability decreased by $96,573 as a result of the recording a recovery of current period deferred income tax on US subsidiaries losses, which consists of MOS and Cematrix (USA) Inc., during the three months ended March 31, 2019.

Shareholders' Equity decreased by $965,495. This decrease in aggregate is summarized below:

- Contributed surplus decreased by $73,726 as a result of non-cash stock based compensation of $34,117 recorded in the period partially offset by the reclassification of $107,843 to deficit relating to the expiry of options.
- Accumulated other comprehensive income decreased by $162,911 due to the unrealized foreign exchange gain on the translation of MOS and Cematrix USA for the three months ended March 31, 2019.
- The Deficit increased by $728,858 due to the loss to common shareholders in the first quarter of $836,701 and offset partially by the reclassification of $107,843 from contributed surplus for options expired in March 2019.

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

F. Consolidated Statements of Cash Flows

Comparison of the Three Months ended March 31, 2019 and March 31, 2018

The cash position of the Company at March 31, 2019 was $226,064 (consisting of cash in the bank of $255,710 net of the bank overdraft of $29,646) compared to a cash position of negative $191,307 (consisting of cash in the bank of $37,696 net of the bank overdraft of $229,003) at March 31, 2018. The change in cash in the first quarter of 2019 was an increase of $106,426 as compared to a decrease of $179,187 in the same period of 2018. This change is outlined in the table on the next page:

	Three Months Ended March 31		
	2019	2018	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	**$ (463,890)**	$ (296,746)	$ (167,144)
Net change in non-cash working capital items	**601,648**	(713,560)	1,315,208
	137,758	(1,010,306)	1,148,064
Cash used in investing activities	**(213,584)**	(55,859)	(157,725)
Cash generated from financing activities	**198,335**	884,575	(686,240)
Foreign exchange effect on cash	**(16,083)**	2,403	(18,486)
Increase (decrease) in cash	**106,426**	(179,187)	285,613
Cash (cash deficiency), at beginning of period	**119,638**	(12,120)	131,758
Cash (cash deficiency), at end of period	**$ 226,064**	$ (191,307)	$ 417,371

- Cash generated from operating activities increased by $1,148,064.
  - Cash flow before non cash working capital adjustments decreased by $167,144. The decrease was due to the increase in the loss before taxes of $519,923 offset partially by an increase in non-cash items for depreciation and amortization expense, accretion and fair value adjustments on derivatives.
  - Net change in non-cash working capital items was a positive $1,315,208.
- Cash used in investing activities increased by $157,725.
  - Property and equipment additions were up $239,467 as the Company purchased a new truck and upgrades were made to an existing wet mix unit;
  - Proceeds on the sale of equipment were $41,000 as three vehicles were sold in the first quarter of 2019;
  - Intangible asset spending relating to product testing decreased by $40,742. Expenditures of $11,046 (including $973 of capitalized internal labour) were incurred in the first quarter of 2019 compared to $51,788 (including $16,381 of capitalized internal labour) in the first quarter of 2018;
- Cash generated from financing activities decreased by 686,240.
  - In 2019 the Company generated $198,335 in financing activities. The Company drew an additional $178,376 on its long term debt to fund upgrades on existing equipment during the quarter and drew $71,342 on it's operating loan. This was offset by scheduled repayments of $51,383 on lease obligations; and
  - In 2018 the Company generated $884,575 from financing activities; the demand operating loan provided $882,385; government grants for the project testing programs provided $16,775; scheduled repayments of $14,585 were made on lease obligations.

G. Liquidity, Capital Resources and Commitments

Liquidity

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

The Company, through its wholly owned subsidiary CEMATRIX Canada, has a $1,500,000 bank operating loan with the Canadian Western Bank ("CWB" or "Bank"). Under the bank operating loan, the Bank will advance up to $1,500,000 based on 75% of trade receivables less than ninety days outstanding at the end of each month and 50% of inventories (up to a maximum $250,000). Based on these restrictions, $1,436,000 of the bank operating loan was available at March 31, 2019 with $1,276,783 being drawn.

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

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

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

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

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

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

At March 31, 2019, CEMTRIX did not meet its loan covenants. In May 2019, the CWB provided tolerance of these covenants.

The Company, through its wholly owned subsidiary MOS, has a $750,000 USD operating loan which is fully drawn. The interest, which is payable quarterly and currently set at 7.5%, is based upon a rate of 2.0% above the JPMorgan Chase Bank's prime lending rate. The principal must be repaid in full before May 31, 2019. At March 31, 2019 the Canadian equivalent of this loan was $1,001,250. The Company and debtor, the former owners of MixOnSite have verbally agreed to an extension of the repayment to enable the company to establish receivables financing for its US sales through MixOnSite, the terms of which will be finalized prior to May 31, 2019.

The Company has $141,069 of undrawn equipment financing with the BDC that will be used, as required, to fund the construction of additional production units or upgrade existing production units. The lapse date for the funding is April 24, 2019.

At March 31, 2019, the Company had Net Working Capital of $3,133,064 compared to $3,771,900 at December 31, 2018, reflecting a decrease in activity in the first quarter of 2019 in comparison to the fourth quarter of 2018.

For the three months ended March 31, 2019, the Company reported a loss before other items of $719,145 and negative cash flow from operations before net change in non-cash working capital items of $463,890 and a negative EBITDA of $199,044.

Management continues to closely monitor discretionary costs.

The Company has signed contracts on hand for $17.8 million and Verbally Awarded projects of $8.1 million for a total of $25.9 million, $3.8 million of which will be scheduled for completion in 2020. A significant number of these contracts are scheduled to be completed in the second and early in the third quarter of 2019, which will be beneficial to operational cash flow.

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

Capital resources

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 $141,069 remaining to be drawn down by April 24, 2019.

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 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 $14,644,129 at March 31, 2019 as compared to $14,756,528 at December 31, 2018 (see Section H. Consolidated Statements of Financial Position for details).

Commitments

H. Off Balance Sheet Arrangements

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

I. Transactions with Related Parties

During the three months ended March 31, 2019, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $nil ($nil for the three months ended March 31, 2018) of which $nil is in trade and other payables as at March 31, 2019 (December 31 2018 - $4,347).

The former owner of MOS is currently a director of the Company and holds half of the US operating loan ($1,001,250 at March 31, 2019; $1,023,150 at December 31, 2018), half of the earn-out liability ($2,245,620 at March 31, 2019 and $2,180,030 at December 31, 2018) and half of the convertible note ($3,450,696 at March 31, 2018 and $3,378,392 at December 31, 2018). This individual is also a consultant and is entitled to an annual consulting fee of $20,000 USD over the term of the agreement which is 3 years.

J. Critical Accounting Judgements, Estimates and Assumptions

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

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2018. There have been no changes since that date.

K. Changes in Accounting Policies including Initial Adoption

The significant accounting policies of the Company are outlined in Note 4 of the audited condensed consolidated financial statements for the year ended December 31, 2018. There have been no changes since that date other than what is outlined below.

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

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

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

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

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

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

- Excluded initial direct costs when measuring the lease asset.

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

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

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

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

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

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

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

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

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

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

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

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

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

L. Financial Instruments

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. For information on financial instruments refer to Note 4 (O) – Significant Accounting Policies – New Accounting Policies – IFRS 9 Financial Instruments in the audited consolidated financial statements at December 31, 2018 and Note 26 – Financial Instruments and risk management to the Interim Consolidated Financial Statements.

Risk management
The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

Interest Rate Risk
The BDC Financings, which had a balance of $3,245,211 outstanding at March 31, 2019, the bank operating loan, which had a balance at March 31, 2019 of $1,276,785, and the US operating loan, which had a balance at March 31, 2019 of $1,001,250 are subject to floating market rates. Based on the floating rate debt outstanding as at March 31, 2019, a 1% increase/decrease in interest rates would result in a decrease/increase in net loss attributable to common shareholders of approximately $48,700.

Credit Risk
The Company is responsible for reviewing the credit risk for each customer before standard payment and delivery terms and conditions are offered. The Company review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before the Company extends credit. The Company

monitors its trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk. The Company also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed.

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, term deposits, trade receivables and the share acquisition loans. The Company's cash is held with large established financial institutions. The Company manages credit risk using credit approval and monitoring practices. The credit risk on share acquisition loans is minimal as the Company can cancel the common shares issued to these individuals in the event of non payment. At March 31, 2019, 6 customers accounted for approximately 67.6% of trade receivables (at December 31, 2018, 6 customers accounted for approximately 51% of trade receivables). For the three months ended March 31, 2019, 8 customers each accounted for over 84.65% of revenue. At March 31, 2019, the Company had $255,710 of cash and cash equivalents (2018 - $653,353), an $80,000 term deposit (2018 - $80,000) and $44,557 (2018 - $48,874) of fair valued share acquisition loans that are outstanding with two officers, and a former officer of the Company.

Liquidity Risk

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

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

	Less than 1 year	**1 to 2 years**	**2 to 6 years**	**Total**
As at March 31, 2019				
Bank overdraft	**$ 29,646**	**$ -**	**$ -**	**$ 29,646**
Bank operating loan	**1,276,785**	**-**	**-**	**1,276,785**
US operating loan	**1,001,250**	**-**	**-**	**1,001,250**
Trade and other payables	**2,139,170**	**-**	**-**	**2,139,170**
Long-term debt	**690,837**	**1,623,883**	**1,930,491**	**4,245,211**
Lease obligations	**272,762**	**235,284**	**382,061**	**890,107**
Earn-out liability	**1,092,387**	**598,659**	**554,574**	**2,245,620**
Convertible note	**-**	**-**	**3,450,696**	**3,450,696**
	$ 6,502,837	**$ 2,457,826**	**$ 6,317,822**	**$ 15,278,485**

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

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to balances denominated in US dollars ("USD") and the operations of its US subsidiary which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain.

As at March 31, 2019 and December 31, 2018 the following balances were denominated in USD:

		March 31, 2019		December 31, 2018
Cash and cash equivalents	**$**	**189,083**	$	477,244
Trade and other receivables	**$**	**1,770,237**	$	1,355,817
Prepaid expenses and deposits	**$**	**55,964**	$	62,916
Trade and other payables	**$**	**819,055**	$	1,148,915
US operating loan	**$**	**750,000**	$	750,000
Long term debt	**$**	**1,650,000**	$	1,650,000
Lease obligations	**$**	**514,671**	$	49,242
Earn-out liability	**$**	**1,682,112**	$	1,598,028
Convertible note	**$**	**2,345,477**	$	2,221,772

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at March 31, 2019 a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total comprehensive loss of approximately $56,000.

M. Disclosure of Outstanding Share Data

As at March 31, 2019 and May 27, 2019, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company

	Authorized	**Outstanding as at March 31, 2019**	**Outstanding as at May 27, 2019**
Voting or equity securities issued and outstanding	Unlimited Common Shares	44,480,769 Common Shares	44,480,769 Common Shares
Securities convertible or exercisable into voting or equity securities – stock options	Stock options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 3,320,000 Common Shares at an exercise price at between $0.18 - $0.43	Stock options to acquire 3,320,000 Common Shares at an exercise price at between $0.18 - $0.43
Securities convertible or exercisable into voting or equity securities – share purchase warrants	Unlimited Share Purchase Warrants	Share purchase warrants to acquire 3,263,177 common shares at a price of $0.35	Share purchase warrants to acquire 3,263,177 common shares at a price of $0.35

N. Outlook

Management believes that the outlook for CEMATRIX continues to be very positive. Before considering the additional sales from the proposed acquisition of Pacific International Grout Company, CEMTRIX is anticipating revenues of $25 million and EBITDA of $4 million, much of which is contracted and/or verbally awarded or in its pipeline and highly likely.

Cash flow and liquidity continue to be a concern for management but the forecast, when realized, will return the Company to profitability and positive free cash flow for the year.

Furthermore, the acquisition of Pacific International Grout Company continues to move forward, as due diligence has confirmed that the acquisition is both strategically and operationally important to CEMATRIX and its shareholders.

Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ended March 31, 2019

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three months ending March 31, 2019 are outlined below:

General

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

The foregoing statements contains forward-looking statements which are based on sales forecasts prepared for 2019; sales forecasts include work which is under contract for 2019, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in the coming year, where the probabilities applied to the sales forecast are based on management's assessment of the particular project based on historical experience and the stage the project is in the sales cycle. There are a number of risks that could affect these assumptions which include: contracted work is delayed; the failure of 2019 sales to materialize, because of project delays or cancelations or because CEMATRIX's cellular concrete is not specified into projects, management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect, and product acceptance in new markets takes longer than anticipated resulting in reduced sales.

Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ending March 31, 2019

Appendix B – Definitions

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

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

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

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

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

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

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

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

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