CEMATRIX CORPORATION

Management's Discussion and Analysis

Three and Nine Months Ended September 30, 2016

Date Completed: November 23, 2016

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three and Nine Months Ended September 30, 2016

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, 2016. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three and nine months ended September 30, 2016 (the "Interim Consolidated Financial Statements") and the related notes thereto and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2015 and related notes thereto. The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. All dollar figures included therein and in this MD&A are in Canadian dollars.

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

On November 23, 2016 the Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Consolidated Financial Statements and MD&A for the three and nine months ended September 30, 2016. The Board of Directors of the Company has reviewed and approved the Interim Consolidated Financial Statements and MD&A on November 23, 2016.

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

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, 2016, the Company's financial condition as at September 30, 2016 and its future prospects.

B. Third Quarter Highlights

The most significant highlight of the third quarter is that 2016 infrastructure sales will not grow sufficiently in the year to offset the loss of oil and gas construction sales. This is partially because the infrastructure market is just taking longer to develop, but more so because an unusual number of fall projects were delayed to the first part of 2017. The delays were the result of wet weather and onsite contractor construction issues. Furthermore, up until late in the third quarter of 2016, CEMATRIX had expected that certain additional infrastructure projects would be contracted and that our 2016 sales forecast could still be achieved. Unfortunately, this expectation was not realized.

Contracted sales are currently at $16.0 million, of which $5.8 million is now scheduled to be completed in the first half of 2017.

The Company received notice that Canadian Business and PROFIT had ranked the Company 171st on their 2016 PROFIT 500 listing.

The Company began a three year third party testing program to validate certain properties of the Company's cellular concrete products. This testing will assist in the marketing of the Company's products in the future, particularly in the infrastructure market where this information will be useful for engineers considering the use of CEMATRIX's products for various applications. The total program is expected to cost $500,000.

A new technologically advanced wet mix unit was completed and went into service in October. This unit will expand the capacity for wet mix projects and will produce enhanced high quality material similar to the product produced by the Company's dry mix units.

C. Results of Operations

For the three months ending September 30, 2016 compared to the three months ending September 30, 2015

	Three Months Ended September 30		
	2016	2015	Change
Revenue	**$ 2,505,273**	$ 4,092,447	$ (1,587,174)
Gross margin	**$ 148,962**	$ 1,721,473	$ (1,572,511)
Operating expenses	**(567,194)**	(549,474)	(17,720)
Operating income (loss)	**(418,232)**	1,171,999	(1,590,231)
Non-cash stock based compensation	**(46,269)**	(62,388)	16,119
Finance costs	**(39,611)**	(147,724)	108,113
Other income	**12,406**	23,378	(10,972)
Income (loss) before income taxes	**(491,706)**	985,265	(1,476,971)
Provision of deferred taxes	**102,586**	(232,865)	335,451
Net income (loss) attributable to the common shareholder	**(389,120)**	752,400	(1,141,520)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiary	**(3,461)**	1,913	(5,374)
Comprehensive income (loss) for period	**$ (392,581)**	$ 754,313	**$** (1,146,894)
Fully diluted income (loss) per common share for period	**$ (0.011)**	$ 0.021	$ (0.032)

	Three Months Ended September 30		
	2016	2015	Change
Revenue			
Infrastructure			
Western Canada	**$ 169,977**	$ 641,147	$ (471,170)
Eastern Canada	**1,044,113**	146,055	898,058
United States	**-**	313,493	(313,493)
	1,214,090	1,100,695	113,395
Western Canada Oil and Gas	**1,291,183**	2,991,752	(1,700,569)
	$ 2,505,273	$ 4,092,447	$ (1,587,174)

The revenue was lower by 38.8% or $1,587,174. Infrastructure sales were up $113,395, or 10.3%, with the increase occurring in Eastern Canada. These sales include the completion of the Company's first project in Quebec. There were no projects in the United States ("U.S.") in the comparative period in 2016. Oil and gas sector sales were down $1,700,569, or 56.8%. This decrease is principally related to reduced volumes from one large oil and gas project that commenced in January 2015 and is scheduled to be completed in the next couple of months. Revenue from this project in the three months ended September 30, 2016 was $1.181 million as compared with $2.826 million in the same period in 2015.

The gross margin on sales was lower by $1,572,511, or 91.4%. The gross margin percentage achieved of 6% compared to 42.1% in 2015. The decrease in the gross margin dollars and the gross margin percentage for the third quarter of 2016 was mainly due to the following items:

- lower sales combined with a greater amount of infrastructure work, as a percentage of total sales, which tends to have lower margins as compared to oil and gas work;
- an unanticipated charge of $140,000 related to cost adjustments to a project completed in June 2016;
- lower margins on an oil and gas project where the Company has switched production methods from lower cost dry mix to higher cost wet mix production to facilitate safe production of lower daily volumes in confined areas;
- lower mobilization costs due to fewer projects;
- an increase in fixed overhead due to the end of a sublease agreement for a portion of the Calgary shop space; and
- an increase in depreciation as a result of the new dry mix unit going into service in the fall of 2015.

Operating expenses were higher by $17,720 or 3.2% due to general increases.

Non-cash stock based compensation was down by $16,119, or 25.8%, as a result of the timing of vesting of issued stock options. Under IFRS rules, the associated non-cash stock based compensation related to stock options has to be expensed based on the vesting privileges of the particular option grants.

Finance costs were down $108,113, or 73.2%. The decrease was principally due to lower interest on the existing BDC loans, as the loan balances were reduced through scheduled repayments, and lower interest on the mezzanine loan and factoring agreement as this high cost working capital financing was replaced with the new demand operating loan with the Canadian Western Bank in April 2016.

Other income was down $10,972 due to reduced foreign exchange gains.

The change in deferred income taxes was a positive $335,451. In 2016 a deferred income tax recovery of $87,586 was recorded as compared to a deferred income tax provision of $211,653 in 2015. The change is due to weaker results of the Canadian operations in comparison to the same period in 2015.

Unrealized foreign exchange loss on translation of foreign subsidiary was lower by $5,374. The variability period over period is due to changes in the foreign exchange rate of the U.S. dollar vs. the Canadian dollar, which has strengthened in 2016, and changes in the levels of the assets, liabilities, revenues and expenses of the U.S. subsidiary between the two periods.

The total comprehensive income (loss) was lower by $1,146,894. This was principally due to lower margin on sales as partially offset by lower finance costs.

For the nine months ending September 30, 2016 compared to the nine months ending September 30, 2015

	Nine Months Ended September 30		
	2016	2015	Change
Revenue	**$ 8,431,034**	$ 9,075,755	$ (644,721)
Gross margin	**$ 1,371,785**	$ 2,934,727	$ (1,562,942)
Operating expenses	**(1,772,243)**	(1,609,395)	(162,848)
Operating income (loss)	**(400,458)**	1,325,332	(1,725,790)
Non-cash stock based compensation	**(109,589)**	(190,660)	81,071
Finance costs	**(158,900)**	(270,176)	111,276
Other income	**51,483**	44,367	7,116
Income (loss) before income taxes	**(617,464)**	908,863	(1,526,327)
Provision of deferred taxes	**87,586**	(211,653)	299,239
Net income (loss) attributable to the common shareholder	**(529,878)**	697,210	(1,227,088)
Unrealized foreign exchange loss on translation of foreign subsidiary	**(33,309)**	(36,296)	2,987
Comprehensive income (loss) for period	**$ (563,187)**	$ 660,914	**$** (1,224,101)
Fully diluted income (loss) per common share for period	**$ (0.011)**	$ 0.020	$ (0.35)

	Nine Months Ended September 30		
	2016	2015	Change
Revenue			
Infrastructure			
Western Canada	**$ 1,112,403**	$ 1,347,849	$ (235,446)
Eastern Canada	**3,157,996**	1,685,653	1,472,343
United States	**-**	1,392,923	(1,392,923)
	4,270,399	4,426,425	(156,026)
Western Canada Oil and Gas	**4,160,635**	4,649,330	(488,695)
	$ 8,431,034	$ 9,075,755	$ (644,721)

The revenue was lower by 7.1% or $644,721. Infrastructure sales were down $156,026, or 3.5%, with most of the decrease occurring in the U.S. Canadian infrastructure were up by 40.8% and U.S. sales were nil, largely because of the lack of activity in the U.S. during an election year. The increase in Eastern Canada infrastructure sales includes the completion of the Company’s first project in Quebec. Oil & gas sector sales were down $488,695, or 10.5%, as was expected as oil prices continue to linger at prices below $50 U.S. per barrel.

The gross margin on sales was lower by $1,562,942 or 53.3%. The gross margin percentage achieved of 16.3% compared to 32.3% in 2015. The decrease in the gross margin dollars and the gross margin percentage was mainly due to the following items:

- lower sales combined with a greater amount of infrastructure work, as a percentage of total sales, which tends to have lower margins as compared to oil and gas work;

- an unanticipated charge of $140,000 related to cost adjustments to a project completed in June 2016;

- lower margins on an oil and gas project where the Company has switched production methods from lower cost dry mix to higher cost wet mix production to facilitate safe production of lower daily volumes in confined areas;

- an increase in labour costs, as the Company had hired additional operating staff in preparation for the expected sales increase for the last part of 2016 and into 2017, CEMATRIX is currently carrying six new operations and technical staff;

- an increase in variable overhead costs due generally to higher equipment repair and maintenance costs due to the high utilization rate for equipment through the last part of 2015 and the first part of 2016 as compared to the same period in the prior year;

- an increase in fixed overhead due to the end of a sublease agreement for a portion of the Calgary shop space; and

- an increase in depreciation as a result of the new dry mix unit going into service in the fall of 2015.

Operating expenses were higher by $162,848 or 10.1% due to the aggregate of the following:

- Salaries and benefits were up $24,300 mainly due to the addition of new staff;

- Costs incurred in 2016 to put in place the new demand operating loan with the Canadian Western bank and the new BDC working capital loan were $26,000; there was no comparable costs in 2016;

- Business development and investor relations costs were up by $39,700 as the Company has been active in 2016 in developing new markets for its services and in developing growing investor interest;

- Recruitment costs were up by $13,600 to hire additional operating staff;

- Computing costs were up $7,300 related to the implementation of a new sales and project management system in 2016 combined with higher computing costs related to the movement to offsite server storage in July 2015; and

- Other costs were up by $51,948 due to general increases.

Non-cash stock based compensation was down by $81,071, or 42.5%, as a result of the timing of vesting of issued stock options. Under IFRS rules, the associated non-cash stock based compensation related to stock options has to be expensed based on the vesting privileges of the particular option grants.

Finance costs were down $111,276, or 41.2%. The decrease was principally due to lower interest on the existing BDC loans, as the loan balances were reduced through scheduled repayments, and lower interest on the mezzanine loan and factoring agreement as this high cost working capital financing was replaced with the new demand operating loan with the Canadian Western Bank in April 2016. The effect of the replacement of the high cost mezzanine loan and factoring agreement is now being realized.

Other income was up $7,116. A gain on the sale of equipment of $21,093 was recorded in 2016, with no comparable amount in 2015 and foreign exchange gains were lower by $13,977.

The change in deferred income taxes was a positive $299,239. In 2016 a deferred income tax recovery of $87,586 was recorded as compared to a deferred income tax provision of $211,653. The change is due to weaker results of the Canadian operations in comparison to the same period in 2015.

Unrealized foreign exchange loss on translation of foreign subsidiary was lower by $2,987. The variability period over period is due to changes in the foreign exchange rate of the U.S. dollar vs. the Canadian dollar, which has strengthened in 2016, and changes in the levels of the assets, liabilities, revenues and expenses of the U.S. subsidiary between the two periods.

The total comprehensive income (loss) was lower by $1,224,101. This was principally due to lower margin on sales and higher operating expenses as partially offset by lower non-cash stock based compensation and finance costs.

D. Selected Quarterly Financial Information

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

Quarters Ended	Revenues	Comprehensive Income (Loss)	Income (Loss) Per Share Basic	Income (Loss) Per Share Diluted
	$	$	$	$
2016 Year				
March 31	**3,170,689**	**(22,487)**	**-**	**-**
June 30	**2,755,072**	**(148,119)**	**(0.004)**	**(0.004)**
September 30	**2,505,273**	**(392,581)**	**(0.011)**	**(0.011)**
	8,431,034	**(563,187)**	**(0.015)**	**(0.015)**
2015 Year				
March 31	2,819,022	(2,421)	-	-
June 30	2,164,286	(90,978)	(0.002)	(0.002)
September 30	4,092,447	754,313	0.022	0.021
December 31	6,304,032	905,481	0.026	0.026
Total for year	15,379,787	1,566,395	0.047	0.046

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

E. Consolidated Statement of Financial Position

	September 30 2016	December 31 2015	Change
Total current assets	**$ 4,432,781**	$ 6,784,310	$ (2,351,529)
Total non current assets	**4,675,015**	4,476,313	198,702
Total Assets	**$ 9,107,796**	$ 11,260,623	$ (2,152,827)
Current liabilities	**$ 2,194,881**	$ 3,900,605	$ (1,705,724)
Non current liabilities	**1,838,952**	1,877,457	(38,505)
Total liabilities	**$ 4,033,833**	$ 5,778,062	$ (1,744,229)
Shareholders' equity	**$ 5,073,963**	$ 5,482,561	$ (408,598)

Total current assets decreased by $2,351,529. This decrease in aggregate is summarized on the next page:

- Cash in the bank was down $959,108 (See the discussion in Section F - Consolidated Statement of Cash Flows);

- Term deposits were up by $10,000; the term deposit is required as security for the Company's corporate credit cards, in 2016 additional funds were put into the term deposit to secure credit cards issued to new staff;

- Trade and other receivables were down by $1,310,197 as a result of the lower sales in the second quarter of 2016 in comparison to the fourth quarter of 2015 combined with timing differences in the collection of trade receivables;

- Inventory was down $153,169 due to the normal usage in the production process and the sale of foaming agent to a contractor for an international mining project as partially offset by foaming agent purchases to bring this inventory back to a level to support sales;

- Prepaids and deposits were up $58,265; mainly due to timing differences on certain items in 2016 as compared to the 2015 year end balances; and

- Current portion of share acquisition loans was up $2,680 due to the accretion of the fair value adjustment.

Total non current assets increased by $198,702. This decrease in aggregate is summarized below:

- The long term portion of the share acquisition loans was up $6,806 due to the accretion of the fair value adjustment;

- Property and equipment was up $88,895 - additions to property and equipment of $448,690, including $130,274 through vehicle finance leases, mainly relates to the construction of a new wet mix unit; this was partially offset by depreciation expense for the nine months ended September 30, 2016 of $359,537 and the removal of the book value related to the sale of equipment was $258;

- Intangibles increased by $15,415 related to third party testing costs incurred to validate certain properties of the Company's cellular concrete products which will assist in the marketing of these products in the future, particularly in the infrastructure market; other intangibles remained at the same amount: no amortization is recorded on the remaining trademarks and technology as the Company views these as having an indefinite life; and

- The deferred tax asset increased by $87,586 as a result of recording a deferred tax recovery on Canadian losses during the nine months ended September 30, 2016.

Total current liabilities decreased by $1,705,724. This decrease in aggregate is summarized below:

- Bank operating loan increased by $460,064; at September 30, 2016 there was $440,706 of cash in transit which did not get credited against the bank operating loan until after the quarter end;

- Trade and other payables were down $686,196 principally due to the application of collections of trade receivables to pay down trade payables and reduced business activity in the three month ended September 30, 2016 as compared to the three months ended December 31, 2015;

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

- Mezzanine loan was down $750,000 as the Company used cash collected during the first three months of 2016 to make a $250,000 payment against the loan and used cash from the new demand operating loan, which was put in place in April, to repay the balance of $500,000;

- Current portion of long term debt was down $42,900 due to scheduled repayments on the BDC Loan 1 which will be fully repaid in December 2016; repayments for the existing BDC loans run from July to December; and

- Current portion of finance lease obligations was up $16,770 due to the increase in the reclassification from the long term portion of $68,348, due to new finance leases entered into in 2016, as partially offset by scheduled repayments of $51,578.

Total non current liabilities decreased by $38,505. This increase in aggregate is summarized below:

- Long term debt was down $100,431 due to scheduled repayments of $143,331, repayments for the existing BDC loans run from July to December, and a reclassification of $42,900 to current portion as at September 30, 2016; and

- Finance lease obligations were up $61,926 due to $130,274 of new vehicle leases as partially offset by a reclassification of $68,348 to current portion in the nine months ended September 30, 2016 (see comment above).

Shareholders' Equity decreased by $408,598. This decrease in aggregate is summarized below:

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

- Contributed surplus increased by $77,793 due to the non-cash stock based compensation of $109,589 recorded in the nine months ended September 30, 2016 as partially offset by the reclassification of $16,000 to share capital and $15,796 to deficit, in regard to non-cash stock based compensation previously recorded in contributed surplus, for options exercised and options that expired or were forfeited without being exercised;

- Accumulated other comprehensive loss increased by $33,309 due to the unrealized foreign exchange loss on translation of the Company's U.S. subsidiary in the nine months ended September 30, 2016; and

- The Deficit increased by $514,082 due to the loss to common shareholders in the period of $529,878 as offset by the reclassification of $15,796 from contributed surplus (see above under contributed surplus).

See the Consolidated Statements of Shareholders' Equity included in the Interim Consolidated Financial Statements at September 30, 2016.

F. Consolidated Statement of Cash Flows

For the three months ending September 30, 2016 compared to the three months ending September 30, 2015

The cash position of the Company at September 30, 2016 was $491,677 compared to a cash position of $745,606 at September 30, 2015.

The change in the cash position in the three months ending September 30, 2016 and 2015 was an increase of $261,555 in 2016 as compared to an increase of $442,318 in the same period of 2015. This change is outlined in the table on the next page:

	Three Months Ended September 30		
	2016	2015	Change
Cash generated from operating activities	**$ 152,119**	$ 1,182,008	$ (1,029,889)
Cash generated used in investing activities	**(192,122)**	(356,196)	164,074
Cash generated from (used in) financing activities	**301,558**	(383,494)	685,052
Increase in cash	**261,555**	442,318	(180,763)
Cash, at beginning of period	**230,122**	303,288	(73,166)
Cash, at end of period	**$ 491,677**	$ 745,606	$ (253,929)

- Cash generated from operating activities decreased by $1,029,889.

    - Cash flow, before non-cash working capital adjustments, decreased by $1,465,161. The decrease was mainly due to the loss reported in 2016 which resulted in a decline in income before deferred taxes of $1,476,971; this decline was partially offset by an increase of $11,810 in the positive adjustment for non-cash items in the reported earnings in 2016 compared to the same period in 2015; this increase was mainly due to higher depreciation due to the new dry mix unit going into service in the fall of 2015 as partially offset by a reduction in non-cash stock based compensation.

    - The net change in non-cash working capital items was a positive increase of $435,272. This is primarily due to the timing of the collection of the related trade receivables between the two periods.

- Cash used in investing activities decreased by $164,074.

    - Plant and equipment additions were down $179,489 in 2016 as compared to the same period in 2015; in 2016 a new wet mix unit was completed in third quarter and in 2015 the new dry mix unit was completed; and

    - In 2016 spending related to third party testing of $15,415 was incurred to validate certain properties of the Company's cellular concrete products; these test results will assist in the marketing of these products in the future, particularly in the infrastructure market.

- Cash generated from financing activities increased by $685,052.

    - In 2016 the Company generated $301,558 from financing activities; it borrowed $460,064 on its bank operating loan and made scheduled repayments of $143,331 and $15,175, respectively on the BDC Financing and on finance lease obligations; and

    - In 2015 the Company used $382,494 in financing activities; it made scheduled repayments of $143,331 and $13,856, respectively on the BDC Financing on finance lease obligations, and the factored receivable liability was reduced by $226,307 on the collection of factored trade receivables.

For the nine months ending September 30, 2016 compared to the nine months ending September 30, 2015

The cash position of the Company at September 30, 2016 was $491,677 compared to a cash position of $745,606 at September 30, 2015.

The change in the cash position in the nine months ending September 30, 2016 and 2015 was a decrease of $959,108 in 2016 as compared to an increase of $889,741 in the same period of 2015. This change is outlined in the next page:

		Nine Months Ended September 30				
		2016		2015		Change
Cash generated from operating activities	**$**	**506,679**	$	1,770,551	$	(1,263,872)
Cash generated used in investing activities		**(322,480)**		(606,868)		284,388
Cash generated from used in financing activities		**(1,143,307)**		(273,942)		(869,365)
Increase (decrease) in cash		**(959,108)**		889,741		(1,848,849)
Cash, at beginning of period		**1,450,785**		(144,135)		1,594,920
Cash, at end of period	**$**	**491,677**	$	745,606	$	(253,929)

- Cash generated from operating activities decreased by $1,263,872.

  - Cash flow, before non-cash working capital adjustments, decreased by $1,527,054. The decrease was mainly due to the loss reported in 2016 which resulted in a decline in income before deferred taxes of $1,526,327; this decline was partially offset by an increase of $727 in the negative adjustment for non-cash items in the reported earnings in 2016 compared to the same period in 2015; this decrease was mainly due to lower non-cash stock based compensation and other items as partially offset by higher depreciation due to the new dry mix unit going into service in the fall of 2015.

  - The net change in non-cash working capital items was a positive increase of $263,182. This is primarily due to the timing of the collection of the related trade receivables between the two periods.

- Cash used in investing activities decreased by $284,388.

  - Plant and equipment additions were down $218,452; in the same period of 2015 the new dry mix unit, which went into service in the fall of 2015, was being built. In 2016 the new wet mix unit was completed;

  - In 2016 spending related to third party testing of $15,415 was incurred to validate certain properties of the Company's cellular concrete products; these test results will assist in the marketing of these products in the future, particularly in the infrastructure market.

  - The cash invested in the term deposit was lower by $60,000; the term deposit is required as security for the Company's corporate credit cards, in 2015 $70,000 was put into the term deposit and an additional $10,000 was added in 2016 to secure additional credit cards issued to new staff; and

  - In 2016 proceeds of $21,351 was received on the sale of equipment; there was no comparable amount in 2015

- Cash used in financing activities increased by $869,365.

  - In 2016 the Company used $1,143,307 in financing activities; the bank operating was used to finance $460,064 of working capital, cash collected on trade receivables that had been factored at December 31, 2015 was used to repay the factoring liability of $703,462; the $750,000 mezzanine loan was repaid and scheduled repayments of $143,331 and $51,578, respectively, on BDC Financing and finance lease obligations were made; cash was received from the issue of common shares for $45,000 on the exercise of stock options by The Howard Group, the Company's investor relations firm.

  - In 2015 the Company used $273,942 in financing activities; a Mezzanine loan was issued for $750,000, with a portion of these proceeds, together with cash generated from operations the Company's repaid its bank operating loan by $1,110,000; signed a receivable purchase agreement of which $154,000 had been realized; made a drawdown $93,936 of the BDC Capital Financing to fund capital spending; issued $22,500 of common shares on the exercise of options and made scheduled repayments of $143,331 and $41,047, respectively on the BDC Financing and finance lease obligations.

G. Liquidity, Capital Resources and Commitments

Liquidity

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

At September 30, 2016, the Company had a current asset/current liability position of $2,237,900 (December 31, 2015 - $2,883,705).

The Company reported a loss of $507,875, before the non-cash deferred tax provision and non-cash stock based compensation, cash from operations of $506,679 and EBITDA (earnings before income taxes, interest, depreciation and amortization, including non-cash stock based compensation) of $10,562.

In order to improve the liquidity and to reduce finance costs, the Company, through its wholly owned subsidiary, CEMATRIX (Canada) Inc., in April completed the transfer of its day to day banking to the Canadian Western bank pursuant to an agreement for a $2,000,000 demand operating loan which bears interest at an amount equal to the greater of 4.7% or 2% above the Canadian Western Bank prime lending rate, as may occur from time to time. The new demand operating loan was used to repay the balance of the outstanding mezzanine loan of $500,000, at that time, which had an interest rate of 16.5% and will be used to finance day-to-day operations of CEMATRIX (Canada) Inc. (See note 12 to the Interim Consolidated Financial Statements)

CEMATRIX (Canada) Inc. entered into an agreement with the BDC which will provide the Company with $500,000 of additional working capital financing. This will be used, as required, to fund incremental product testing and the implementation of a new sales and project management system. (See note 12 to the Interim Consolidated Financial Statements)

CEMATRIX (Canada) Inc. entered into an agreement with the BDC which will provide the Company with $500,000 of equipment financing. This will be used, as required, to fund the construction of additional production units. (See note 25 to the Interim Consolidated Financial Statements)

In addition, CEMATRIX (Canada) Inc. negotiated a one year extension of the principal repayment on the Secured Debenture to February 2018.

As of this date the Company has signed contracts on hand for $16.0 million and has a number of contracts in process.

The realization of the net working capital as at September 30, 2016, the availability of the new operating loan facility and the new BDC working capital loan and the successful completion of sales contracts that are in place provide the necessary liquidity to carry the Company's operations through the balance of 2016 and the first part of 2017. Ongoing liquidity beyond 2016, and the first part of 2017, is dependent on the Company achieving additional sales and profitable results.

Capital resources

The Company is in the process of arranging equipment financing to construct new production equipment which includes the recent $500,000 arranged with the BDC in October. Additional capital spending in 2017 for vehicle replacement and generally operating equipment will come from the funds generated from operations or additional financing, if required.

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 23 - Capital management to the Interim Consolidated Financial Statements, was $7,229,694 at September 30, 2016 as compared to $7,702,927 at December 31, 2015 (see Section E. Consolidated Statements of Financial Position for details).

Commitments

The following is a summary of the Company's lease and debt obligations and commitments for the next five years from September 30, 2016.

Debt Category	2016/17	2017/18	2018/19	2019/20	2020/21
	$	$	$	$	$
Finance lease obligations (1)	79,546	86,878	108,740	33,354	2,905
BDC Financing (2) (3)	243,762	200,862	200,862	200,862	33,477
Secured Debenture (2)	-	1,000,000	-	-	-
Operating leases (4)	316,726	277,168	277,168	69,292	-

(1) Includes principal and interest
(2) Principal only
(3) Based on BDC loans outstanding as of September 30, 2016
(4) The Company's lease on its head office and shop facilities in Calgary expires December 31, 2019.

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements at September 30, 2016 or December 31, 2015.

I. Transactions with Related Parties

During the three and nine months ending September 30, 2016, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $27,447 and $42,282, respectively ($5,247 and $15,501, respectively for the same periods in 2015) of which $1,678 was in trade and other payables as at September 30, 2016 (December 31, 2015 - $nil).

There were no other significant related party transactions.

J. Critical Accounting Judgements, Estimates and Assumptions

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

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

K. Changes in Accounting Policies including Initial Adoption

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

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

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

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

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

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

L. Financial Instruments

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

Risk management

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

Interest Rate Risk

The bank operating loan and the BDC Financing, which had balances of $460,064 and $879,825, respectively, outstanding at September 30, 2016, are subject to floating rates. Based on the floating rate debt outstanding at September 30, 2016 a 1% increase/decrease in interest rates would result in a decrease/increase in the comprehensive income (loss) of approximately $9,800.

Credit Risk

Financial instruments that subject the Company to credit risk consist primarily of trade receivables. The Company manages credit risk using credit approval and monitoring practices. At September 30, 2016, 10 customers accounted for approximately 91% of trade receivables (at December 31, 2015, 5 customers accounted for approximately 90% of trade receivables). (See Note 5 for details of credit policy and aging of outstanding trade receivables at September 30, 2016 and December 31, 2015).

Liquidity Risk

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

The table below summarizes the maturity profile of the Corporation's financial liabilities at September 30, 2016 and December 31, 2015 based on contractual undiscounted payments.

	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Total**
As at September 30, 2016				
Bank operating loan	**$ 460,064**	**$ -**	**$ -**	**$ 460,064**
Trade and other payables	**1,418,038**			**1,418,038**
Long-term debt	**243,762**	**1,200,862**	**435,201**	**1,879,825**
Finance lease obligations	**73,017**	**61,793**	**141,096**	**275,906**
	$ 2,194,881	**$ 1,262,655**	**$ 576,297**	**$ 4,033,833**

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

Foreign Exchange Risk

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

As at September 30, 2016 and December 31, 2015 the balances on the next page were denominated in USD:

	2016	2015
Cash and cash equivalents	**$ 55,862**	$ 213,748
Trade and other receivables	**$ 36,114**	$ 55,842
Inventory	**$ 1,906**	$ 1,906
Prepaid expenses and deposits	**$ 12,952**	$ 9,805
Trade and other payables	**$ 24,299**	$ 22,937

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on the USD balances outstanding at September 30, 2016, a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total annual comprehensive loss of approximately $5,100.

M. Disclosure of Outstanding Share Data

As at September 30, 2016 and November 23 2016, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	**Outstanding as at September 30, 2016**	**Outstanding as at November 23, 2016**
Voting or equity securities issued and outstanding	Unlimited Common Shares	34,475,994 Common Shares	34,475,994 Common Shares
Securities convertible or exercisable into voting or equity securities - stock options	Stock options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 3,425,000 Common Shares at an exercise price at between $0.145-$0.43	Stock options to acquire 3,425,000 Common Shares at an exercise price at between $0.145-$0.43

In the nine months ended September 30, 2016 the Company issued 300,000 common shares on the exercise of stock options by The Howard Group, the Company's investor relations firm; issued 300,000 new options to the Howard Group with an exercise price of $0.40, pursuant to the extension of their investor relations agreement for 18 months; issued 350,000 options to three employees with an exercise price of $0.43; and 66,667 options expired without being exercised.

O. Outlook

After the record 2015 results, CEMATRIX management had expected that the ongoing development of infrastructure markets across Canada and into the U.S. would more than offset the revenues generated from the continued decline in the oilsands/refinery construction market in Western Canada. Unfortunately, even though contracted sales continue to grow (currently at $16 million), contracted work, originally scheduled to be completed in 2016, has been delayed and postponed into 2017. These project delays, together with the slower development of the infrastructure markets, has resulted in a forecasted decline in sales for 2016 from that achieved in 2015. The amount of the decline will be dependent on what transpires over the balance of the year. The projected reduction in sales could result in a loss before income taxes of up to $1 million, or more, for 2016.

On a more positive note, the Company's sales pipeline continues to grow; the Company has $5.8 million in contracted work scheduled to be completed in the first half of 2017; the Company is investing up to $0.5 million in research and development to support the growth of infrastructure sales; and the Company expects that the Joint Marketing Agreement, signed in June 2016, with the largest cement company in the world will begin to have a positive effect on CEMATRIX's sales by mid-2017, as their staff becomes more familiar with the opportunities that the sales of CEMATRIX's cellular concrete provides.

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three and nine months ending September 30, 2016 are outlined below:

General

There are a number of statements in the MD&A which refer to "expected sales growth or increase", "forecast revenue or sales", "should result".

The foregoing statements contain forward-looking statements which are based on sales and earnings forecasts prepared for 2016 and 2017; sales forecasts include work which is under contract for 2016 and 2017, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in 2016 and 2017, where the probabilities applied to the sales forecast are based on management's assessment of the particular project based on historical experience and the stage the project is in the sales cycle; earnings forecasts for 2016 and 2017 are based on the above sales forecast and the forecast of the Company's cost structure; There are a number of risks that could affect those assumptions which include: contracted work is delayed; the failure of 2016 and 2017 sales to materialize, because of project delays or cancelations or because CEMATRIX's cellular concrete is not specified into projects; management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect; and the Company's cost structure is significantly different than forecast.