CEMATRIX CORPORATION
Management's Discussion and Analysis
Quarter and Six Months Ended June 30, 2014

Date Completed: August 6, 2014

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Quarter and Six Months Ended June 30, 2014

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the quarter and six months ended June 30, 2014. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the quarter and six months ended June 30, 2014 and the related notes thereto ("Interim Consolidated Financial Statements") and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2013 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 August 6, 2014 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 quarter and six months ended June 30, 2014. The Board of Directors of the Company has reviewed and approved the Interim Consolidated Financial Statements and MD&A on August 6, 2014.

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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, 2013, 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 quarter and six months ended June 30, 2014, the Company's financial condition as at June 30, 2014 and its future prospects.

B. Mid Year Review

The Company had a slow start to 2014 in comparison with the same period in 2013. The Company's revenue is seasonal in nature and generally follows the construction period in Canada from May through to October. As a result, the sales in the first quarter of the year are normally much lower than at any other time of the year. Sales in the first quarter of 2013 were abnormally high as the Company benefitted from a winter infrastructure project in Windsor, Ontario. There was no similar project in 2014.

Sales picked up in the second quarter and showed a 10% increase over the comparative period in 2013. Income before income taxes was $139,980 in the second quarter which is at the same level as 2013 for this period. The improved margin due to the sales increase was reduced by the impact of hiring and training additional operating staff in anticipation of increased activity in the second half of 2014. In addition, finance costs increased due to higher debt levels to support the increase in working capital and to finance the spending on equipment to expand productive capacity.

The Company is capitalizing on a return of sales opportunities in the Western Canada oil and gas sector. In the sector second quarter sales were up by close to 500% with sales of $1.7 million as compared to $0.3 million in the same period of 2013.

Infrastructure sales in Western Canada have been steady; however, infrastructure sales in Ontario were down $2.2 million for the six months ending June 30, 2014 as compared to the same period in 2013. The Company was fortunate to benefit from a significant project at Windsor in 2013. There was no similar project in 2014. The Company is continuing to work on developing this market and now has a full time sales representative in Ontario. This focused sales effort in Ontario has resulted in a 300% increase in project bids as compared to the same period in 2013. Sales contracts are expected to be finalized shortly for work in the second half of 2014. The Company is also pursuing work in the United States ("U.S.") market on a selective basis when it has idle productive capacity in Canada and has contracted a few smaller projects for the second half of 2014.

The Company added $1.3 million of sales orders in the quarter bringing the total contracted work , which is currently completed or is scheduled for completion in 2014, to $4.5 million. The Company has also placed numerous bids on other projects currently scheduled to be completed in 2014 and 2015, but is unable to ascertain at this time how many of these projects, if any, will result in 2014 contracted work for the Company.

The Company continues to focus its effort to gain broad market acceptance for its products for numerous applications in infrastructure markets throughout Canada and the United States, where it sees a real opportunity for steady revenue growth. The gross margin on infrastructure sales tends to be lower than what the Company has historically experienced from projects in the oil & gas sector of Western Canada. Part of this is simply the higher mobilization costs that the Company incurs to move its equipment and staff to the infrastructure market outside of Alberta. The Company is working to minimize this with the planned construction of new processing units in 2014 which will allow the Company to permanently locate a part of its processing fleet and staff in Eastern Canada.

The Company continues to aggressively pursue work in the Western Canada oil & gas sector, however, much of this significant potential work is subject to individual project schedules that can often change depending on the particular oil and gas company involved and its outlook for oil and gas prices, and the associated cash flow, together with access to financing to fund these large capital intensive projects. Over the last few years the Company has experienced a number of such projects that have been delayed or cancelled. As a result it is difficult for the Company to forecast this type of work on a year over year basis. However, based on recent bid requests the Company remains optimistic that the opportunities in this market will be significant in the coming years based on the announced projects in this market.

To prepare for the revenue growth the Company has increased operating and other staff levels. In addition, a $1.0 million secured debenture ("Secured Debenture") was issued to provide funds for capital spending and working capital financing. Two new production units will go into service in the third quarter of this year and this will add significantly to the productive capacity of the Company as well as providing added flexibility in market coverage across Canada and the U.S.

C. Results of Operations

For the three months ending June 30, 2014 compared to the three months ending June 30, 2013

	Three Months Ended June 30		
	2014	2013	Change
Revenue	**$ 3,070,504**	$ 2,790,218	$ 280,286
Gross margin	**$ 693,491**	$ 659,399	$ 34,092
Operating expenses	**(506,755)**	(496,857)	(9,898)
Operating income	**186,736**	162,542	24,194
Finance and other items	**(46,756)**	(21,758)	(24,998)
Income before income taxes	**139,980**	140,784	(804)
Provision of deferred taxes	**(48,151)**	(41,244)	(6,907)
Net income attributable to the common shareholder	**91,829**	99,540	(7,711)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiary	**(9,161)**	1,570	(10,731)
Comprehensive income for period	**$ 82,668**	$ 101,110	**$** (18,442)
Fully diluted income per common share for period	**$ 0.003**	$ 0.003	$ -

	Three Months Ended June 30		
	2014	2013	Change
Revenue			
Infrastructure			
Western Canada	**$ 1,378,389**	$ 1,287,407	$ 90,982
Ontario	**-**	1,174,117	(1,174,117)
United States	**-**	27,095	(27,095)
	1,378,389	2,488,619	(1,110,230)
Western Canada Oil and Gas	**1,692,115**	301,599	1,390,516
	$ 3,070,504	$ 2,790,218	$ 280,286

Total revenue for the quarter ended June 30, 2014 was $3,070,504 which was up by $280,286 or 10% from the same quarter in 2013. Western Canada oil & gas revenue was up by $1,390,516 as a result of increased work by the Company in this sector as compared to the same period in 2013. Infrastructure revenue was down by $1,110,230. Most of this decrease was as a result of the significant project in Windsor, Ontario in 2013 with no similar project in 2014.

The gross margin on sales was $693,491- or 23% in the second quarter of 2014 as compared to $659,399 or 24% in the same period of 2013. The increase in the gross margin dollars of $34,092, due to higher sales, was reduced by the impact of hiring and training additional operating staff in anticipation of increased activity in the second half of 2014.

Operating expenses for the quarter ended June 30, 2014 increased by $9,898 as compared to the same period in 2013 due to the aggregate of the following:

- Salaries and benefits were up $26,400 due to annual salary increases and new hires;
- Third party testing costs were up $17,250; this is primarily related to testing of product properties required by customers and as part of the regulatory approval process;
- In the second quarter of 2013 a bad debt expense of $30,550 was recorded as a result of the final settlement of an outstanding account;
- Share-based payment expense, which is non-cash, was down $6,369, the result of the vesting of share options in 2013; and
- Other costs were up by $3,167.

Finance costs and other items for the quarter ending June 30, 2014 were $46,756 as compared to $21,758 in the same quarter of 2013. This $24,998 increase is due to the aggregate of the following:

- Other income (expenses) consists of foreign exchange gains of $3,776 in 2014 as compared to losses of $1,485 in 2013, a positive income increase of $5,261; and
- Finance costs were up by $30,259; the increase is principally due to the higher debt level including the additional cash draws on the BDC Capital Financing Loan to fund the construction of a new dry mix unit and the new Secured Debenture issued in February 2014 to fund capital and working capital.

The unrealized foreign exchange loss on the translation of the Company's U.S. subsidiary was $9,161 in 2014 as compared to an unrealized gain of $1,570 in 2013, primarily as a result of the strengthening of the U.S. dollar against the Canadian dollar,

The Company recorded $48,151 of deferred taxes in the quarter ended June 30, 2014 as compared to $41,244 in the same period of 2013.

The income before incomes taxes was $139,980 compared with $140,784 for the same period in 2013. The improved margin from increased sales was reduced by the impact of hiring and training additional operating staff in anticipation of increased activity in the second half of 2014 and an increase in operating expenses and finance costs.

For the six months ending June 30, 2014 compared to the six months ending June 30, 2013

	Six Months Ended June 30		
	2014	2013	Change
Revenue	**$ 3,331,464**	$ 4,788,060	$ (1,456,596)
Gross margin	**$ 458,563**	$ 1,100,935	$ (642,372)
Operating expenses	**(1,127,829)**	(922,190)	(205,639)
Operating income (loss)	**(669,266)**	178,745	(848,011)
Finance and other items	**(85,121)**	(46,535)	(38,586)
Income (loss) before income taxes	**(754,387)**	132,210	(886,597)
Provision of deferred taxes	**125,603**	(41,421)	167,024
Net income (loss) attributable to the common shareholder	**(628,784)**	90,789	(719,573)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiary	**(11,106)**	5,066	(16,172)
Comprehensive income (loss) for period	**$ (639,890)**	$ 95,855	**$** (735,745)
Fully diluted income (loss) per common share for period	**$ (0.019)**	$ 0.003	$ (0.022)

		Six Months Ended June 30	
	2014	2013	Change
Revenue			
Infrastructure			
Western Canada	**$ 1,459,198**	$ 1,529,752	$ (70,554)
Ontario	**84,737**	2,305,089	(2,220,352)
United States	**-**	27,095	(27,095)
	1,543,935	3,861,936	(2,318,001)
Western Canada Oil and Gas	**1,787,529**	926,124	861,405
	$ 3,331,464	$ 4,788,060	$ (1,456,596)

Total revenue for the six months ended June 30, 2014 was $3,331,464 compared to $4,788,060 for the same period in 2013, a decrease of $1,456,596 or 30%. Western Canada oil & gas revenue increased by $861,405, however, infrastructure revenue decreased by $2,318,001. Although infrastructure sales in Western Canada remained steady, the infrastructure sales in Ontario were down $2,220,352. In 2013 the Company had a significant project in Windsor, Ontario. There was no similar project in 2013.

The gross margin on sales was $458,563 or 14% for the six months ending June 30, 2014 compared to $1,100,935 or 23% in the same period of 2013. The decrease in the gross margin dollars of $642,372 was primarily due the revenue decline and the impact of hiring and training additional operating staff in anticipation of increased activity in the second half of 2014. In the first quarter of 2014 the Company's sales were low and this resulted in a negative margin which had the effect of reducing the 2014 six month gross margin percentage.

Operating expenses for the six months ended June 30, 2014 increased by $205,639 as compared to the same period in 2013 due to the aggregate of the following:

- Salaries and benefits were up $69,800 due to annual salary increases and from the addition of a new business development representative for Ontario and a new quality control technician for Western Canada;

- Commissions for sales staff were down $10,575 due to the decrease in sales;

- Third party testing costs were up $9,300; this is primarily related to testing of product properties required by customers and as part of the regulatory approval process;

- Share-based payment expense, which is non-cash, was up by $120,953; primarily the effect of the new options granted in March 2014 which were fully vested at the time of issue; and

- Other costs were up by $16,161.

Finance costs and other items for the six months ending June 30, 2014 were $85,121 as compared to $46,535 in the same period of 2013. This $38,586 increase is due to the aggregate of the following:

- Other income (expenses) consists of foreign exchange gains of $4,793 as compared to income of $1,789 in 2013, a positive income change of $6,582; and

- Finance costs were up by $45,168; the increase is principally due to the higher debt level including the additional cash draws on the BDC Capital Financing Loan to fund the construction of a new dry mix unit and the new Secured Debenture issued in February 2014 to fund capital and working capital.

The unrealized foreign exchange loss on the translation of the Company's United States ("U.S") subsidiary was $11,106 in 2014 as compared to an unrealized gain of $5,066 in 2013, primarily as a result of the strengthening of the U.S. dollar against the Canadian dollar.

The Company recorded a deferred tax recovery of $125,603 in the six months ended June 30, 2014 as compared to a deferred tax provision of $41,424 in the same period of 2013.

The loss before income taxes for the six months ended June 30, 2014 was $754,387 compared with income of $132,210 for the same period in 2013. The decline of $886,597 was primarily due to a decrease in gross margins as a result of the reduced revenue in the first quarter of 2014 compared with 2013 as well as higher operating expenses, which includes a non cash share based payment expense of $129,764 in 2014, and increased finance costs, due to higher debt levels.

D. Selected Quarterly Financial Information

Due to the seasonal nature of the Company's business, which historically follows the construction season in Canada, a significant portion of the Company's sales occur between the latter part of the second quarter and the first half of the fourth quarter, on an annual basis. The Company is pursuing other markets where seasonality is less of an issue. This seasonality is reflected in the quarterly results summarized in the table below:

			Income (Loss)	
Quarters Ended	**Revenues**	**Comprehensive Income (Loss)**	**Per Share Basic**	**Per Share Diluted**
	$	$	$	$
2014 Year				
March 31	**260,960**	**(722,558)**	**(0.022)**	**(0.022)**
June 30	**3,070,504**	**82,668**	**0.003**	**0.003**
Total for year to date	**3,331,464**	**(639,890)**	**(0.019)**	**(0.019)**
2013 Year				
March 31	1,997,842	(5,255)	-	-
June 30	2,790,218	101,110	0.003	0.003
September 30	1,847,970	(56,214)	(0.002)	(0.002)
December 31	1,436,118	(248,232)	(0.008)	(0.008)
Total for year	8,072,148	(208,591)	(0.007)	(0.007)
2012 Year				
March 31	336,991	(727,739)	(0.022)	(0.022)
June 30	2,901,844	335,444	0.010	0.010
September 30	2,367,047	222,127	0.007	0.007
December 31	2,943,268	1,027,456	0.030	0.030
Total for year	8,549,150	857,288	0.025	0.025

E. Consolidated Statement of Financial Position

	June 30 2014	December 31 2013	Change
Total current assets	**$ 4,009,132**	$ 2,156,801	$ 1,852,331
Total non current assets	**4,219,958**	3,688,686	531,272
Total Assets	**$ 8,229,090**	$ 5,845,487	$ 2,383,603
Current liabilities	**$ 2,868,536**	$ 1,295,542	$ 1,572,994
Non current liabilities	**2,136,969**	816,234	1,320,735
Total Liabilities	**$ 5,005,505**	$ 2,111,776	$ 2,893,729
Shareholders' Equity	**$ 3,223,585**	$ 3,733,711	$ (510,126)

Total current assets were $4,009,132 at June 30, 2014 compared to $2,156,801 at December 31, 2013. This increase of $1,852,331 was due to the aggregate effect of the following:

- Cash in the bank was up $21,426 (See the discussion in Section F - Consolidated Statement of Cash Flows);

- Trade and other receivables were up by $1,759,450 primarily as a result of the higher sales in the second quarter of 2014 in comparison to the fourth quarter of 2013 combined with timing differences in the collection of trade receivables;

- Inventory was up $71,385 due to the normal usage in the production process as offset by purchases in the quarter; and

- Prepaids and deposits were up $70.

Total non current assets were $4,219,958 at June 30, 2014 compared to $3,688,686 at December 31, 2013. This increase of $531,272 was due to the aggregate of the following:

- Property and equipment was up $405,669 - additions to property and equipment were $574,605 related to the construction of new production capacity as offset by depreciation and amortization expense for the quarter of $168,936; and

- 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.

- The deferred tax asset increased by $125,603 as a result of recording a recovery of deferred tax in the first six months of 2014.

Total current liabilities were $2,868,536 at June 30, 2014 compared to $1,295,542 at December 31, 2013. This increase of $1,572,994 was due to the aggregate of the following:

- Bank overdraft, which represents checks written at the reporting date in excess of the bank balance, was up $36,412 due to the increased level of activity in the second quarter of 2014 as compared to the last quarter of 2013;

- Bank operating loan was up $510,000 as the Company increased borrowings to finance increased working capital;

- Trade and other payables were up $1,026,696 principally due to the increased business activity in the second quarter of 2014 as compared to the last quarter of 2013;

- Current portion of long term debt remained the same as at December 31, 2013 as the repayments for the BDC Financing run from July to December; and

- Current portion of finance lease obligations was down $114 due to scheduled repayment of $27,195 as offset by the reclassification from the long term portion of $27,081.

Total non current liabilities were $2,136,969 at June 30, 2014 compared to $816,234 at December 31, 2013. This increase of $1,320,735 was due to the aggregate of the following:

- Long term debt was up $1,347,816 due to additional draws on the BDC Capital Financing loan of $347,816 to fund capital spending and the issue of the Secured Debenture of $1,000,000 to fund capital spending and working capital; and

- Finance lease obligations were down $27,081 compared to the level as at December 31, 2013 due to reclassification to current portion in the quarter (see comment above).

Shareholders' Equity was $3,223,585 at June 30, 2014 compared to $3,733,711 at December 31, 2013. This decline of $510,126 was due to the following:

- No new share capital was issued in 2014;

- Contributed surplus increase of $129,764 was due the share-based payment charge;

- The cumulative translation adjustment account decreased by $11,106 due to the unrealized foreign exchange loss on translation of the Company's US subsidiary, the result of the strengthening of the U.S. dollar against the Canadian dollar; and

- The deficit increased by the loss to common shareholders in the period of $628,784.

See the Consolidated Statements of Shareholders' Equity included in the Interim Consolidated Financial Statements at June 30, 2014.

F. Consolidated Statement of Cash Flows

For the three months ending June 30, 2014 compared to the three months ending June 30, 2013

The cash position of the Company at June 30, 2014 was a negative $51,078 (consisting of cash in the bank of $38,443 net of bank overdraft of $89,521) compared to a negative cash position of $28,495 (consisting of cash in the bank of $29,436 net of bank overdraft of $57,931) at June 30, 2013.

The change in the cash position in the quarters ending June 30, 2014 and 2013 was a decrease of $96,022 in 2014 as compared to an increase of $154,877 in the same period of 2013. This change is outlined in the below table:

	Three Months Ended June 30		
	2014	2013	Change
Cash generated from (used in) operating activities	**$ (863,283)**	$ 362,070	$ (1,225,353)
Cash generated from (used in) investing activities	**(405,389)**	(136,597)	(268,792)
Cash generated from (used in) financing activities	**1,172,650**	(70,596)	1,243,246
Increase (decrease) in cash	**(96,022)**	154,877	(250,899)
Cash, at beginning of period	**44,944**	(183,372)	228,316
Cash, at end of period	**$ (51,078)**	$ (28,495)	$ (22,583)
Cash Position			
Cash in the bank	**$ 38,443**	$ 29,436	$ 9,007
Bank overdraft	**(89,521)**	(57,931)	(31,590)
	$ (51,078)	$ (28,495)	$ (22,583)

- Cash used in operating activities was $863,283 in the second quarter of 2014 as compared to cash generated of $362,070 in the same period in 2013, a change of $1,225,353.

  - The positive cash flow, before non-cash working capital adjustments, was lower by $9,393 compared with the same period of 2013. This decrease was due to the reduced net income attributable to the common shareholder of $7,711 compared to 2013 and an increase of $1,682 in the negative adjustment for non-cash items in the reported earnings in 2014 compared to the same period in 2013.

  - This decrease in cash flow was also affected by a higher negative adjustment for the net change in non-cash working capital items of $1,215,960 as compared to 2013. This is primarily due to the increase in sales in 2014 compared to the same period in 2013 and the timing of the collection of the related trade receivables.

- Cash used in investing activities for additions to plant and equipment was $405,389 in 2014 and $136,597 in 2013.

- Cash generated from financing activities was $1,172,650 in the second quarter of 2014 compared to cash used of $70,596 in the same period in 2013.

    - In 2014 the Company increased its bank operating loan by $945,000; made a drawdown $241,309 of the BDC Capital Financing to fund capital spending; and made repayments of $13,659 on finance lease obligations.

    - In 2013 the Company decreased its bank operating loan by $320,000; made a drawdown $262,065 of the BDC Capital Financing to fund capital spending; and made repayments of $12,661 on finance lease obligations.

For the six months ending June 30, 2014 compared to the six months ending June 30, 2013

The cash position of the Company at June 30, 2014 was a negative $51,078 (consisting of cash in the bank of $38,443 net of bank overdraft of $89,521) compared to a negative cash position of $28,495 (consisting of cash in the bank of $29,436 net of bank overdraft of $57,931) at June 30, 2013.

The change in the cash position in the six months ending June 30, 2014 and 2013 was a decrease of $14,986 in 2014 as compared to an increase of $243,646 in the same period of 2013. This change is outlined in the below table:

	Six Months Ended June 30		
	2014	2013	Change
Cash generated from (used in) operating activities	**$ (1,271,002)**	$ 705,271	$ (1,976,273)
Cash generated from (used in) investing activities	**(574,605)**	(252,822)	(321,783)
Cash generated from (used in) financing activities	**1,830,621**	(208,803)	2,039,424
Increase (decrease) in cash	**(14,986)**	243,646	(258,632)
Cash, at beginning of period	**(36,092)**	(272,141)	236,049
Cash, at end of period	**$ (51,078)**	$ (28,495)	$ (22,583)
Cash Position			
Cash in the bank	**$ 38,443**	$ 29,436	$ 9,007
Bank overdraft	**(89,521)**	(57,931)	(31,590)
	$ (51,078)	$ (28,495)	$ (22,583)

- Cash used in operating activities was $1,271,002 in the first six months of 2013 as compared to the generation of $705,271 in the same period in 2013, a change of $1,976,273.

    - The negative cash flow, before non cash working capital adjustments, was higher by $766,053 compared with the same period of 2013. This was due to the decline in net income attributable to commons shareholders of $719,574 together with an increase of $46,479 in the negative adjustment for non-cash operating items as compared to the same period in 2013.

    - This cash flow was reduced further as a result of a negative adjustment for the net change in non-cash working capital items of $804,209 as compared to a positive adjustment of $406,011 in 2013, a change of $1,210,220. This is primarily due to the timing of sales and the timing of the collection of the related trade receivables.

- Cash used in investing activities was $574,605 in 2014 and $252,822 in 2013. This relates to additions to property and equipment. The Company is in the process of constructing new productive capacity to meet sales needs and to provide better geographical coverage.

- Cash generated from financing activities was $1,830,621 in the first six months of 2014 compared to the use of $208,803 in the same period in 2013.

  - In 2014 the Company increased its bank operating loan by $510,000 to finance higher working capital; made a drawdown $347,816 of the BDC Capital Financing to fund capital spending; issued the Secured Debenture for $1,000,000 to provide funds for capital spending and to support working capital; and made repayments of $27,195 on finance lease obligations.

  - In 2013 the Company made a draw on its BDC Capital Financing of $262,065 and this combined with proceeds from the collection of working capital was used to reduce the bank operating loan by $440,000; repayments on finance lease obligations were $30,868.

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 its operating borrowing capacity and accessing capital debt facilities through loans or lease financing.

At June 30, 2014, the Company had a current asset/current liability position of $1,140,596 which is up $279,337 from $861,259 at December 31, 2013. A description of the reason for the changes by individual component is included in Section E. Consolidated Statements of Financial Position.

The Company reported a loss before income taxes $754,387 and negative cash from operations, before the non-cash working capital adjustment, of $466,793.

The Company has a demand operating facility under its Credit Facility with a Canadian chartered bank. The rrevolving Credit Facility provides for a seasonal increase to $1,500,000 for the calendar period April 1 to October 31, at which point it reverts back to $1,000,000.

Under the Credit Facility, the bank will advance the following:

- On trade receivables less than ninety days outstanding at the end of each month, net of any priority claims - up to a maximum of 75% of trade receivables from companies resident in Canada and 90% of trade receivables from qualified companies resident in the U.S.; and

- 50% of qualified inventories up to a maximum of $250,000.

Based on these restrictions and the loan guarantee discussed above the operating line availability at June 30, 2014 was $1,500,000, of which $555,000 was undrawn.

The undrawn portion of the May 2012 BDC Financings related to capital expenditures was $288,241 at June 30, 2014.

The Company has signed contracts on hand for $4.5 million in sales scheduled for 2014.

The realization of the net working capital as at June 30, 2014, the availability of its operating line of credit, the availability of the BDC Financing and the sales contracts that are in place provide the necessary liquidity to carry the Company's operations through 2014. Ongoing liquidity is dependent on the Company achieving additional sales.

Capital resources

Capital additions to build new productive capacity in the current year will come from the funds available under the BDC Financing, discussed above, and cash generated from operations.

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

The Company defines its capital as the long term debt, the finance lease obligations and shareholders' equity. The current objective of the Company is to manage its capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders in relation to the risks underlying the Company's assets. The consolidated capital of the Company, as outlined in Note 20 - Capital management to the Interim Consolidated Financial Statements, was $5,701,389 at June 30, 2014 as compared to $4,890,894 at December 31, 2013. The increase of $810,495 was principally the result of additions to long term debt of $1,347,816 as partially offset by the repayments of $27,195 of finance lease obligations and the decrease in shareholders' equity of $510,126 (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 June 30, 2014.

Debt Category	2014/15	2015/16	2016/17	2017/18	2018/19
	$	$	$	$	$
Finance lease obligations (1)	66,667	63,163	35,045	332,768	5,774
BDC Financing (2) (3)	286,662	286,662	286,662	200,862	200,862
Secured Debenture (2)	-	-	1,000,000	-	-
Operating leases (4)	265,959	277,168	277,168	277,168	277,168

(1) Includes principal and interest
(2) Principal only
(3) Based on BDC Financing drawn down as of June 30, 2014
(4) The lease on the Company's Calgary office and shop has been extended to December 31, 2019

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements at June 30, 2014 or December 31, 2013.

I. Transactions with Related Parties

During the three and six months ending June 30, 2014, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $1,443 and $5,346, respectively ($6,842 and $8,845, respectively, for the three and six months ending June 30, 2013).

There were no other significant related party transactions and these were in the normal course of operations and measured at the exchange rate.

J. Critical Accounting 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, 2013. 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, 2013. 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 July 1, 2014 or later periods. The standards impacted that are applicable to the Company are as follows:

IFRS 2 Share-based payments - the amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 8 Operating segments - the amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

IFRS 9 Financial instruments – in July 2014, the ISAB issued IFRS 9 to replace IFRS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes a logical model for classification and measurement, a single forward-looking expected loss impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for years beginning on or after January 1, 2018

IFRS 15 Revenue from contracts with customers – in May 2014, the IASB issued IFRS 15, a new standard which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for years beginning on or after January 1, 2017.

The Company does not expect any material 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, 2013 and Note 20 – 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 Company has a loan facility with a Canadian chartered bank which, when utilized by the Company, provides loans that are subject to floating market rates. The Company had a balance outstanding for this loan facility at June 30, 2014 of $945,000. Future cash flow requirements could require the Company to

utilize its line of credit to finance working capital for periods of time and during these time periods it would be exposed to interest rate risk. In addition, the BDC Financing, which had a balance of $1,308,239 outstanding at June 30, 2014, is subject to floating rates. Based on the floating rate debt outstanding at June 30, 2014 a 1% increase/decrease in interest rates would result in a decrease/increase in the comprehensive income (loss) of approximately $16,900.

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 June 30, 2014, 5 customers accounted for approximately 97% of trade receivables (at December 31, 2013, 7 customers accounted for approximately 92% of trade receivables). (See Note 5 for details of credit policy and aging of outstanding trade receivables at June 30, 2014 and December 31, 2013).

Liquidity Risk

Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines. Due to the nature of the business, the Company aims to maintain flexibility in funding by keeping committed credit lines available and limiting the investment of available cash to short term risk free interest bearing deposits. At June 30, 2014, the Company had access to $1,500,000 in bank operating line financing subject to advance restrictions on the level of receivables and inventories (note 7 to the Consolidated Financial Statements). Based on these restrictions the actual operating line availability at June 30, 2014 was $1,500,000 (December 31, 2013 - $971,000). The undrawn operating line was $555,000 (December 31, 2013 - $536,000) and the undrawn BDC financing was $288,241 at June 30, 2014 (December 31, 2013 - $636,057).

The table below summarizes the maturity profile of the Corporation's financial liabilities at June 30, 2014 and December 31, 2013 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 5 years	Total
As at June 30, 2014				
Bank overdraft	**$ 89,521**	**$ -**	**$ -**	**$ 89,521**
Bank operating loan	**945,000**	**-**	**-**	**945,000**
Trade and other payables	**1,493,180**	**-**	**-**	**1,493,180**
Long-term debt	**286,662**	**286,662**	**1,734,915**	**2,308,239**
Finance lease obligations	**54,173**	**56,743**	**58,649**	**169,565**
	$ 2,868,536	**$ 343,405**	**$ 1,793,564**	**$ 5,005,505**
As at December 31, 2013				
Bank overdraft	$ 53,109	$ -	$ -	$ 53,109
Bank operating loan	435,000	-	-	435,000
Trade and other payables	466,484	-	-	466,484
Long-term debt	286,662	286,662	387,099	960,423
Finance lease obligations	54,287	55,542	86,931	196,760
	$ 1,295,542	$ 342,204	$ 474,030	$ 2,111,776

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 June 30, 2014 and December 31, 2013 the following balances were denominated in USD:

	2014	2013
Cash and cash equivalents	**$ 32,104**	$ 15,704
Trade and other receivables	**$ 17,666**	$ 17,666
Inventory	**$ 1,906**	$ 1,906
Prepaid expenses and deposits	**$ 12,344**	$ 12,063
Trade and other payables	**$ 11,746**	$ 26,362

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 June 30, 2014, a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total annual comprehensive income (loss) of approximately $2,800.

N. Disclosure of Outstanding Share Data

As at June 30, 2014 and August 6, 2014, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	**Outstanding as at June 30, 2014**	**Outstanding as at August 6, 2014***
Voting or equity securities issued and outstanding	Unlimited Common Shares	33,465,994 Common Shares	33,465,994 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 2,565,000 Common Shares at an exercise price at between $0.145-$0.15	Stock options to acquire 2,565,000 Common Shares at an exercise price at between $0.145-$0.15

* Currently, 1,215,000 options with an expiry date of July 15, 2014 cannot be exercised as a result of a black out period imposed pursuant to Company policy. At the end of the black out period, option holders will be entitled to exercise their option for up to ten (10) business days.

In the six months ended June 30, 2014 the Company issued 900,000 options to directors and employees.

O. Outlook

The outlook for 2014 remains positive. Management is forecasting growth in Canadian and U.S. infrastructure sales in the second half of the year and continued growth in the Western Canada oil and gas sector. The Company continues with the construction of two new production units. Plans for the opening of a regional operation site in Ontario have been deferred until 2015.

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Form 51-102F1 - Management's Discussion & Analysis
For the Quarter and Six Months Ended June 30, 2014

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the quarter and six months ending June 30, 2014 are outlined below:

Page 4 and 5 – Mid Year Review

The improved margin due to the sales increase was reduced by the impact of hiring and training additional operating staff in anticipation of increased activity in the second half of 2014.

Sales contracts are expected to be finalized shortly for work in the second half of 2014.

However, based on recent bid requests the Company remains optimistic that the opportunities in this market will be significant in the coming years based on the announced projects in this market.

Page 5 and 7 – Results of Operations

The increase in the gross margin dollars of $34,092, due to higher sales, was reduced by the impact of hiring and training additional operating staff in anticipation of increased activity in the second half of 2014.

The decrease in the gross margin dollars of $642,372 was primarily due the revenue decline and the impact of hiring and training additional operating staff in anticipation of increased activity in the second half of 2014.

Page 16 – Outlook

The outlook for 2014 remains positive. Management is forecasting growth in Canadian and U.S. infrastructure sales in the second half of the year and continued growth in the Western Canada oil and gas sector.

The foregoing statements contain forward-looking statements which are based on sales and earnings forecasts prepared for 2014; sales forecasts include work which is under contract for 2014, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in 2014, 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 2014 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 2014 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.