CEMATRIX CORPORATION

Management's Discussion and Analysis

Quarter and Nine Months Ended September 30, 2014

Date Completed: November 25, 2014

CEMATRIX CORPORATION
www.cematrix.com

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

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the quarter and nine months ended September 30, 2014. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the quarter and nine months ended September 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".

The Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the unaudited Interim Consolidated Financial Statements and MD&A for the quarter and nine months ended September 30, 2014. The Board of Directors of the Company reviewed and provided their approval on November 25, 2014.

Index

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 nine months ended September 30, 2014, the Company's financial condition as at September 30, 2014 and its future prospects.

B. Third Quarter Highlights

- The Company secured a record $6.8 million contract, the largest contract in the history of the Company, and several other signed orders for oil sands and refinery and infrastructure projects in the amount of $6.0 million for a total of $12.8 million in aggregate. This year's total contracted work is now a record $17.3 million. Currently $9.4 million of this contracted work is scheduled for completion in 2014, $6.9 million in 2015 and $1.0 million in 2016.

- The Company recorded third quarter sales of $967,382, which brings sales for the first nine months of 2014 to $4,298,846. Sales in the third quarter were lower than forecast as a number of projects were re-scheduled to the fourth quarter. The current forecast, based on the scheduled contracted work mentioned above and other forecast sales, is that sales in the fourth quarter will be close to $5.2 million or 55% of the 2014 forecast sales. The Company continues to work on contracting additional work for 2014 and 2015.

- The loss in the third quarter of $405,994 and the year to date loss of $1,045,884 are the result of the delays in projects and the impact of hiring and training additional operating staff in anticipation of increased activity for projects originally scheduled to commence in the summer, but now contracted and scheduled for the fourth quarter of 2014.

C. Results of Operations

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

	Three Months Ended September 30		
	2014	**2013**	Change
Revenue	**$ 967,382**	$ **1,847,970**	$ (880,588)
Gross margin	**$ (5,072)**	$ **372,512**	$ (377,584)
Operating expenses	**(454,617)**	**(431,740)**	(22,877)
Operating income (loss)	**(459,689)**	**(59,228)**	(400,461)
Finance and other income (expenses)	**(44,564)**	**(24,976)**	(19,588)
Income (loss) before income taxes	**(504,253)**	**(84,204)**	(420,049)
Provision of deferred taxes	**109,296**	**29,502**	79,794
Net income (loss) attributable to the common shareholder	**(394,957)**	**(54,702)**	(340,255)
Unrealized foreign exchange income (loss) on translation of foreign subsidiary	**(11,037)**	**(1,512)**	(9,525)
Comprehensive income (loss) for period	**$ (405,994)**	$ **(56,214)**	**$** (349,780)
Fully diluted income (loss) per common share for period	**$ (0.012)**	$ **(0.002)**	$ (0.010)

	Three Months Ended September 30		
	2014	**2013**	Change
Revenue			
Infrastructure			
Western Canada	**$ 358,027**	$ 755,422	$ (397,395)
Ontario	**597,140**	**583,979**	13,161
United States	**-**	**292,051**	(292,051)
	955,167	**1,631,452**	(676,285)
Western Canada Oil and Gas	**12,215**	**216,518**	(204,303)
	$ 967,382	$ **1,847,970**	$ (880,588)

Revenue for the quarter ended September 30, 2014 was $967,282 which was down by $880,588 from the same quarter in 2013. The decline in revenue is mainly due to the timing of sales. In 2014 delays in contracted work have resulted in most of the year's sales being moved to the fourth quarter.

The gross margin on sales was a negative $5,072 in the third quarter of 2014 as compared to $372,512 or 20% in the same period of 2013. The decrease in the gross margin dollars of $377,584 was due to lower sales, as discussed above, combined with the impact of hiring and training additional operating staff in anticipation of increased activity from scheduled contract work in the fourth quarter of 2014. The increased activity was originally scheduled to commence in the third quarter.

Operating expenses for the quarter ended September 30, 2014 increased by $22,877 as compared to the same period in 2013 due to the aggregate of the following:

- Salaries and benefits were up $19,217 due to salary increases and the addition of new staff;

- The provision for bad debt expense was higher by $11,700 as a result of a recovery in the third quarter of 2013 of an amount that previously been expensed;

- Share-based payment expense, which is non-cash, was down $4,628;

- Commissions for sales staff were down $2,856 due to the decrease in sales; and

- Other costs were down by $556.

Finance costs and other income (expenses) for the quarter ending September 30, 2014 were $44,564 as compared to $24,976 in the same quarter of 2013. This $19,588 increase is due to the aggregate of the following:

- Other income (expenses), which primarily consists of foreign exchange gains or losses, was a positive change of $13,703; and

- Finance costs were up by $33,291; 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 other capital expenditures and working capital.

The Company recorded a $109,296 recovery of deferred taxes in the quarter ended September 30, 2014 as compared to a deferred tax recovery of $29,502 in the same quarter of 2013.

The unrealized foreign exchange loss on the translation of the Company's United States ("U.S") subsidiary was $11,037 in 2014 as compared to an unrealized gain of $1,512 in 2013, primarily as a result of the strengthening of the U.S. dollar against the Canadian dollar

The loss before income taxes for the three months ended September 30, 2014 was $504,253 compared with a loss of $84,204 for the same period in 2013. The decline of $420,049 was primarily due to a decrease in gross margins as a result of the reduced revenue in the quarter compared with 2013 as well as higher operating expenses, due to increased staff, and increased finance costs, due to higher debt levels.

For the nine months ending September 30, 2014 compared to the nine months ending September 30, 2013

	Nine Months Ended September 30		
	2014	**2013**	Change
Revenue	**$ 4,298,846**	$ **6,636,030**	$ (2,337,184)
Gross margin	**$ 453,491**	$ **1,473,447**	$ (1,019,956)
Operating expenses	**(1,582,446)**	**(1,353,930)**	(228,516)
Operating income (loss)	**(1,128,955)**	**119,517**	(1,248,472)
Finance and other income (expenses)	**(129,685)**	**(71,511)**	(58,174)
Income (loss) before income taxes	**(1,258,640)**	**48,006**	(1,306,646)
Provision of deferred taxes	**234,899**	**(11,919)**	246,818
Net income (loss) attributable to the common shareholder	**(1,023,741)**	**36,087**	(1,059,828)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiary	**(22,143)**	**3,554**	(25,697)
Comprehensive income (loss) for period	**$ (1,045,884)**	$ **39,641**	**$** (1,085,525)
Fully diluted income (loss) per common share for period	**$ (0.031)**	$ **0.001**	$ (0.032)

	Nine Months Ended September 30		
	2014	**2013**	Change
Revenue			
Infrastructure			
Western Canada	**$ 1,817,225**	$ **2,285,174**	$ (467,949)
Ontario	**681,877**	**2,889,068**	(2,207,191)
United States	**-**	**319,146**	(319,146)
	2,499,102	**5,493,388**	(2,994,286)
Western Canada Oil and Gas	**1,799,744**	**1,142,642**	657,102
	$ 4,298,846	$ **6,636,030**	$ (2,337,184)

Total revenue for the nine months ended September 30, 2014 was $4,298,846 compared to $6,636,030 for the same period in 2013, a decrease of $2,337,184. Western Canada oil & gas revenue increased by $657,162, however, infrastructure revenue decreased by $2,994,286. Infrastructure sales in Ontario were down $2,207,191. In 2013 the Company had a significant project in Windsor, Ontario. Furthermore, the Company benefited from some U.S. projects in 2013 but in 2014 there are currently no U.S. projects scheduled until the fourth quarter.

The gross margin on sales was $453,491 or 11% for the nine months ended September 30, 2013 compared to $1,473,447 or 22% in the same period of 2013. The decrease in the gross margin dollars of $1,019,956 was primarily due the revenue decline and the impact of hiring and training additional operating staff in anticipation of increased activity in the fourth quarter of 2014. The increased activity was originally scheduled to commence in the third quarter.

Operating expenses for the nine months ended September 30, 2014 increased by $228,516 as compared to the same period in 2013 due to the aggregate of the following:

- Share-based payment expense, which is non-cash, was up by $116,325; primarily the effect of the new options granted in March 2014 which were fully vested at the time of issue;

- Salaries and benefits were up $86,308 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 $15,061 due to the decrease in sales;

- The provision for bad debt expense was higher by $11,700 as a result of a recovery in the third quarter of 2013 of an amount that previously been expensed;

- Other costs were up by $29,244.

Finance costs and other income (expenses) for the nine months ended September 30, 2014 were $129,685 as compared to $71,511 in the same period of 2013. This $58,174 increase is due to the aggregate of the following:

- Other income (expenses) consists of foreign exchange gains of $15,411 in 2014 as compared to losses of $4,874 in 2013, a positive income change of $20,285; and

- Finance costs were up by $78,459; 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 Company recorded a deferred tax recovery of $234,899 in the nine months ended September 30, 2014 as compared to a deferred tax provision of $11,919 in the same period of 2013.

The unrealized foreign exchange loss on the translation of the Company's United States ("U.S") subsidiary was $22,143 in 2014 as compared to an unrealized gain of $3,554 in 2013, primarily as a result of the strengthening of the U.S. dollar against the Canadian dollar.

The loss before income taxes for the nine months ended September 30, 2014 was $1,258,640 compared with income of $48,006 for the same period in 2013. The decline of $1,306,646 was primarily due to a decrease in gross margins as a result of the reduced revenue 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 to finance new capital expenditures for the expected sales growth across Canada and the U.S..

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. For 2014, most of the Company's sales are now forecast to be completed in the fourth quarter. 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 on the next page:

Quarters Ended	Revenues	Comprehensive Income (Loss)	Income (Loss) Per Share Basic	Income (Loss) 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**
September 30	**967,382**	**(405,994)**	**(0.012)**	**(0.012)**
Total year to date	**4,298,846**	**(1,045,884)**	**(0.031)**	**(0.031)**
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

	September 30 2014	December 31 2013	Change
Total current assets	**$ 2,380,441**	$ 2,156,801	$ 223,640
Total non current assets	**4,495,313**	3,688,686	806,627
Total Assets	**$ 6,875,754**	$ 5,845,487	$ 1,030,267
Current liabilities	**$ 1,884,254**	$ 1,295,542	$ 588,712
Non current liabilities	**2,173,909**	816,234	1,357,675
Total Liabilities	**$ 4,058,163**	$ 2,111,776	$ 1,946,387
Shareholders' Equity	**$ 2,817,591**	$ 3,733,711	$ (916,120)

Total current assets were $2,380,441 at September 30, 2014 compared to $2,156,801 at December 31, 2013. This increase of $223,640 was due to the aggregate effect of the following:

- Cash in the bank was up $8,174 (See the discussion in Section F - Consolidated Statement of Cash Flows);

- Trade and other receivables were up by $128,641 primarily as a result of the timing of sales in comparison to the fourth quarter of 2013 combined with timing differences in the collection of trade receivables;

- Inventory was up $55,741 due to the normal usage in the production process as offset by purchases to in preparation for the scheduled contracted work in the fourth quarter of 2014; and

- Prepaids and deposits were up $31,084, mainly due to prepaid fourth quarter project expenses.

Total non current assets were $4,495,313 at September 30, 2014 compared to $3,688,686 at December 31, 2013. This increase of $806,627 was due to the aggregate of the following:

- Property and equipment was up $571,728 - additions to property and equipment were $824,736 related to the construction of new production capacity as offset by depreciation and amortization expense of $253,008; 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 $234,899 as a result of recording a recovery of deferred tax in the first nine months of 2014.

Total current liabilities were $1,884,254 at September 30, 2014 compared to $1,295,542 at December 31, 2013. This increase of $588,712 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 down $30,833 due to the reduced level of activity in the third quarter of 2014 as compared to the last quarter of 2013;

- Bank operating loan was up $420,000 as the Company increased borrowings to finance increased working capital and capital spending;

- Trade and other payables were up $199,646 mainly due to expense timing differences as compared to the last quarter of 2013;

- Current portion of long term debt remained the same as at December 31, 2013; and

- Current portion of finance lease obligations was down $101 due to scheduled repayment of $41,216 as offset by the reclassification from the long term portion of $41,115.

Total non current liabilities were $2,173,909 at September 30, 2014 compared to $816,234 at December 31, 2013. This increase of $1,357,675 was due to the aggregate of the following:

- Long term debt was up $1,398,790 due to additional draws on the BDC Capital Financing loan of $542,121 to fund capital spending and the issue of the Secured Debenture of $1,000,000 to fund capital spending and working capital as partially offset by repayments on the BDC Loans of $143,331; and

- Finance lease obligations were down $41,115 compared to the level as at December 31, 2013 due to reclassification to current portion in the quarter (see comment above).

Shareholders' Equity was $2,817,591 at September 30, 2014 compared to $3,733,711 at December 31, 2013. This decline of $916,120 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 $22,143 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 $1,023,741.

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

F. Consolidated Statement of Cash Flows

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

The cash position of the Company at September 30, 2014 was a positive $2,915 (consisting of cash in the bank of $25,191 net of bank overdraft of $22,276) compared to a negative cash position of $183,830 (consisting of cash in the bank of $49,238 net of bank overdraft of $233,068) at September 30, 2013.

The change in the cash position in the quarters ending September 30, 2014 and 2013 was an increase of $53,933 in 2014 as compared to a decrease of $155,335 in the same period of 2013. This change is outlined in the table below:

	Three Months Ended September 30		
	2014	**2013**	Change
Cash generated from (used in) operating activities	**$ 357,171**	$ **(530,784)**	$ 887,955
Cash generated from (used in) investing activities	**(250,131)**	**(65,816)**	(184,315)
Cash generated from (used in) financing activities	**(53,047)**	**441,265**	(494,312)
Increase (decrease) in cash	**53,993**	**(155,335)**	209,328
Cash, at beginning of period	**(51,078)**	**(28,495)**	(22,583)
Cash, at end of period	**$ 2,915**	$ **(183,830)**	$ 186,745
Cash Position			
Cash in the bank	**$ 25,191**	$ **49,238**	$ (24,047)
Bank overdraft	**(22,276)**	**(233,068)**	210,792
	$ 2,915	$ **(183,830)**	$ 186,745

- Cash generated from operating activities was $357,171 in the third quarter of 2014 as compared to cash used in operations of $530,784 in the same period in 2013, an improvement of $887,955 as outlined below:

  - The cash flow, before non-cash working capital adjustments, was lower by $432,241 compared with the same period of 2013. This decrease was due to the reduced net income attributable to the common shareholder of $340,255 compared to 2013 and a decrease of $91,986 in the adjustment for non-cash items in the reported earnings in 2014 compared to the same period in 2013.

  - The adjustment for the net change in non-cash working capital items was positive by $1,320,196 as compared to 2013. This is primarily due to timing of sales and the timing of the collection of the related trade receivables between the two periods.

- Cash used in investing activities of $250,131 in the third quarter of 2014 compared with $65,816 in the same period in 2013. This relates to additions to property and equipment. The Company is in the process of constructing two new mobile production units to meet sales expectations and to provide better geographical coverage.

- Cash used in financing activities was $53,047 in the third quarter of 2014 compared to cash generated of $441,265 in the same period in 2013.

- In 2014 the Company decreased its bank operating loan by $90,000 with the collection of working capital; made a drawdown $194,305 of the BDC Capital Financing to fund capital spending; and made repayments of $143,331 on BDC Financings and $14,021 on finance lease obligations.

- In 2013 the Company increased its bank operating loan by $495,000 and made repayments of $42,900 on the BDC Financings and $10,835 on finance lease obligations.

For the nine months ending September 30, 2014 compared to the nine months ending September 30, 2013

The cash position of the Company at September 30, 2014 was a positive $2,915 (consisting of cash in the bank of $25,191 net of bank overdraft of $22,276) compared to a negative cash position of $183,830 (consisting of cash in the bank of $49,238 net of bank overdraft of $233,068) at September 30, 2013.

The change in the cash position in the nine months ending September 30, 2014 and 2013 was an increase of $39,007 in 2014 as compared to an increase of $88,311 in the same period of 2013. This change is outlined in the table below:

	Nine Months Ended September 30		
	2014	**2013**	Change
Cash generated from (used in) operating activities	**$ (913,831)**	$ **174,487**	$ (1,088,318)
Cash generated from (used in) investing activities	**(824,736)**	**(318,638)**	(506,098)
Cash generated from (used in) financing activities	**1,777,574**	**232,462**	1,545,112
Increase (decrease) in cash	**39,007**	**88,311**	(49,304)
Cash, at beginning of period	**(36,092)**	**(272,141)**	236,049
Cash, at end of period	**$ 2,915**	$ **(183,830)**	$ 186,745
Cash Position			
Cash in the bank	**$ 25,191**	$ **49,238**	$ (24,047)
Bank overdraft	**(22,276)**	**(233,068)**	210,792
	$ 2,915	$ **(183,830)**	$ 186,745

- Cash used in operating activities was $913,831 in the nine months ended September 30, 2014 as compared to the generation of $174,487 in the same period in 2013, a change of $1,088,318.

- The cash flow, before non cash working capital adjustments, was lower by $1,198,294 compared with the same period of 2013. This was due to the reduction in net income attributable to commons shareholders of $1,059,828 together with a decrease of $138,466 in the adjustment for non-cash operating items as compared to the same period in 2013.

- The adjustment for the negative adjustment for net change in non-cash working capital items was lower by $109,976. 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 $824,736 in the nine months ended September 30, 2014 and $318,638 in the same period in 2013. This relates to additions to property and equipment. The Company is in the process of constructing two new mobile production units to meet sales expectations and to provide better geographical coverage.

- Cash generated in financing activities of $1,777,574 in the nine months ended September 30, 2014 compared to the generation of $232,462 in the same period in 2013.

- In 2014 the Company increased its bank operating loan by $420,000 to finance higher working capital and capital spending; made a drawdown $542,121 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 $143,331 on BDC Financings and $41,216 on finance lease obligations.

- In 2013 the Company used an additional $55,000 of its operating credit line; made a draw on its BDC Capital Financing of $262,065 and made repayments of $42,900 on the BDC Financings and $41,703 on 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, 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 September 30, 2014, the Company had a current asset/current liability position of $496,187 which is down $365,072 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.

For the nine months ended September 30, 2014 the Company reported a loss before income taxes $1,258,604 and negative cash from operations, before the non-cash working capital adjustment, of $898,011.

The Company has a demand operating facility under its Credit Facility with a Canadian chartered bank. The revolving 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. In November the seasonal increase was extended to January 31, 2015 at which point the revolving credit facility will revert 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 September 30, 2014 was $814,000. In October an updated borrowing limit report was filed bringing the actual credit facility available to $1,394.000.

The undrawn portion of the May 2012 BDC Financings related to capital expenditures was $93,936 at September 30, 2014.

The Company has signed contracts on hand for $17.3 million in sales of which $9.4 million is scheduled for 2014, $6.9 million for 2015 and $1.0 million for 2016. Of the 2014 signed contracts and other forecast sales $5.2 million is scheduled to be completed in the fourth quarter of 2014. The Company continues to work on contracting additional work for 2014 and 2015.

The realization of the net working capital as at September 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 $5,332,348 at September 30, 2014 as compared to $4,890,894 at December 31, 2013. The increase of $441,454 was principally the result of additions to long term debt of $1,542,121 as partially offset by the repayments of $143,331 of BDC Financings and $41,216 of finance lease obligations and the decrease in shareholders' equity of $916,120 (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, 2014.

Debt Category	2014/15	2015/16	2016/17	2017/18	2018/19
	$	$	$	$	$
Finance lease obligations (1)	65,303	55,108	34,831	16,884	4,330
BDC Financing (2) (3)	286,662	286,662	243,762	200,862	200,862
Secured Debenture (2)	-	-	1,000,000	-	-
Operating leases (4)	271,564	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 September 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 September 30, 2014 or December 31, 2013.

I. Transactions with Related Parties

During the three and nine months ending September 30, 2014, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $2,247 and $7,593, respectively ($2,039 and $10,884, respectively in 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 October 1, 2014 or later periods. The standards impacted that are applicable to the Company are as follows:

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 September 30, 2014 of $855,000. 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 $1,359,213 outstanding at September 30, 2014, is subject to floating rates. Based on the floating rate debt outstanding

at September 30, 2014 a 1% increase/decrease in interest rates would result in a decrease/increase in the comprehensive income (loss) of approximately $16,600.

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, 2014, 7 customers accounted for approximately 90% 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 September 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 September 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 September 30, 2014 was $814,000 (December 31, 2013 - $971,000). Based on these restrictions the actual credit facility availability at September 30, 2014 was $814,000 (December 31, 2013 - $971,000). In October an updated borrowing limit report was filed bringing the actual credit facility available to $1,394,000. In November the seasonal increase of the Credit Facility of $1,500,000 was extended to January 31, 2015 at which time it will reduce to $1,000,000

The table below summarizes the maturity profile of the Corporation's financial liabilities at September 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 September 30, 2014				
Bank overdraft	**$ 22,276**	**$ -**	**$ -**	**$ 22,276**
Bank operating loan	**855,000**	**-**	**-**	**855,000**
Trade and other payables	**666,130**	**-**	**-**	**666,130**
Long-term debt	**286,662**	**286,662**	**1,785,889**	**2,359,213**
Finance lease obligations	**54,186**	**48,739**	**52,619**	**155,544**
	$ 1,884,254	**$ 335,401**	**$ 1,838,508**	**$ 4,058,163**
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 September 30, 2014 and December 31, 2013 the following balances were denominated in USD:

	2014	2013
Cash and cash equivalents	**$ 17,709**	$ 15,704
Trade and other receivables	**$ 17,666**	$ 17,666
Inventory	**$ 1,906**	$ 1,906
Prepaid expenses and deposits	**$ 16,232**	$ 12,063
Trade and other payables	**$ 11,766**	$ 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 September 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 $2,300.

M. Disclosure of Outstanding Share Data

As at September 30, 2014 and November 25, 2014, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	**Outstanding as at September 30, 2014**	**Outstanding as at November 25, 2014**
Voting or equity securities issued and outstanding	Unlimited Common Shares	33,465,994 Common Shares	34,025,994 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 3,090,000 Common Shares at an exercise price at between $0.145-$0.24

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

On October 9, 2014 560,000 stock options to certain employees, with an exercise price of $0.015, were exercised resulting in net proceeds to the Company of $84,000. On the same date 655,000 stock options to certain employees expired without being exercised.

On October 22, 2014 stock options to certain employees and a consultant for the issuance of 1,740,000 common shares were made. These stock options were issued with an exercise price of $0.24, vest as to one third immediately and one third on each of the next two anniversary dates, and are for a term on 5 years.

N. Outlook

Based on the scheduled contracts in place Management is forecasting strong fourth quarter sales.

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

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the quarter and nine months ended September 30, 2014 are outlined below:

Page 4 – Third Quarter Highlights

The current forecast, based on the scheduled contracted work mentioned above and other forecast sales, is that sales in the fourth quarter will be close to $5.2 million or 55% of the 2014 forecast sales.

Page 5 & 6 – Results of Operations

The decrease in the gross margin dollars of $377,584 was due to lower sales, as discussed above, combined with the impact of hiring and training additional operating staff in anticipation of increased activity from scheduled contract work in the fourth quarter of 2014

The decrease in the gross margin dollars of $1,019,956 was primarily due the revenue decline and the impact of hiring and training additional operating staff in anticipation of increased activity in the fourth quarter of 2014.

Page 16 – Outlook

Based on the scheduled contracts in place Management is forecasting strong fourth quarter sales.

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.