CEMATRIX CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Date Completed: March 2, 2016

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Year Ended December 31, 2015

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the year ended December 31, 2015. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015 and the related notes thereto ("Consolidated Financial Statements") and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2014 and related notes thereto. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the International Reporting Interpretation Committee ("IFRIC") in effect at December 31, 2015. 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 2015 Consolidated Financial Statements and MD&A for the year ended December 31, 2015. The Board of Directors of the Company reviewed and approved these Consolidated Financial Statements and MD&A on March 2, 2016.

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Forward Looking Statements

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

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

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

The Company has discussed, in Section D. – Key Market Drivers and in Section E. - Key Risks and Uncertainties of its MD&A 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. The Company cautions the reader that these factors are not exhaustive. The risk factors that could lead to differences in business results and which could cause actual results to differ materially from the forward-looking information disclosed herein include, without limitation, legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where the Company operates, results of financing efforts, changes in counterparty risk and the impact of accounting standards issued by the International Accounting Standards Board.

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

A. Purpose of the Company's MD&A

The purpose of this MD&A is to provide a narrative explanation, through the eyes of management, to assist the reader in understanding the Company's performance for the year ended December 31, 2015, the Company's financial condition as at December 31, 2015 and its future prospects.

B. Corporate Overview, Annual Review and Highlights

Corporate Overview

Through its wholly-owned subsidiary, CEMATRIX (Canada) Inc. and its subsidiary CEMATRIX (USA) Inc., the Company uses specially developed equipment and proprietary or exclusive use foaming agents to produce and pour cellular concrete for various applications in the infrastructure and oil and gas construction markets.

Cellular concrete is a cement slurry based product that is combined with air to result in a very lightweight, foamed concrete-like material that has thermal insulating qualities with moderate structural strength. It is generally lighter than water and is used as a replacement for rigid and other types of insulation and as a lightweight fill or a void fill, which includes tunnel grouting.

The Company's current market focus is in the construction market for infrastructure in Western Canada and Ontario and on a selective basis in Quebec, the Northwest Territories and the United States of America ("U.S.), and the oil and gas construction projects in Western Canada.

The infrastructure market sector primarily relates to work on public construction projects that are funded by provincial, state and federal governments. Some examples of this type of work are as follows: the insulation of road bases; the protection of permafrost under buildings, utilities, roads and runways; the insulation of shallow utility installations; industrial and commercial floor bases; the replacement of weak and/or unstable soils and soils that are subject to seismic conditions; mechanical structural earth ("MSE") panels and retaining wall backfill; grouting; and tunnel backfill. Work in this sector generally requires the prior approval of the Company's various products and applications by local regulatory bodies.

The oil and gas sector primarily relates to work on refinery, oil sand facilities and tank base construction projects that are funded by various corporations in this sector. Some examples of the type of work are as follows: the insulation of shallow utilities, facility floors, pile caps, modules and tank bases.

The Company's revenue is recognized as the Company processes and places the cellular concrete on site, based on the number of cubic metres processed and placed.

The nature of the Company's sales is usually "one-off" type sales, meaning there is little in the way of carry over in sales from year to year; except to the extent that the Company has repeat business related to a specific application or location, or a project is sufficiently large in scope, that it continues from one period into the next. The goal is to increase this type of repeatable and predictable source of revenue.

Work in both market sectors is generally as a sub-contractor to various engineering and construction firms who are awarded the prime contract from the owner of the particular project.

The Company has two distinct types of production equipment, as follows:

Dry mix production equipment is fully automated and the cement slurry mixing process is done directly from cement and other dry powders. This equipment permits the production of high hourly volumes. The dry mix system enables the Company to improve the quality of its end product, while reducing its unit cost by up to 20% as compared to the wet mix process. However, the dry mix process is typically not suitable for small to medium sized projects because of the higher costs associated with mobilization together with the onsite space required for set up; and

Wet mix production equipment is partially automated and the pre-designed cement slurry required is delivered by a ready mix provider; this equipment has lower hourly production capability and is suitable for small volume projects or projects where there is no space for the larger dry mix units.

The Company's fleet of production equipment currently consists of three dry mix units that can produce up to 125 cubic metres per hour of cellular concrete and three wet mix units that have the capability of producing up to 100 cubic metres per hour of cellular concrete. A new wet mix unit, which is under construction, will be commissioned early in 2016. The fleet is mobile and can be moved to any project in North America.

The value proposition that CEMATRIX offers to customers is as follows:

CEMATRIX cellular concrete saves significant time and money for its customers (the "Value Proposition").

The Company`s customer service solution is supported by acquired and internally developed technologies that enable the production of high volumes of consistent, low density insulating cellular concrete; the North American exclusive rights to a protein based foaming agent and an acquired synthetic foaming agent formula; the proprietary material mix expertise; the technical support for thermal and structural design to assist engineering firms in the design of applications for cellular concrete; and internally designed and constructed specialty equipment for the production of cellular concrete.

Over the past few years the Company has invested in additional staff and equipment in order to prepare for what management believes will be a significant increase in annual sales, as the Company's product reaches the "tipping point' for a number of applications. Tipping point refers to the point in time where customers decide that they will use the Company's product, as opposed to alternative products, for certain applications (i.e. all bridge abutment work, or all MSE panel backfill or all the insulation of oil sand modules etc.). The cost of this investment, in terms of additional staff and equipment, has negatively affected the financial results over the past few years, however, it has helped to put the Company in a better position to achieve sales growth, as it occurs. As an example, with the completion of the new dry mix production unit in 2015 and the new wet mix production unit in early 2016, the Company will have the seasonally adjusted equipment production capacity to increase annual sales volume to approximately 500,000 cubic metres, or up to $88 million in sales.

The Company's head office is located in Calgary, Alberta.

Annual Review and Highlights

2015 sales of $15,379,787 increased by $6,667,594 or 76.5%, operating income increased to $2,435,428 from an operating loss of $53,212 in 2014, an improvement of $2,488,640 and EBITDA (earnings before interest, taxes, depreciation and non-cash stock based compensation) increased to $2,853,108 or $0.08 per share. The gross margin percentage for the year was on target at 32%, as compared to 21.7% for the previous year. As expected, the overall margin percentage continues to increase as the fixed costs of operations are spread over greater number of cubic metres of cellular concrete produced and place.

Sales for the three months ended December 31, 2015 continued to be strong. Sales of $6,304,032 increased by $1,890,685, or 42.8% compared to the same period in 2014 and operating income of $1,110,096 increased by $164,117 or 17.3%. The gross margin percentage of 31.6% was down slightly from 32.5% in the same period in 2014.

In February 2016, the Company's wholly owned subsidiary CEMATRIX (Canada) Inc. entered into an agreement with the Canadian Western Bank for a $2,000,000 demand operating loan. The proceeds from this loan will be used to repay the 16.5% mezzanine loan and to finance day-to day operations.

The Company now has $5.8 million of sales contracts in place for projects currently scheduled for 2016. In addition, the Company has been approached to provide design assistance, or quotes, or both, for numerous other projects currently scheduled to be completed in 2016 and beyond.

In 2015, the Company experienced significant growth in the oil and gas sector of Western Canada as sales increased to $9,765,815, up $5,856,657 or 149.8% from 2014. Work at two major projects in this sector accounted for $9,115,173 of the 2015 sales. Even though sales grew significantly, many other likely sales were lost due to the economic downturn that has affected this sector as a result of the decline in oil prices. Infrastructure sales of $5,613,972 were up $810,937, or 16.9%, from 2014. Sales in Ontario, where the Company has a marketing focus grew by $706,293, or 48.6%. Sales in the U.S., which are on selective basis, were up $1,231,573, or 183.8%, as the Company was able to successfully complete a number of significant projects in 2015. Sales in Western Canada were down $1,126,929, or 42%, as the Company landed fewer significant projects in 2014.

It is important to note that even though sales increased by 76.5% to $15,379,787, operating expenses, before a corporate bonus provision, only increased by 14.2% to $2,216,990 reflecting management's continued focus on cost control.

Non-cash stock based compensation was down by $100,541, or 31%, as a result of the timing of vesting of new stock options issued in 2014 and 2015.

Finance costs were up $167,130, or 71.8%, due to the high cost of the factoring agreement and the mezzanine loan that the Company had to rely on in 2015 to finance its working capital requirements.

The income before taxes was $1,857,179 as compared to a loss of $597,646 in 2014, an improvement of $2,454,825. The increase in income before taxes was due to a combination of higher sales and improved gross margins and lower non-cash stock based compensation as partially offset by higher operating and finance costs.

The Company continues to focus its effort to gain broad market acceptance for its products for numerous applications in infrastructure markets throughout Canada. Management believes that this market sector offers an opportunity for continued revenue growth as the Company moves toward a broader market acceptance for a number of its applications, particularly in Eastern Canada. The Company now has a branch operation in Ontario and a full time sales representative and processing equipment dedicated to the Eastern Canada infrastructure market.

The Company continues to aggressively pursue work in the Western Canada oil and gas market sector and to develop the Western Canada infrastructure market. However, much of the potential work in the oil and gas sector is subject to individual project schedules that can often change depending on the particular oil and gas company involved and its outlook on the future of oil and gas prices, the associated cash flow, its access to financing to fund these large capital intensive projects and the current bottleneck in getting its oil to markets among other things. The current market environment with low oil and gas prices will have an impact on the near term project opportunities in this market. Fortunately, the Company's contracted projects in this market are continuing as scheduled. In addition, there is the year over year work in this sector associated with refinery and pipeline annual maintenance spending.

Over the past ten years the Company has experienced delays, and a few cancellations, of projects in the oil and gas sector. As a result, it is difficult for the Company to forecast this type of work, on a year over year basis.

Even so, the Company remains optimistic that opportunities in this market will be available in 2016, although at a much smaller level than in 2015. A rebound of oil and gas prices will improve opportunities both in 2016 and beyond.

Some Highlights for 2015

- The Company had a record sales of $15,379,787, generated record levels of income to common shareholders of $1,589,667 and EBITDA (earnings before interest, taxes, depreciation and non-cash stock based compensation) of $2,853,108.

- The Company's stock price closed the year at $0.30, up from $0.21 at the close of 2014, an increase of 42.9%.

- A new dry mix production unit went into service in late 2015 adding to the Company's production capacity.

- The Company`s wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement that provided up to $2,000,000 of working capital financing.

- The Company opened an operating facility in Ontario to support its growth in the Eastern Canada market.

- Late in 2015 the Company signed its first contract for work in Quebec. The project is currently scheduled for completion in 2016.

- The Company continued its focus on health and safety, by ensuring a safe work place and maintaining all of its safety certifications and registrations. 2015 was another injury free year with no lost time medical incidents.

C. Business Strategy for Growth and Shareholder Value Creation

CEMATRIX's goal is to be the leading supplier of competitively priced, high volume, high quality cellular concrete in North America. In order to accomplish this, CEMATRIX's strategy is to continue to build a strong foundation for its business from its base province, Alberta, and then continue by opening new infrastructure construction markets throughout the balance of Canada and the United States.

This business strategy is centered on the following key elements:

- Establish and maintain a strong financial position;
- Grow the business through:
  - Building a foundation of key proven applications in existing markets;
  - Methodical regional expansion of these developed applications;
  - Expansion into the U.S. market; and
  - Plan and execute the timely acquisition and upgrading of the Company's production fleet of equipment.
- Retention, recruitment and maintenance of an experienced and focused management, operations and support team;
- Development and acquisition of technologies to maintain competitiveness; and
- Development of strategic alliances to support research and development, to supply raw materials and to develop new products and markets.

CEMATRIX is currently working on expanding its infrastructure markets geographically in Western Canada, Ontario and Quebec, while selectively bidding on projects in the U.S. in order to utilize unused production capacity. The infrastructure market segment provides the opportunity for continued growth in sales, while working to reduce the effect of seasonality.

There continue to be opportunities in the construction market in the oil and gas sector of Western Canada. Although the current low commodity prices have affected this sector recently it is expected that many of the announced project delays, in particular on oil sands projects, will be revived in the coming years. However, the timing of work in this sector is difficult to forecast.

D. Key Market Drivers

The primary drivers in the marketplace that affect the demand for the Company's cellular concrete include the following:

Effect of low oil prices and the availability of capital by companies to invest in projects

The development of the oil sands and refineries in Alberta are dependent on the availability of capital to companies making these investments as well as their outlook for oil prices as well as gas prices. The price for oil have been negatively affected by the impact of excess supply in global markets. Oil prices for Western Canada also continued to be negatively affected due to reduced take away capacity on connecting pipelines. The individual company`s views on these factors affects the timing of projects which could be specified to use various quantities of the Company's products. Despite the tight capital markets and low oil and gas prices, the projects in which the Company has contracted, or is in the process of contracting for work in 2016, are currently proceeding, as planned. A number of large oil and gas companies have already cut their capital budgets significantly, but these cuts have mainly been in the drilling sector and oil field servicing and in projects that have not yet proceeded to the construction stage. This doesn't mean that further cuts won't be made in the future, that may affect the projects that the Company has contracts on.

Whether CEMATRIX will participate in other oil sand and refinery projects will be dependent on the recovery of the commodity prices and capital markets and the Company's ability to convince the project design engineers of CEMATRIX's Value Proposition, which is largely dependent on the Company's experiences to date.

Availability of capital for infrastructure construction

Government funded infrastructure construction throughout Canada and the U.S. is dependent on the capital funding that is made available to the various municipal, provincial/state and federal governments to make these types of investments. This also affects the timing of projects with which the Company's products could be applicable. Both the Canadian and the U.S. federal, provincial/state and municipal governments continue to allocate significant funds to infrastructure construction, however, the benefit, if any, to CEMATRIX, will be dependent on the type and location of projects to which the infrastructure funds will be allocated.

Product Acceptance

CEMATRIX's mission statement is to gain broad market acceptance of its product for various applications throughout North America, with its main focus on infrastructure and Canadian oil and gas construction applications. The successful implementation of this vision is dependent on its product becoming accepted by more of the project design engineers and specifiers. These individuals are in charge of the engineering and design of oil and gas and infrastructure projects, the materials that can be used in various projects and the determination of whether cellular concrete can be considered for a particular application.

Extensive education and marketing to geotechnical and design engineers has been and continues to be completed by the Company to demonstrate its Value Proposition for cellular concrete for a number of applications.

The Company's ongoing education and marketing program, together with the experience generated from projects throughout its markets in Canada and the U.S. has improved the acceptance by a number of design engineers, particularly in Canada where CEMATRIX continues to develop new markets.

For some applications in these new markets, cellular concrete will also need to be accepted and become an approved product by various municipal and provincial government departments.

In this regard, in Canada Cematrix has obtained, or is in the process of obtaining, the various approvals in all provinces and territories that it currently operates in.

In the U.S. cellular concrete is already an approved product for various infrastructure applications in most regions of the U.S.

Continued product acceptance by the engineering community and provincial transportation departments is important to support the Company's sales growth.

Sole Source Provider

When engineering firms and companies are considering specifying cellular concrete into a specific project, particularly in projects related to oil sands and refinery construction, a concern that can arise is the fact that CEMATRIX is the sole provider of cellular concrete in Alberta and for many other regions of Canada. Their concern is that if CEMATRIX is not available to complete their project, then there may be no one else that can do the work as specified. In many cases, this will mean that the project will have to be re-engineered because cellular concrete is not a one for one direct replacement to the products that it replaces. This is less of an issue for a number of infrastructure applications because there are other more expensive product solutions that may be specified as an alternative to the Company's product.

In some instances, owners of projects will not allow the use of a sole provider and others continue to be hesitant to do so, because the costs of re-engineering could be prohibitive. This practice has slowed the development of CEMATRIX's product penetration in Western Canada and has affected the development of other markets in Canada. The Company continues to work with customers, specifiers and design engineers to ensure that the benefits of the CEMATRIX products and services warrant the use of a sole source provider and to ensure these customers that CEMATRIX will be around to be that provider. This is less of an issue in the United States where there are a number of established cellular concrete producers.

If engineering firms and companies do not accept the nature of CEMATRIX being a sole source supplier this could affect the ability of the Company to grow its sales.

Research and Development

Increasingly customers, particularly in the infrastructure market, are requesting third party verification of the various properties of CEMATRIX's cellular concrete products and applications that have never been required in the past. As a result, the Company is regularly required to hire third parties to provide these requested engineering test results.

The availability of third party test results on CEMATRIX's cellular concrete products and applications is important for future sales growth, particularly in the infrastructure sector. Without these there could be certain projects that the Company would not be considered for and this could affect the ability of the Company to grow sales in this market.

E. Key Risks and Uncertainties

Besides the issues discussed under Section D - Key Market Drivers, management has identified the following additional risks and uncertainties:

Under Capitalization

The Company has been undercapitalized since its inception and this situation continues to hinder it from establishing adequate operational support for the expected significant increase in sales, as product acceptance continues to grow. To date, cash from operations hasn't provided the necessary funds to support the hiring and training of additional operations and technical staff, even though the Company has been able to expand its production capacity from an equipment perspective and increase its technical sales capability.

In addition, banks in general over the last year or so have become increasingly concerned with the effect of low commodity prices on companies involved in the oil and gas construction industry, so they are less amenable to increases or continuation of operating line financing, even if sales continue to increase, like they have for the Company in 2015. Accordingly, the Company continues to be more reactionary in its preparation for growth, as opposed to being in the position it would like to be, which would be more proactive. The inability to prepare for the forecasted growth increases the risk that the Company will not be able to achieve its growth expectations and/or that the cost to achieve that growth may be higher than currently expected.

The Company can reduce the effect of the risk of being undercapitalized by either raising additional capital in a difficult market or generate it from operations. The latter method is preferred, but the Company continues to explore its options.

Staffing Requirements

Staff required to operate the Company's equipment require extensive training and work experience time. The Company has retained its key equipment operators and other staff but faces a challenge in recruiting and training additional skilled labour if sales demand increases more quickly than anticipated. In Ontario and the U.S., the Company has established relations with the appropriate unions that have helped in providing labour and operators in these markets. The Company is currently in a better, but not optimum position, to hire, train and retain sufficient operations staff to meet the sales growth expected over the next few years. Accordingly, it plans to hire and train staff closer to when projects are scheduled to commence.

Capital Resource Requirements

Capital resource requirements must be matched to the demand for the Company's products. If demand increases more quickly than anticipated, the Company may be challenged to react quickly enough to realize the sales opportunities. The Company continues to evaluate various equipment options to enable the Company to be in a better position to react to these changing market conditions. Even so, there is no guarantee that financing would be available to fund new capital asset requirements, nor is there certainty that the Company could react in a timely fashion to new capital asset requirements, even if the financing is available. However, as noted earlier in Corporate Overview, the Company has sufficient equipment in place to enable significant growth in sales without adding additional production capacity.

Project Scheduling

The Company has no control over the timing of contracted projects. Delays in contracted work can occur at any time. Furthermore, delays in projects can also result in scheduling issues that can prove costly to the Company. Both the rescheduling of projects and the costs associated with those changes had a significant effect on the Company in 2014, particularly with over fifty percent of the 2014 sales, shifted into the fourth quarter and others that shifted into 2015. The risks associated with scheduling changes will be an ongoing issue for the Company.

Cement Supply

The Company has experienced shortages in its key raw material, cement, in the past, meaning several years ago. As there are alternatives to the Company's products, such as granular fills, rigid and other types of insulating materials that the Company's cellular concrete is replacing, shortages of cement may have an adverse effect on the Company's market development and forecasted sales. The Company continues to minimize the effect of this risk by working closely with the cement suppliers to secure cement as soon as the contract is executed and to alert them of future cement requirements as soon as they are known. Of note, the Company's major cement supplier is more than doubling its capacity at its plant in Western Canada, so cement supply should not be an issue in Western Canada in the future and this will affect the ready mix supply described below, as well.

The Company has experienced supply issues in past years, meaning several years ago, with the supply of ready mix in Alberta for wet mix type projects, because of the high demand for this product arising from the economic growth experienced in these years. Constraints on the supply of ready mix can affect the ability of the Company to grow future sales. In those years where there are ready-mix supply constraints, the Company attempts to maximize the utilization of dry mix process equipment that uses cement powder, in lieu of ready-mix slurry, to meet market demands. The Company continues to pursue production equipment design and construction to reduce the Company's reliance on ready-mix products.

Increasing Cement Commodity Prices

In previous years the Company has experienced significant increases in the cost of its key raw materials, cement and flyash. To date, the Company has been able to pass a significant portion of these price increases on to its customers. There is no certainty that this practice will continue, in which case this would reduce the Company's profit margin on sales. The prices for these materials have remained relatively stable over the past few years and the Company has been advised by its suppliers of minor increases for 2015. The Company is working towards minimizing any risk by developing equipment that will eliminate the need to rely on higher priced ready mix products for its raw material supply, for these types of projects.

Competition

Although the Company is the only significant supplier of cellular concrete in Alberta and the balance of Canada, there are other suppliers in the U.S. and other countries, and accordingly the possibility of future competition exists. Competition could result in lost sales or reduced profit margins. The Company is positioning itself for competition with other suppliers, by

- Developing strong customer relationships;
- Ensuring that its costs are competitive in relation to costs being incurred by other companies in the industry;
- Striving to ensure that it provides the best in cellular concrete technology, including thermal modeling and structural design assistance, material mix designs, foaming agents and processing equipment.

Product Warranties

The Company has not experienced warranty claims during its existence due to the nature of its product and does not accrue any expense related to possible warranty claims. Even though the Company's products are used in very low risk applications (i.e. replacement of dirt or rigid insulations), the potential exists for such warranty claims being made. The Company works to minimize this risk through ongoing material mix design, product and equipment development and by requiring highly trained quality control staff to be on hand for all projects to check and monitor all input and end product materials.

F. Operations and Overall Performance

Results of Operations

Comparison of the Three Months Ended December 31, 2015 and December 31, 2014

	Three Months Ended December 31		
	2015	2014	Change
Revenue	$ **6,304,032**	$ 4,413,347	$ 1,890,685
Gross margin	$ **1,992,691**	$ 1,435,150	$ 557,541
Operating expenses			
Normal operating expenses	**(607,595)**	(489,171)	(118,424)
Corporate bonus provision	**(275,000)**	-	(275,000)
	(882,595)	(489,171)	(393,424)
Operating income	**1,110,096**	945,979	164,117
Non-cash stock based compensation	**(33,389)**	(194,826)	161,437
Finance costs	**(129,844)**	(87,794)	(42,050)
Other income (expenses)	**1,453**	(2,365)	3,818
Income before income taxes	**948,316**	660,994	287,322
Provision of deferred taxes	**(55,859)**	(208,041)	152,182
Net income attributable to the common shareholders	**892,457**	452,953	439,504
Unrealized foreign exchange gain on translation of foreign subsidiary	**13,024**	7,122	5,902
Total comprehensive income	$ **905,481**	$ 460,075	**$** 445,406
Fully diluted income per common share	$ **0.026**	$ 0.012	**$** 0.014

	Three Months Ended December 31		
	2015	2014	Change
Revenue			
Infrastructure			
Western Canada	**$ 205,654**	$ 863,207	$ (657,553)
Ontario	**473,216**	770,699	(297,483)
United States	**508,677**	670,027	(161,350)
	1,187,547	2,303,933	(1,116,386)
Oil and Gas	**5,116,485**	2,109,414	3,007,071
	$ 6,304,032	$ 4,413,347	$ 1,890,685

Total revenue was higher by $1,890,685 or 42.8%. Oil and gas sector sales were up by $3,007,071 or 142.6% as a result of work at two large projects in Alberta which generated sales of $5,058,725 in 2015. Work at these projects is scheduled to continue through the first two quarters of 2016. Infrastructure sales were down $1,116,386 or 48.5%, with most of the decrease coming in Western Canada. The decrease in sales was due to a decline on projects landed in this region.

The gross margin on sales was higher by $557,741 or 38.9%. The gross margin percentage achieved of 31.6% compared to 32.5% in 2014. The increase in the gross margin dollars was due to the increase in revenue, discussed previously, as partially offset by a slight decline in the gross margin percentage rate.

Operating expenses, before the corporate bonus provision of $275,000 ($nil for 2014) were higher by $118,424 or 24.2% due to the aggregate of the following:

- Salaries and benefits were up $55,600 due to non-senior management salary increases and the addition of new staff;
- Commission was up $16,500 due to the increase in sales discussed previously;
- Insurance costs were up $25,800 due to higher premiums on the policy renewal because of increased sales levels combined with a requirement for project specific insurance on a U.S, project;
- The costs to put the receivable factoring agreement in place was $40,300 in 2015 and was amortized over the full year; the expense was $16,300 in the three months ended December 31, 2015;
- In 2015 the Company paid directors fees of $11,250; this was the first such payment in over eight years as the Company has returned to profitability in 2015;
- Other costs were down by $7,026.

Non-cash stock based compensation was down by $161,437, or 82.9%, as a result of the timing of vesting of new stock options issued in 2014 and 2015. Under IFRS rules, the associated non-cash stock based compensation expense related to stock options has to be expensed based on the vesting privileges of the particular option grants.

Finance costs were up $42,050, or 47.9%. The increase is due to higher financing costs related to the new financing arrangement put in place in 2015 with the new mezzanine loan and the receivable factoring agreement, both of which were put in place in order to fund the increased working capital requirements resulting from increased sales in 2015. Included in finance costs in the fourth quarter of 2014 was a non-cash fair value adjustment on share acquisition loans (see note 7 to the Consolidated Financial Statements).

Other income (expense) was higher by $3,818; in the fourth quarter of 2015 a foreign exchange gain of $1,453 was incurred; in the comparative period of 2014 a foreign exchange loss of $2,365 was reported.

Deferred income taxes were lower by $152,182, or 73.2%, as a result of a deferred tax adjustment recorded in 2015 to reflect the tax effect of additional tax pools. This was partially offset by higher taxes due to the increase in earnings and the effective tax rate in 2015.

Unrealized foreign exchange gain on translation of foreign subsidiary was higher by $5,902, or 82.9%, as a result of the continued strengthening of the U.S. dollar to the Canadian dollar.

The total comprehensive income was higher by $445,406, or 96.8%. This improvement was due primarily to higher sales and gross margins combined with lower non-cash stock based compensation, as partially offset by higher operating and finance costs

Comparison of the year ended December 31, 2015 and December 31, 2014

	Year Ended December 31		
	2015	2014	Change
Revenue	**$ 15,379,787**	$ 8,712,193	$ 6,667,594
Gross margin	**$ 4,927,418**	$ 1,888,641	$ 3,038,777
Operating expenses			
Normal operating expenses	**(2,216,990)**	(1,941,853)	(275,137)
Corporate bonus provision	**(275,000)**	-	(275,000)
	(2,491,990)	(1,941,853)	(550,137)
Operating income (loss)	**2,435,428**	(53,212)	2,488,640
Non-cash stock based compensation	**(224,049)**	(324,590)	100,541
Finance costs	**(400,020)**	(232,890)	(167,130)
Other income	**45,820**	13,046	32,774
Income (loss) before income taxes	**1,857,179**	(597,646)	2,454,825
Recovery (provision) of deferred taxes	**(267,512)**	26,858	(294,370)
Net income (loss) attributable to the common shareholders	**1,589,667**	(570,788)	2,160,455
Unrealized foreign exchange loss on translation of foreign subsidiary	**(23,272)**	(15,021)	(8,251)
Total comprehensive income (loss)	**$ 1,566,395**	$ (585,809)	**$** 2,152,204
Fully diluted income (loss) per common share	**$ 0.046**	$ (0.017)	$ 0.063

	Year Ended December 31		
	2015	2014	Change
Revenue			
Infrastructure			
Western Canada	**$ 1,553,503**	$ 2,680,432	$ (1,126,929)
Ontario	**2,158,869**	1,452,576	706,293
United States	**1,901,600**	670,027	1,231,573
	5,613,972	4,803,035	810,937
Oil and Gas	**9,765,815**	3,909,158	5,856,657
	$ 15,379,787	$ 8,712,193	$ 6,667,594

Revenue increased by $6,667,594 or 76.5%.

In 2015, the Company experienced significant growth in the oil and gas sector of Western Canada, as sales increased by $5,856,657, or 149.8%, from 2014. Work at two major projects in this sector accounted for $9,115,173 of the 2015 sales.

Infrastructure sales were up $810,937, or 16.9%, from 2014. Sales in Ontario, where the Company has a marketing focus, grew by $706,293, or 48.6%. Sales in the U.S., which are pursued on selective basis, were up $1,231,573, or 183.8%, as the Company was able to successfully complete a number of significant projects in 2015. Sales in Western Canada were down $1,126,929, or 42%, as the Company landed fewer significant projects in this region. The main focus on growth in the infrastructure market remains in Eastern Canada and in the U.S. on a selective basis.

The gross margin on sales increased by $3,038,777 or 160.9%. The gross margin percentage of 32% is a significant improvement over the 21.7% achieved in 2014. The increase in the gross margin dollars was due to the increase in revenue, discussed previously, and the increase in the gross margin percentage rate. The gross margin percentage for the 2015 was on target. As expected, the overall margin percentage continues to increase as the fixed costs of operations are spread over greater number of cubic metres of cellular concrete produced and placed.

Operating expenses, before the corporate bonus provision of $275,000 ($nil in 2014), increased by $275,137 or 14.2% due to the aggregate of the following:

- Salaries and benefits were up $150,800 due to non-senior management salary increases and the addition of new staff;

- Commission was up $50,500 due to the increase in sales discussed previously;

- Insurance costs were up $43,800 due to higher premiums on the policy renewal because of increased sales levels combined with a requirement for project specific insurance ion a U.S, project;

- The costs to put the receivable factoring agreement in place in 2015 was $40,300;

- In 2015 the Company paid directors fees of $11,250; this was the first such payment in over eight years as the Company has returned to profitability in 2015;

- Third party testing costs decreased by $26,500 due to reduced testing requirements;

- In 2014 the Company recorded a bad debt expense of $24,907; this provision was not credit related but relate to amounts billed to certain customers, that became subject to a negotiated settlement; and

- Other costs were up by $29,894.

Non-cash stock based compensation was down by $100,541, or 31%, as a result of the timing of vesting of new stock options issued in 2014 and 2015. Under IFRS rules, the associated non-cash stock based compensation expense related to stock options has to be expensed based on the vesting privileges of the particular option grants.

Finance costs were up $167,130, or 71.8%. The increase is due to higher financing costs related to the new financing arrangement put in place in 2015 with the new mezzanine loan and the receivable factoring agreement, both of which were put in place in order to fund the increased working capital requirements resulting from increased sales in 2015. Included in finance costs in 2014 was a non-cash fair value adjustment on share acquisition loans (see note 7 to the Consolidated Financial Statements).

Other income was higher by $32,774, or 251.2%. This increase is principally due to realized foreign exchange gains on U.S. dollar trade receivables, which were at a higher level in 2015, combined with the stronger U.S. dollar.

Deferred income taxes were higher by $294,370 as a result of the increased earnings and effective tax rate in 2015. This was partially offset by a deferred tax adjustment recorded in 2015 to reflect the tax effect of additional tax pools.

Unrealized foreign exchange loss on translation of foreign subsidiary was higher by $8,251 as a result of the continued strengthening of the U.S. dollar to the Canadian dollar.

The total comprehensive income for the year was $1,566,395 as compared to a loss of $585,809, an improvement of $2,152,204. This improvement was due primarily to higher sales and gross margins combined with lower non-cash stock based compensation, as partially offset by higher operating and finance costs

G. Selected Financial Information and Summary of Financial Results

Annual Results

The following is a summary of the audited financial results for each of the five years ended December 31, 2015. No cash dividends have been declared or paid since the inception of the Company.

Year Ended	Total Revenues	Total Comprehensive Income (Loss)	Income (Loss) Per Share Basic	Income (Loss) Per Share Diluted	Total Assets	Total Non Current Liabilities
	$	$	$	$	$	$
December 31, 2015	**15,379,787**	**1,566,395**	**0.047**	**0.046**	**11,260,623**	**1,877,457**
December 31, 2014	8,712,193	(585,809)	(0.017)	(0.017)	9,259,642	2,016,175
December 31, 2013	8,072,148	(208,591)	(0.007)	(0.007)	5,845,487	816,234
December 31, 2012	8,549,150	857,288	0.026	0.026	6,022,109	491,620
December 31, 2011	7,827,123	403,462	0.012	0.012	4,627,751	137,630

Quarterly Results

Due to the seasonal nature of the Company's business, which typically follows the construction season in Canada, a significant portion of the Company's sales occur between the latter part of the second quarter and the first half of the fourth quarter, on an annual basis. In the first quarter of 2015 the Company benefitted from winter infrastructure projects carried over from 2014 and the start of a major project in the oil and gas sector in Western Canada. For the year 2014 a number of projects were delayed until the fourth quarter. The Company continues pursuing other markets where seasonality is less of an issue. This seasonality is reflected in the quarterly results summarized below:

Quarters Ended	Total Revenues	Total Comprehensive Income (Loss)	Income (Loss) Per Share Basic (1)	Income (Loss) Per Share Diluted (1)
	$	**$**	**$**	**$**
2015 Year				
March 31	**2,819,022**	**(2,421)**	**-**	**-**
June 30	**2,164,286**	**(90,978)**	**(0.002)**	**(0.002)**
September 30	**4,092,447**	**754,313**	**0.022**	**0.021**
December 31	**6,304,032**	**905,481**	**0.026**	**0.026**
Total for year	**15,379,787**	**1,566,395**	**0.047**	**0.046**
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)
December 31	4,413,347	460,075	0.013	0.012
Total for year	8,712,193	(585,809)	(0.017)	(0.017)

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

H. Consolidated Statements of Financial Position

		December 31 2015		December 31 2014		**Change**
Total current assets	**$**	**6,784,310**	$	**4,930,969**	$	1,853,341
Total non current assets		**4,476,313**		**4,328,673**		147,640
Total Assets	**$**	**11,260,623**	$	**9,259,642**	$	2,000,981
Current liabilities	**$**	**3,900,605**	$	**3,573,850**	$	326,755
Non current liabilities		**1,877,457**		**2,016,175**		(138,718)
Total liabilities	**$**	**5,778,062**	$	**5,590,025**	$	188,037
Shareholders' equity	**$**	**5,482,561**	$	**3,669,617**	$	1,812,944

Total current assets were higher by $1,853,341 or 37.6%. This increase was largely due to the improved cash position of the Company as a result of collections on trade and other receivables and is summarized in aggregate below:

- Cash was up $1,400,766 (See the discussion in Section F - Consolidated Statement of Cash Flows);

- Term deposit was up $70,000 representing a security deposit in regard to the Company's credit cards; interest on the deposit is nominal;

- Trade and other receivables were up by $321,782 as a result of the higher sales in the fourth quarter of 2015 in comparison to the fourth quarter of 2015 combined with timing differences in the collection of trade receivables;

- Inventory was up $76,273 due to inventory purchases in preparation for winter work as partially offset by the normal usage in the production process, which increased substantially due to the significant sales increase. The Company's plan is to maintain its foaming agent inventory at between one and one and a half times the expected sales volume for the year. The current level is within that range.

- Prepaids and deposits were down $13,768; mainly due to timing differences on certain items in 2015 as compared with 2014; and.

- Current portion of share acquisition loans was down $1,712 due to scheduled repayments of $22,625 as offset by the accretion of the fair value adjustment of $1,868 and the reclassification from the long term portion of $19,045.

Total non current assets increased by $147,640 or 3.4%. The increase due to equipment additions, net of depreciation, was more than offset by the reduction in the deferred tax asset as a result of utilizing the benefit of non-capital losses associated with the current year's profitability and is summarized in aggregate below:

- The long term portion of the share acquisition loans was down by $19,045 due to reclassification to the current portion (see comment above).

- Property and equipment was up $434,197 - cash additions to plant and equipment were $691,687, primarily related to the construction of new production equipment, which has increased productive capacity and geographical allocation, and $114,370 in new finance leased equipment; this was partially offset by depreciation of $371,860;

- Intangibles remained at the same amount: no amortization is recorded on the remaining trademarks and technology as the Company views these as having an indefinite life; and

- The deferred tax asset decreased by $267,512 as a result of utilizing non-capital losses against income earned in the year.

Total current liabilities increased by $326,755 or 9.1%. This increase was primarily due to the application of collections of trade receivables, the issue of a mezzanine loan and funds received from the factoring of trade receivables to pay down the bank loan and trade payables. The change is summarized in aggregate below:

- Bank overdraft was down $194,154 (see discussion below for bank operating loan);

- Bank operating loan was down $1,110,000 as the Company put in place a new financing agreement to pay off the Company's credit line with a Canadian chartered bank. The Company's bank was unable to provide the operating loan level required to achieve the sales level expected for 2015. As a result the Company entered into a $2,000,000 working capital financing arrangement (see Section G – Liquidity);

- Trade and other payables were up $176,742 principally due to the higher business activity in the fourth quarter of 2015 as compared to the same quarter of 2014;

- Factoring liability was $703,462; this represents the cash received on the sale of trade receivables under the receivable purchase agreement put in place in 2015 that have not yet been collected from the customer;

- Mezzanine loan was up $750,000; this was part of the new working capital financing put place in 2015 to repay the Company's credit line with a Canadian chartered bank;

- Current portion of long term debt remained the same as at December 31, 2014; and

- Current portion of finance lease obligations was up $705 due to scheduled repayments of $59,657 as offset by the reclassification from the long term portion of $60,362.

Total non current liabilities decreased by $138,718 or 6.9%. This decrease is due to scheduled repayments and an additional drawdown on the BDC Financing to fund the construction of new production equipment as partially offset by the reclassification of finance lease obligations to the current portion as described below:

- Long term debt decreased by $192,726 due to scheduled repayments of $286,662 as offset by a final drawdown of $93,936 on the BDC Capital Financing to fund the construction of new production equipment; repayments for the BDC Financing run from July to December; the BDC Capital loan was fully drawn down in 2015; and

- Finance lease obligations were up $54,008 due to the addition of new equipment and support vehicles leases of $114,370 net of reclassification of $60,362 to current portion (see comment above).

Shareholders' Equity increased by $1,812,944 or 49.4%. This increase was due to the following:

- Share capital increased by $38,221 consisting of proceeds on the issue of shares of $22,500 on the exercise of share options combined with a reclassification of non-cash stock based compensation of $15,721, related to the options exercised, that had previously been recorded in Contributed surplus;

- Contributed surplus increased by $198,625 due the non-cash stock based compensation of $224,049 as partially offset by reclassification of $15,721 to share capital and $9,703 to deficit, in regard to non-cash stock based compensation previously recorded in contributed surplus, for options exercised and options that expired or were forfeited without being exercised;

- Accumulated other comprehensive loss increased by $23,272 due to the unrealized foreign exchange loss on translation of the Company's U.S. subsidiary in 2015; and

- The Deficit decreased by $1,599,370 due to the income to common shareholders in the period of $1,589,667 generated by the Company and the reclassification of $9,703 from contributed surplus (see above under contributed surplus).

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

I. Consolidated Statements of Cash Flows

Comparison of the Three Months ended December 31, 2015 and December 31, 2014

The cash position of the Company at December 31, 2015 was a $1,450,785 (consisting of cash and cash equivalents of $1,450,785) compared to a negative $144,135 at December 31, 2014 (consisting of cash and cash equivalents in the bank of $50,019 and a bank overdraft of $194,154).

The change in cash in the fourth quarter of 2015 was an increase of $705,179, as compared to a decrease of $147,050 in the same period of 2014. This change is outlined in the table below:

	Three Months Ended December 31		
	2015	2014	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	**$ 1,113,120**	$ **975,035**	$ 138,085
Net change in non-cash working capital items	**(663,268)**	**(1,263,581)**	600,313
	449,852	**(288,546)**	738,398
Cash used in investing activities	**(132,194)**	**(41,126)**	(91,068)
Cash generated from financing activities	**387,521**	**182,622**	204,899
Increase (decrease) in cash	**705,179**	**(147,050)**	852,229
Cash, at beginning of period	**745,606**	**2,915**	742,691
Cash (cash deficiency), at end of period	$ **1,450,785**	$ **(144,135)**	$ 1,594,920
Cash (cash deficiency)			
Cash and cash equivalents	**$ 1,450,785**	$ **50,019**	$ 1,400,766
Bank overdraft	**-**	**(194,154)**	194,154
	$ 1,450,785	$ **(144,135)**	$ 1,594,920

- Cash generated from operating activities increased by $738,398.

  - The positive cash flow, before non-cash working capital adjustments, was higher by $138,085 or 14.2%. This increase was due to higher income before taxes of $287,322 and a decrease of $149,237 in the negative adjustment for non-cash items in the reported earnings in 2015 compared to the same period in 2014.

  - The cash flow was also affected by a lower negative adjustment for the net change in non-cash working capital items of $600,313. This is primarily due to the timing of sales and the collection of the related trade receivables.

- Cash used in investing activities increased by $91,068.

  - Plant and equipment purchases were up $93,693. This increase was partially offset by the collection of the annual repayment on the shareholders acquisition loans of $22,625 (see note 7 to the consolidated financial statements) and a positive non-cash working capital adjustment of $20,000 was recorded in 2014.

- Cash generated from financing activities increased by $204,899.

- In 2015 the Company generated $387,521 from financing activities consisting of $549,462 on an increased level of factored trade receivables as partially offset by scheduled repayments of $143,331 and $18,610, respectively on the BDC Financing and on finance lease obligations; and

- In 2014 the Company generated $182,622 from financing activities consisting of an increase in its bank operating loan of $255,000; made scheduled repayments of $143,331 on the BDC Financing and $13,047 on finance lease obligations; and received $84,000 on the issue of shares on the exercise of employee stock options.

Comparison of the Year Ended December 31, 2015 and December31, 2014

The cash position of the Company at December 31, 2015 was a $1,450,785 (consisting of cash and cash equivalents of $1,450,785) compared to a negative $144,135 at December 31, 2014 (consisting of cash and cash equivalents in the bank of 50,019 and a bank overdraft of $194,154)

The change in cash in the year ended December 31, 2015 was an increase of $1,594,920 as compared to a decrease of $108,043 in the same period of 2014. This change is outlined in the table below:

	Year Ended December 31		
	2015	2014	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	**$ 2,427,948**	$ **77,024**	$ 2,350,924
Net change in non-cash working capital items	**(207,545)**	**(1,279,401)**	1,071,856
	2,220,403	**(1,202,377)**	3,422,780
Cash used in investing activities	**(739,062)**	**(865,862)**	126,800
Cash generated from financing activities	**113,579**	**1,960,196**	(1,846,617)
Increase (decrease) in cash	**1,594,920**	**(108,043)**	1,702,963
Cash deficiency, at beginning of year	**(144,135)**	**(36,092)**	(108,043)
Cash (cash deficiency), at end of year	**$ 1,450,785**	$ **(144,135)**	$ 1,594,920
Cash (cash deficiency)			
Cash and cash equivalents	**$ 1,450,785**	$ **50,019**	$ 1,400,766
Bank overdraft	**-**	**(194,154)**	194,154
	$ 1,450,785	$ **(144,135)**	$ 1,594,920

Cash generated from operating activities increased by $3,422,780.

- The cash flow, before non-cash working capital adjustments, was up by $2,350,924. This was due to the significant increase in income before taxes of $2,454,825 together with a decrease of $103,901 in the positive adjustment for non-cash operating items as compared to the same period in 2014.

- This cash flow was improved further as a result of a lower negative adjustment for the net change in non-cash working capital items of $1,071,856. 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 lower by $126,800.

- Plant and equipment purchases were lower by $194,175 as the new dry mix unit, which was being built through 2014 and 2015, went into service in October 2015;

- A term deposit was established in 2015 for $70,000 as security for the Company's credit cards;

- Scheduled payments of $22,625 were received on the share acquisition loans; and

- In 2014 an adjustment of non-cash working capital of $20,000 was recorded.

- Cash generated from financing activities was down $1,846,617.

- In 2015 the Company generated $113,579 from financing activities consisting of the issuance of the Mezzanine loan for $750,000, and with a portion of these proceeds, together with cash generated from operations the Company's repaid its bank operating loan by $1,110,000; funded $4,344,938 through trade receivable financing ; made a drawdown $93,936 on the BDC Capital Financing to fund capital spending; issued $22,500 of common shares on the exercise of options; collected $3,641,476 of the outstanding trade receivables factored and made scheduled repayments of $286,662 and $59,657, respectively on the BDC Financing and on finance lease obligations.

- In 2014 the Company generated $1,960,196 from financing activities consisting of an increase in its bank operating loan of $675,000 to finance the increase in working capital in the fourth quarter; drew down $542,121 of the BDC Capital Financing loan to finance equipment construction, issued a $1,000,000 secured debenture to finance other equipment construction and to support operations, issued $84,000 of common shares on the exercise of employee stock options; and made scheduled repayments on the BDC Financing of $286,662 and on finance lease obligations of $54,263.

J. Liquidity, Capital Resources and Commitments

Liquidity

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

At December 31, 2015, the Company had a current asset/current liability position of $2,883,705, up from $1,357,119 in 2014, reflecting the improvement in the Company's liquidity through improved operating results.

For the year ended December 31, 2015, the Company reported income of $2,081,228, before taxes and non-cash stock based compensation, and cash from operations of $2,427,948, before the non-cash working capital adjustment, and EBITDA of $2,853,108.

In order to improve liquidity and replace the bank operating loan facility, which was not sufficient to meet the Company's forecasted operating and working capital requirements for 2015, the Company, through its wholly owned subsidiary, CEMATRIX (Canada) Inc., put in place a new working capital financing agreement. On May 22, 2015, CEMATRIX (Canada) Inc. entered into an agreement with Tallinn Capital Mezzanine Limited Partnership through its general partner Tallinn Capital Partners Corp. ("Tallinn Capital") for up to $2,000,000 of working capital financing to replace its credit facility with a Canadian chartered bank.

The agreement with Tallinn Capital consisted of a mezzanine loan of $750,000 (the "Mezzanine Loan") and a receivable purchasing agreement for the sale of up to $1,250,000 of trade receivables (the "Receivable Purchase Agreement") (collectively the "Tallinn Financing").

The Mezzanine Loan, bears interest at 16.5%, payable monthly in arrears, and matures on April 30, 2016. This loan is secured by $1,000,000 in current quality receivables of the Corporation. The Company has the option to make prepayments at any time after October 31, 2015 and prior to maturity in multiples of $250,000. Trade receivables of $1,000,000, excluding those trade receivables sold under the Receivable Purchase Agreement, must be maintained to support this loan.

The Receivable Purchase Agreement, which is available on the purchase of specific trade receivable invoices, is for up to $1,250,000 and is being used for working capital financing. For qualifying sales invoices, which are purchased under the Receivable Purchase Agreement, CEMATRIX (Canada) Inc. will pay a discount rate of 2% (reduced from 2.25% in September 2015) for the first 30 days that the sales invoice is outstanding, with a further daily discount rate of 0.065% (reduced from 0.075% in September) until the sales invoice is collected.

The Tallinn Financing is secured by corporate guarantees by the Company and CEMATRIX (USA) Inc. and general security agreements providing a floating first charge over all present and after acquired personal property of the Company, CEMATRIX (Canada) Inc. and CEMTRIX (USA) Inc.

The replacement of the Company's credit facility with the new working capital financing agreement improved the Company's ability to fund its operations through the significant growth in 2015. The former credit facility did not allow for this growth.

In February 2016, the Company's wholly owned subsidiary CEMATRIX (Canada) Inc. entered into an agreement with the Canadian Western Bank for a $2,000,000 demand operating loan. The proceeds from this loan will be used to repay the 16.5% mezzanine loan and to finance day-to day operations.

As of this date the Company has signed contracts on hand for $5.8 million in sales scheduled for 2016.

The realization of the net working capital as at December 31, 2015, the availability of the working capital financing facility and the successful completion of sales contracts that are in place provide the necessary liquidity to carry the Company's operations into 2016. Ongoing liquidity is dependent on the Company achieving a continuing level of sales and profitable results.

Capital resources

Capital additions to build new productive capacity in the current year has come from the funds available under the BDC Financing, discussed above, and cash generated from operations. There are no significant capital expenditures planned for 2016. A new dry mix unit was completed and went into service in October 2015. The new wet mix unit will be completed and placed into service in the first quarter of 2016 now that staff has been freed up to complete the commissioning of this unit. With the completion of this new equipment the Company will have the seasonally adjusted equipment production capacity to increase annual sales volume to approximately 500,000 cubic metres, or up to $88 million in sales. Even so, the Company may need to add additional equipment to replace existing equipment or to build additional production units for geographical allocation.

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 or that the Company can generate sufficient operating cash flows to fund future equipment additions.

The Company defines its capital as the long term debt, the finance lease obligations and shareholders' equity. The current objective of the Company is to manage its capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders in relation to the risks underlying the Company's assets. The consolidated capital of the Company, as outlined in Note 26 - Capital management to the Consolidated Financial Statements, was $7,702,927 at December 31, 2015 as compared to $6,027,936 at December 31, 2014 (see Section E. Consolidated Statements of Financial Position for details).

Commitments

The table below is a summary of the Company's lease and debt obligations and commitments for the next five years from December 31, 2015.

Debt Category	2016	2017	2018	2019	2020
	$	$	$	$	$
Finance lease obligations (1)	69,339	67,012	31,254	51,052	7,202
BDC financing (2)	286,662	200,862	200,862	200,862	133,908
Secured Debenture	-	1,000,000	-	-	-
Operating leases (3)	284,901	277,168	277,168	277,168	-

(1) Includes principal and interest.
(2) Based on BDC Financing loan as of December 31, 2015.
(3) The Company's current lease for its Calgary facilities expires December 31, 2019.

K. Off Balance Sheet Arrangements

There were no off balance sheet arrangements at December 31, 2015 or 2014.

L. Transactions with Related Parties

During the year ending December 31, 2015, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $17,074 ($17,106 for the year ending December 31, 2014) of which $nil is in trade and other payables as of December 31, 2015 (2014 - $2,805).

There were no other significant related party transactions.

The remuneration of directors and other members of key management personnel during the year were as follows:

	2015	2014
Short term employment benefits	**$ 624,650**	$ 431,237
Non-cash stock based compensation	**121,155**	226,538
	$ 745,805	$ 657,775

The amount of non-cash stock based compensation is an estimate of the future value of the options, which can only be realized by the holders of those options should the stock price of the Company increase above the option exercise price and should the option holders exercise them and sell them at a stock price, which is greater than the exercise price of the options. Otherwise there is no value to the holders of those options.

M. Critical Accounting Judgments, Estimates and Assumptions

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make judgments, 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. Judgments, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are discussed below:

(a) *Impairment of non-financial assets*
Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCS") and its value in use ("VIU"). The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. For purposes of impairment testing of property and equipment and intangibles, the Company has only one CGU which is the production and placement of cellular concrete. The carrying values of non financial assets are disclosed in notes 8 and 9 to the Consolidated Financial Statements.

The recoverable amounts have been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management covering a five year discounted future cash flow model plus a terminal value (2014 – one year of cash flow projections plus terminal value). There is a significant amount of uncertainty with respect to estimating the recoverable amount given the necessity of making key economic projections related to the following key assumptions: future cash flows, industry growth opportunities, including general economic risk assumptions, gross margins, terminal value and discount rate.

The key assumptions used in the calculation of recoverable amounts are 2016 growth rates, gross margin, terminal value and discount rates:

	2015	2014
Growth rate over the next 5 years (2014 - 1 year)	2%	50%
Gross margin	27%	28%
Terminal value	6.7x	6.3x
Pre-tax discount rate	18%	10%

Near term (1 year) sales growth assumptions are based on contracted projects (including backlogs), as well as probability adjusted forecasts (range of 10% to 100%) for projects on which the Company has placed or will place bids, where the probabilities applied are based on management's assessment of a particular project based on historical experience and the stage that the project is in the sales cycle. Management has also given consideration to its relationships with customers, the competitive landscape and changes in its business strategy. With regard to gross margins, consideration is given to historical operating margins in the end markets where prospective work opportunities are most significant and changes in the Company's business. A 10% change in growth rate or 5% change in gross margin in isolation would not result in an impairment charge.

The terminal value was calculated using a discount rate of 18% and steady annual growth of 2.0% in the terminal year.

Pre-tax discount rates used reflect management's assessment of the risks of the cash operating unit and its past experience in raising capital. The Company's pre-tax discount rate has been applied based on the weighted cost of capital and reflects the current market assessments of the time value of money and the risks specific to the CGU. Furthermore, suitable sensitivity tests are also applied in conjunction with cash flow forecast for the CGU in question. A change in the absolute discount rate of 2% in isolation would not result in an impairment charge.

This exercise did not indicate any need for an impairment provision as at December 31, 2015.

(b) *Non-cash stock based compensation*
The Company measures the cost of non-cash stock based compensation transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for non-cash stock based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option. The Company measures the cost of non-cash stock based compensation transactions with consultants by reference to the fair value of the services to be performed.

(c) *Income Taxes*
The calculation of the deferred tax asset or liability is based on assumptions about the occurrence of, and timing of many taxable events and the enacted or substantively enacted rates anticipated to apply to income in the years in which temporary differences are expected to be realized or reversed.

(d) *Allowance for doubtful accounts*
The Company makes allowance for doubtful accounts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

N. Changes in Accounting Policies including Initial Adoption.

New accounting policies

During 2015 the Company adopted new IFRS standards and amendments in accordance with the transitional provisions of each standard as outlined below:

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.

IAS 24 Related Parties – The amendments to IAS 24, issued in March 2014, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation.

IFRS 13 Fair Value Measurement – The amended standard clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts if the effect of discounting is immaterial. It also clarifies that portfolio exception can be applied not only to financial assets and liabilities, but also to other contracts within scope of IFRS 39 and IFRS 9.

The adoption of this standard does not have any impact on the Company's consolidated financial statements

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 January 1, 2016 or later periods. The standards impacted that are applicable to the Company are as follows:

IAS 1 Presentation of Financial Statements - IAS 1, Presentation of Financial Statements ("IAS 1"), has been amended to clarify the guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2016

IFRS 9 Financial Instruments – On July 24, 2014, the IASB issued the final version of IFRS 9, "Financial Instruments" ("IFRS 9") to replace IAS 39, "Financial Instruments: Recognition and Measurement"("IAS 39"). IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS39. The new model will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period.

IFRS 15 Revenue from Contracts With Customers – On May 28, 2014, the IASB issued IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing International Accounting Standard 11, "Construction Contracts" ("IAS 11"), IAS 18, "Revenue" ("IAS 18"), and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. IFRS 15 is effective for years beginning on or after January 1, 2018.

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

O. Financial Instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss are financial assets held for trading or is designated as such by management. Such assets are held for trading if it is acquired principally for the purpose of selling in the short-term. These assets are initially recognized, and subsequently carried, at fair value, with changes recognized in the consolidated statement of income (loss) and comprehensive income (loss). Transaction costs are expensed. Assets in this category include cash and cash equivalents and the term deposit.

Loans and receivables
Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include trade and other receivables and share acquisition loans.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the trade receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income (loss) and comprehensive income (loss). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Other financial liabilities

Other financial liabilities are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis. Liabilities in this category include bank overdraft, bank operating loan, trade and other payables, factoring liability, mezzanine loan and long-term debt.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Fair values

The fair values of cash and cash equivalents, term deposit, trade and other receivables, bank overdraft, bank operating loan, and trade and other payables, factoring liability and mezzanine loan approximate their carrying values due to the relatively short periods to maturity of these instruments. The fair value of the BDC Financing loans approximate its carrying value as the debt rate floats with prime. The fair value of the share acquisition loans has been determined using the effective interest rate method. The fair value of the secured debenture approximates its carrying value as the interest rate is a market rate for similar instruments.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market date.

The Company's cash and cash equivalent and term deposit are measured based on Level 1. There were no transfers between Level 1, 2 and 3 during the year.

Risk management

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

Interest Rate Risk

The BDC Financing, which had a balance of $1,023,156 outstanding at December 31, 2015, is subject to floating rates. Based on the floating rate debt outstanding at December 31, 2015 a 1% increase/decrease in interest rates would result in a decrease/increase in the comprehensive income (loss) of approximately $7,675.

Credit Risk

Financial instruments that subject the Company to credit risk consist primarily of cash, trade receivables and the share acquisition loans. The Company manages credit risk using credit approval and monitoring practices. At December 31, 2015, 5 customers accounted for approximately 90% of trade receivables (at December 31, 2014, 7 customers accounted for approximately 90% of trade receivables). (See Note 5 for aging of outstanding trade receivables at December 31, 2015 and 2014). At December 31, 2015 the Company had $1,450,785 of cash and cash equivalents, a $70,000 term deposit and $67,247 of fair valued share acquisition loans that are outstanding with two officers, and a former officer, of the Company.

Liquidity Risk
Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of working capital financing. The receivable purchase agreement with Tallinn Capital provides additional flexibility as it allows the Company to accelerate collection of trade receivables and thus improve working capital management.

The table below summarizes the maturity profile of the Corporation's financial liabilities at December 31, 2015 and 2014 based on contractual undiscounted payments.

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

	Less than 1 year	1 to 2 years	2 to 5 years	Total
As at December 31, 2014				
Bank overdraft	$ 194,154	$ -	$ -	$ 194,154
Bank operating loan	1,110,000	-	-	1,110,000
Trade and other payables	1,927,492	-	-	1,927,492
Long-term debt	286,662	286,662	1,642,558	2,215,882
Finance lease obligations	55,542	39,394	47,561	142,497
	$ 3,573,850	$ 326,056	$ 1,690,119	$ 5,590,025

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 US subsidiary which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain.

As at December 31, the following balances were denominated in USD:

		2015		2014
Cash and cash equivalents	**$**	**213,748**	$	37,247
Trade and other receivables	**$**	**55,842**	$	138,024
Inventory	**$**	**1,906**	$	1,906
Prepaid expenses and deposits	**$**	**9,805**	$	14,601
Trade and other payables	**$**	**22,937**	$	56,269

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on the USD balances at December 31, 2015, a 5% increase/decrease of the USD dollar against the Canadian dollar would result in an increase/decrease in total comprehensive income (loss) of approximately $17,925.

P. Disclosure of Outstanding Share Data

As at December 31, 2015 and March 2, 2016, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company

	Authorized	**Outstanding as at December 31, 2015**	**Outstanding as at March 2, 2016**
Voting or equity securities issued and outstanding	Unlimited Common Shares	34,175,994 Common Shares	34,175,994 Common Shares
Securities convertible or exercisable into voting or equity securities - stock options	Stock options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 3,141,667 Common Shares at an exercise price at $0.145 to $0.24	Stock options to acquire 3,141,667 Common Shares at an exercise price at $0.145 to $0.24

In 2015, there were 250,000 stock options granted; 150,000 granted stock options were exercised; 38,333 stock options were forfeited without being exercised; and 10,000 stock options expired.

At December 31, 2015, 763,889 granted options had not vested and the Company had 275,932 shares reserved for the issuance of stock options.

Q. Outlook

Management is forecasting significant growth in infrastructure sales in both the Canadian and U.S. market, without even considering the effect of various governments' plans to increase infrastructure spending. The Company began to develop this market in 2008 and it has grown steadily as its products have gained acceptance by design engineers and received product approvals by provincial and state authorities. Both the Canadian and U.S. governments, at both the provincial/state and federal levels, have announced significant planned spending in new and replacement infrastructure projects which should increase the Company's prospects in this market.

Sales in the oil and gas sector of Western Canada will still be significant in 2016, although down from those in 2015. The Company currently has over $2.2 million of contracted work on existing projects. In addition, there is the year over year work in this sector associated with refinery and pipeline annual maintenance spending. Future growth in this market will be dependent on the re-bounding of oil prices to a level that supports the investment in new or expansion facilities by this industry.

As of this date, the Company has $5.8 million of sales contracts in place for projects scheduled for 2016. In addition, the Company has been approached to provide design assistance, or quotes, or both, for numerous other projects currently scheduled to be completed in 2016 and beyond.

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Form 51-102F1 - Management's Discussion & Analysis
For the Year Ending December 31, 2015

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the year ending December 31, 2015 are outlined below:

Page 5 – Corporate Overview
Over the past few years the Company has invested in additional staff and equipment in order to prepare for what management believes will be a significant increase in annual sales, as the Company's product reaches the "tipping point' for a number of applications

Page 6 – Annual Review and Highlights
The Company continues to focus its effort to gain broad market acceptance for its products for numerous applications in infrastructure markets throughout Canada. Management believes that this market sector offers an opportunity for continued revenue growth as the Company moves toward a broader market acceptance for a number of its applications, particularly in Eastern Canada.

Page 6 – Annual Review and Highlights
Even so, the Company remains optimistic that opportunities in this market will be available in 2016, although at a much smaller level than in 2015. A rebound of oil and gas prices will improve opportunities both in 2016 and beyond.

Page 10 – Under Capitalization
The inability to prepare for the forecasted growth increases the risk that the Company will not be able to achieve its growth expectations and/or that the cost to achieve that growth may be higher that currently expected.

Page 10 – Staffing Requirements
The Company is currently in a better, but not optimum, position to hire, train and retain sufficient operations staff to meet the sales growth expected over the next few years.

Page 29 – Outlook
Management is forecasting significant growth in infrastructure sales in both the Canadian and U.S. market, without even considering the effect of various governments' plans to increase infrastructure spending. The Company began to develop this market in 2008 and it has grown steadily as its products have gained acceptance by design engineers and received product approvals by provincial and state authorities. Both the Canadian and U.S. governments, at both the provincial/state and federal levels, have announced significant planned spending in new and replacement infrastructure projects which should increase the Company's prospects in this market.

The foregoing statements contains forward-looking statements which are based on sales forecasts prepared for 2016; sales forecasts include work which is under contract for 2016, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in the coming year, where the probabilities applied to the sales forecast are based on management's assessment of the particular project based on historical experience and the stage the project is in the sales cycle. There are a number of risks that could affect these assumptions which include: contracted work is delayed; the failure of 2016 sales to materialize, because of project delays or cancelations or because CEMATRIX's cellular concrete is not specified into projects, management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect, and product acceptance in new markets takes longer than anticipated resulting in reduced sales.