CEMATRIX CORPORATION
Consolidated Financial Statements
(in Canadian dollars)
March 31, 2018

Management's Responsibility for Financial Reporting and Notice of No Auditor Review of the Interim Consolidated Financial Statements for the Three Months Ended March 31, 2018

To the Shareholders:

CEMATRIX CORPORATION

Management has responsibility for preparing the accompanying consolidated financial statements. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has developed and maintains appropriate accounting and systems of internal control designed to provide reasonable assurance that reliable and relevant financial information is produced. In addition, programs of proper business conduct and risk management have been implemented to protect the Company's assets and operations. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable financial information for the preparation of the consolidated financial statements.

The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out these responsibilities principally through the Audit Committee (the "Committee"), which includes two independent directors.

The Committee has the responsibility of meeting with management to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the interim consolidated financial statements and reports its findings to the Board for approval.

The Company's external auditor MNP LLP, an independent firm of Chartered Accountants, has not performed a review of these interim consolidated financial statements.

May 23, 2018

Signed "James Chong" Chief Financial Officer
James Chong, CPA, CA

CEMATRIX CORPORATION

Consolidated Statements of Financial Position

As at March 31, 2018 (unaudited) and December 31, 2017 (audited)
(in Canadian Dollars)

		2018		2017
ASSETS				
Current Assets				
Cash and cash equivalents	$	**37,696**	$	**42,933**
Term deposit		**80,000**		**80,000**
Trade and other receivables *(note 5)*		**1,902,313**		**871,364**
Inventory *(note 6)*		**427,713**		**444,981**
Prepaid expenses and deposits		**137,658**		**107,374**
Current portion of share acquisition loans *(note7)*		**28,505**		**27,611**
		2,613,885		**1,574,263**
Non Current Assets				
Share acquisition loans *(note 7)*		**20,756**		**20,756**
Property and equipment		**3,113,090**		**3,209,391**
Intangibles *(note 8)*		**674,325**		**639,312**
Deferred taxes		**1,171,152**		**1,086,340**
		4,979,323		**4,955,799**
Total Assets	$	**7,593,208**	$	**6,530,062**
LIABILITIES and EQUITY				
Current Liabilities				
Bank overdraft	$	**229,003**	$	55,053
Demand operating loan *(note 9)*		**948,784**		66,399
Trade and other payables *(note 10)*		**899,769**		569,364
Current portion of long term debt *(note 11)*		**1,349,142**		349,142
Current portion of finance lease obligations *(note 12)*		**64,608**		62,606
		3,491,306		1,102,564
Non Current Liabilities				
Long term debt *(note 11)*		**864,085**		1,864,085
Finance lease obligations *(note 12)*		**161,881**		178,468
		1,025,966		2,042,553
Total Liabilities		**4,517,272**		3,145,117
SHAREHOLDERS' EQUITY				
Share capital *(note 13)*		**7,495,530**		7,495,530
Contributed surplus		**908,519**		903,153
Accumulated other comprehensive loss		**(34,544)**		(36,947)
Deficit		**(5,293,569)**		(4,976,791)
Total Shareholders' Equity		**3,075,936**		3,384,945
Total Liabilities and Shareholders' Equity	$	**7,593,208**	$	6,530,062

Subsequent events (note 24)

Approved on behalf of the Board

Signed "Jeffrey Kendrick" **Director** *Signed "Steve Bjornson"* **Director**

The accompanying notes are an integral part of these consolidated financial statements.

CEMATRIX CORPORATION

Consolidated Statements of Loss and Comprehensive Loss

For the three months ended March 31 (unaudited)
(in Canadian Dollars)

		2018		2017
Revenue *(note 23)*	$	1,476,468	$	2,527,471
Cost of sales *(note 14)*		1,304,333		1,992,786
Gross margin		172,135		534,685
Operating expenses				
General and administrative		271,039		259,730
Sales, marketing and engineering		241,780		263,946
Total operating expenses		512,819		523,676
Operating income (loss)		(340,684)		11,009
Non-cash stock based compensation *(note 18)*		(5,366)		(28,409)
Finance costs *(note 15)*		(53,056)		(50,521)
Other income (expenses) *(note 16)*		(2,484)		1,887
Loss before taxes		(401,590)		(66,034)
Provision of deferred taxes		84,812		13,639
Loss attributable to the common shareholders		(316,778)		(52,395)
Other comprehensive income				
Items that may be reclassified subsequent to profit or loss:				
Unrealized foreign exchange gain on translation of foreign subsidiary		2,403		536
Total comprehensive loss for the period	$	(314,375)	$	(51,859)
Loss per common share for the period *(note 17)*				
Basic	$	(0.009)	$	-
Fully Diluted	$	(0.009	$	-
Weighted average number of common shares for the period *(note 17)*				
Basic		34,475,994		34,475,994
Fully Diluted		34,475,994		34,475,994

The accompanying notes are an integral part of these consolidated financial statements.

CEMATRIX CORPORATION
Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31 (unaudited)
(in Canadian Dollars)

		Share Capital		Contributed Surplus	Accumulated other Comprehensive income (loss)		Deficit		Total Shareholders' Equity
Balance at December 31, 2017	**$**	**7,495,530**	**$**	**903,153**	**(36,947)**	**$**	**(4,976,791)**	**$**	**3,384,945**
Non-cash stock based compensation *(note 18)*		**-**		**5,366**	**-**		**-**		**5,366**
Net loss attributable to common shareholders		**-**		**-**	**-**		**(316,778)**		**(316,778)**
Unrealized foreign exchange gain on translation of foreign subsidiary		**-**		**-**	**2,403**		**-**		**2,403**
Balance at March 31, 2018	**$**	**7,495,530**	**$**	**908,519**	**(34,544)**	**$**	**(5,293,569)**	**$**	**3,075,936**

Balance at December 31, 2016	**$**	**7,495,530**	**$**	**909,890**	**(41,605)**	**$**	**(3,791,590)**	**$**	**4,572,225**
Non-cash stock based compensation *(note 18)*		**-**		**28,409**	**-**		**-**		**28,409**
Net loss attributable to common shareholders		**-**		**-**	**-**		**(52,395)**		**(52,395)**
Unrealized foreign exchange gain on translation of foreign subsidiary		**-**		**-**	**536**		**-**		**536**
Balance at March 31, 2017	**$**	7,495,530	$	938,299	(41,069)	$	(3,843,985)	$	4,548,775

The accompanying notes are an integral part of these consolidated financial statements.

CEMATRIX CORPORATION
Consolidated Statements of Cash Flows
For the three months ended March 31 (unaudited)
(in Canadian Dollars)

		2018		2017
Cash generated from (used in):				
Operating activities				
Loss attributable to common shareholders	**$**	**(316,778)**	$	(52,395)
Add (deduct) non-cash items				
Provision of deferred taxes		**(84,812)**		(13,639)
Depreciation		**100,372**		130,715
Non-cash stock based compensation *(note 18)*		**5,366**		28,409
Gain on sale of property and equipment		**-**		(2,300)
Accretion of non-cash fair market value adjustment on share acquisition loans		**(894)**		(1,290)
		(296,746)		89,500
Net change in non-cash working capital items *(note 19)*		**(713,560)**		(455,054)
Cash used in operations		**(1,010,306)**		(365,554)
Investing activities				
Purchase of property and equipment		**(4,071)**		(133,443)
Proceeds on sale of property and equipment		**-**		2,300
Purchase of Intangibles		**(51,788)**		(58,794)
Cash used in investing activities		**(55,859)**		(189,937)
Financing activities				
Proceeds from demand operating loan		**882,385**		287,886
Proceeds from long term debt		**-**		226,700
Proceeds from government grants on intangibles		**16,775**		16,000
Collection of factored receivables		**-**		-
Repayments of mezzanine loan		**-**		-
Repayments of finance lease obligations		**(14,585)**		(14,111)
Cash generated from financing activities		**884,575**		516,475
Foreign Exchange effect on cash		**2,403**		536
Decrease in cash		**(179,187)**		(38,480)
Cash (cash deficiency), beginning of period		**(12,120)**		51,133
Cash (cash deficiency), end of period	**$**	**(191,307)**	$	12,653
Cash (cash deficiency)				
Cash and cash equivalents	**$**	**37,696**	$	46,031
Bank overdraft		**(229,003)**		(33,378)
Cash (cash deficiency), end of period	**$**	**(191,307)**	$	12,653
Finance costs paid during the period	**$**	**53,542**	$	49,193

The accompanying notes are an integral part of these consolidated financial statements.

1. Corporate information

CEMATRIX Corporation ("CEMATRIX" or the "Company") is a limited company incorporated in the province of Alberta, Canada whose common shares are publicly traded on the TSX venture exchange under the symbol "cvx.v". It is domiciled in Canada with its registered office at 5440 - 53rd Street S.E., Calgary, Alberta, Canada.

Through its wholly-owned subsidiary, CEMATRIX (Canada) Inc. and its subsidiary CEMATRIX (USA) Inc., the Company is a manufacturer and supplier of cellular concrete products with applications in a variety of markets. The 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 oil and gas construction projects in Western Canada.

The consolidated financial statements of the Company for the three months ended March 31, 2018 were authorized for issue in accordance with a resolution of the Board of Directors on May 23, 2018.

2. Basis of preparation

Statement of compliance
These consolidated financial statements for the three months ended March 31, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretation Committee ("IFRIC") in effect at the closing date of March 31, 2018.

Basis of measurement
These consolidated financial statements were prepared under the historical cost convention except for share-based payment transactions and financial instruments which are measured at fair value.

Use of estimates and judgments
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of Cematrix (USA) Inc. is US dollars ("USD").

3. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Judgements, 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.

3. Significant accounting judgements, estimates and assumptions *(continued)*

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 described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2017. There has been no changes since that date.

4. Significant accounting policies

The significant accounting policies of the Company are outlined in Note 4 of the audited consolidated financial statements for the year ended December 31, 2017. There have been no changes since that date other than as indicated below:

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

The Company adopted IFRS 15 on a modified retrospective basis effective January 1, 2018. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 sets out a five step model for revenue recognition. The core principal is that revenue should be recognized to depict the transfer of goods and services to customers in an amount that reflects the consideration that the Company expects to be entitled for those goods and services.

The Company principally generates revenue from the onsite production and placement of cellular concrete (the “Product”) pursuant to contractual arrangements with its customers. This revenue is recognized when control or title of the Product is transferred from the Company and collection is reasonably assured in accordance with specified contract terms. All revenue is generally earned at a point in time and is based on the consideration that the Company expects to receive for the transfer of the Product to the customer. The Company has reviewed its sources of revenue and major contacts with customers using the guidance found in IFRS 15 and determined that there is no material changes to the timing and measurements of the Company’s revenue, as compared to the provisions of the previous standards.

Revenue is measured based on the consideration specified in a contract with its customers. Payment terms with customers are generally 30 days from the date of the invoice. The Company generally does not have any sales contracts where the period between the transfer of the Product to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money.

The Company enters into contracts with customers that have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year or less, or for performance where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer on the Company’s performance to date.

Contract modifications with the Company’s customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification in writing. Contract modifications are generally accounted for as part of the existing contract prospectively over the remaining term of the contract.

All of trade receivables were generated from contracts with customers.

4. Significant accounting policies *(continued)*

IFRS 9 Financial Instruments ("IFRS 9")

The Company adopted IFRS 9 effective January 1, 2018. The adoption of IFRS 9 did not result in any adjustments to the amounts recognized in the Company's consolidated financial statements for the year ended December 31, 2017.

The Company measures its financial assets and liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent if the financial instrument's classification, which in the case of financial assets, is determined by the context of the Company's business model and contractual cash flow characteristic of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("(FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL, or designated as FVTPL, where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI"). The Company does not currently employ hedge accounting for risk management contracts that may be in place.

The Company classifies its cash and cash equivalents, term deposits, trade and other receivables, share acquisition loans, bank overdraft, demand operating loan, trade and other payables and long term debt as measured at amortized cost. The contractual cash flows received from the financial assets are solely the payment of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. The carrying value of the Company's cash and cash equivalents, term deposits, trade and other receivables, bank overdraft, demand operating loan and trade and other payables approximate their fair values.

The Company does not currently have any risk management contracts. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the statement of income (loss). The adoption of IFRS 9 did not result in changes to the classifications of the Company's financial assets or financial liabilities. There is no difference in the measurement of these instruments under IFRS 9 due to the short term and liquid nature of the financial assets.

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model previously applied. Under this new model, the Company's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the accounts receivable. ECL allowances have not been recognized for cash and cash equivalent and term deposits due to the virtual certainty of their collectability.

The Company's trade and other receivables are subject to the ECL model under IFRS 9. For trade and other receivables, the Company apples the simplified approach to providing for expected losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the expected lifetime expected loss provision, the Company considered historical Company and industry default rates as well as credit ratings of major customers.

4. Significant accounting policies *(continued)*

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 April 1, 2018 or later periods. The standards impacted that are applicable to the Company are as follows:

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

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

5. Trade and other receivables

Trade and other receivables consist of the following components as at March 31, 2018 and December 31, 2017:

		2018		2017
Trade receivables	**$**	**1,681,401**	$	741,951
Holdbacks		**153,190**		72,148
Other receivables		**67,722**		57,265
	$	**1,902,313**	$	871,364

Trade receivables and holdbacks are unsecured and non-interest bearing and are generally on 30 day terms subject to standard ten percent construction holdbacks on most of its sales over $100,000. Holdbacks are generally collectible forty-five days after completion of the work performed by the Company, however, holdbacks can be outstanding much longer if the holdback release is tied to the completion of the entire project by the general contractor. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more.

The aging of the trade receivables were as follows as at March 31, 2018 and December 31, 2017:

		2018		2017
1-30 days	**$**	**150,609**	$	118,297
31-60 days		**1,382,186**		519,011
61-90 days		**17,393**		26,881
Greater than 90 days		**131,213**		77,762
	$	**1,681,401**	$	741,951

5. Trade and other receivables *(continued)*

In determining the recoverable amount of a trade, holdbacks and other receivables, the Company performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties. Based on account balances greater than 90 days, the Company believes that no impairment allowance is necessary in respect of trade receivables, holdbacks and other receivables. Included in general and administrative expenses is $nil of bad debt expense (2017 - $nil). The Company considers trade accounts receivable past due if they are greater than 60 days, except for holdbacks that have been invoiced, and are part of trade receivables, but are not collectible until the completion of the entire project as discussed above.

6. Inventory

Inventory consists of the following components as at March 31, 2018 and December 31, 2017:

		2018		2017
Raw materials (principally foaming agent)	**$**	**426,557**	$	444,588
Marketing material and spare parts		**1,156**		393
	$	**427,713**	$	444,981

Inventory expensed as part of cost of sales was $56,357 and $79,306, respectively, for the three months ended March 31, 2018 and 2017. There were no inventory write-downs in either 2018 or 2017.

7. Share acquisition loans

Share acquisition loans consist of the following components as at March 31, 2018 and December 31, 2017:

		2018		2017
Share acquisition loans, beginning of period	**$**	**53,812**	$	67,875
Repayments		**-**		(14,063)
Share acquisition loans, end of period		**53,812**		53,812
Non-cash fair value adjustment, beginning of period		**(5,445)**		(10,605)
Accretion of non-cash fair value adjustment		**894**		5,160
Non-cash fair value adjustment, end of period		**(4,551)**		(5,445)
		49,261		48,367
Less current portion		**(28,505)**		(27,611)
	$	**20,756**	$	20,756

In 2001 and 2002, share acquisition loans totalling $113,125 were issued to management to purchase shares of the Company. In October 2014, the terms of the share acquisition loans were changed to introduce equal annual repayment terms beginning 2015 such that the loans will be fully repaid by December 31, 2019. Prior to this change the share acquisition loans were included as a reduction in share capital. The loans bear no interest unless the loans are not repaid in accordance with the repayment terms, then the interest is payable annually on the amount then outstanding at Bank of Canada prime rate, then in effect, plus two percent and at the option of the Company the loans become immediately due and payable. For accounting purposes, because the loans bear no interest, the loans were fair valued at December 31, 2014 using the effective interest rate method. An effective interest rate used was 9%. This fair value adjustment is being accreted to income over the life of the loans.

7. Share acquisition loans *(continued)*

One of the individuals, who is not a Company employee, with a shareholder loan, of which $25,686 was outstanding at March 31, 2018 and December 31, 2017, was out of the country and was unable to make the scheduled repayment of $8,562 on December 31, 2017. Commencing January 1, 2018 interest is being charged on this outstanding payment at the Bank of Canada prime plus two percent until the outstanding repayment is made. The $8,562 amount is included in the current portion of the share acquisition loans.

8. Intangibles

Intangibles consist of the following components as at March 31, 2018 and December 31, 2017:

		2018		2017
Foaming agent technology	**$**	**315,000**	$	315,000
Process licenses		**141,110**		141,110
Trademarks		**9,006**		9,006
Product testing costs		**209,209**		174,196
	$	**674,325**	$	639,312

The intangible assets with indefinite lives includes foaming agent technology, process licenses and trademarks. The foaming agent technology relates to the cost of obtaining a foaming agent formula which is used by the Company to produce one of the unique foaming agents which it uses in the production of cellular concrete. This foaming agent formula, which enables the production of cellular concrete which has certain unique properties, cannot be easily duplicated. The process licenses relates to the cost of obtaining a mechanical process patent which the Company believes will enhance the production of its cellular concrete. To date the Company has not had the necessary funds to develop this process. The process is protected by the patent which is registered in the U.S. The trademarks relate to cost of initially registering certain trademarks in both Canada and the U.S. These trademarks are renewed as required for a nominal cost. As a result of an assessment of these facts Management believes that these items have an indefinite life.

Product testing costs relate to third party testing and verification of certain characteristic of the Company's products. This information is particularly important for the further development of the infrastructure market. The product testing costs are not completed and therefore are not available for use. At the end of each testing program, the specific product testing costs related to the particular program will be amortized over a future years based on their estimated useful life. For the three months ended March 31, 2018, the Company spent $51,788 on product testing costs, including capitalized labour costs of approximately $16,381 and received government grants of $16,775 (year ended December 31, 2017 – $153,896, $42,700 and $51,596, respectively).

9. Demand operating loan

In April 2016, CEMATRIX's wholly owned subsidiary, CEMATRIX (Canada) Inc. entered into a financing arrangement with the Canadian Western Bank (the "Bank") which provided a $2,000,000 demand operating loan. In March 2018, the Bank reduced the demand operating loan to $1,500,000.The demand operating loan (the "Loan") bears interest at an amount equal to the greater of 4.70% or 2% above the Bank's prime lending rate, as may occur from time to time, and is secured by a general security agreement providing a first secured interest in the receivables and inventory of CEMATRIX (Canada) Inc. The Loan is further guaranteed by the Company with the Company granting a general security agreement providing a first secured interest in all present and after acquired property of the Company.

Under the Loan, the Bank will advance up to $1,500,000 based on 75% of trade receivables less than ninety days outstanding at the end of each month and 50% of inventories (up to a maximum $250,000). Based on these restrictions the actual Loan availability at March 31, 2018 was $1,222,000.

9. Demand operating loan *(continued)*

The Loan is used to finance day-to-day operations of CEMATRIX (Canada) Inc.

The Loan contains covenants in regard to consolidated debt to tangible net worth ratio, consolidated current ratio and consolidated amount of tangible net worth (all calculated monthly), and consolidated cash flow coverage ratio (calculated annually). At March 31, 2018, the Company is in compliance with all of these covenants except for the consolidated current ratio. Subsequent to March 31, 2018, the Bank provided relief on this test for the three months ended March 31, 2018.

The Loan was $948,784 as at March 31, 2018 ($66,399 as at December 31, 2017).

10. Trade and other payables

Trade and other payables consist of the following components as at March 31, 2018 and December 31, 2017:

		2018		2017
Trade payables	**$**	**596,526**	$	325,794
Accrued interest		**8,732**		8,325
Other accruals		**157,523**		151,461
Payroll remittance and goods & services tax		**136,988**		83,784
	$	**899,769**	$	569,364

11. Long term debt

Long term debt consists of the following components as at March 31, 2018 and December 31, 2017:

	Maturity	**Interest rate**		**2018**		2017
BDC Financing						
Loan 1	October 1, 2020	Floating	$	**535,632**	$	535,632
Loan 2	December 1, 2022	Floating		**416,400**		416,400
Loan 3	September 1,2024	Floating		**180,555**		180,555
Loan 4	September 1, 2021	Floating		**80,640**		80,640
				1,213,227		1,213,227
Secured Debenture	February 11, 2019	Fixed		**1,000,000**		1,000,000
				2,213,227		2,213,227
Less current portion				**(1,349,142)**		(349,142)
			$	**864,085**	$	1,864,085

Business Development Bank of Canada (“BDC”) Financing:

Loan 1 – This loan of $1,406,000 was fully drawn down in 2015. The proceeds from the loan were used to support equipment additions and was drawn down as these expenditures were incurred. The interest, which is payable monthly, is at a variable rate of 1.75% above the BDC floating base rate, currently set at 5.55%. The loan is repayable over seven years. Payments of principal of $33,477 are required monthly from July to December of each of the years to October 2020.

11. Long term debt *(continued)*

Loan 2 – In June 2016, the Company's wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for a working capital loan of $500,000. The loan was drawn down in December 2016. The interest, which is payable monthly, is at a variable rate of 3.86% above the BDC floating base rate, currently set at 5.55%. The loan is repayable over six years, with seasonal payments of principal required from July to December of each year starting in July 2017. Payments of principal of $14,200 are required in July 2017 and $13,880 from August to December 2017 and each year thereafter $13,880 monthly from July to December.

Loan 3 - In October 2016, the Company's wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for an equipment loan of $500,000. This loan can be drawn down anytime over the 24 months from the date of the loan. As of March 31, 2018, $180,555 has been drawn down. The interest, which is payable monthly, is at a variable rate of 1.85% above the BDC floating base rate, currently set at 5.55%. At the Company's option the interest rate can be fixed once the loan is fully drawn. Interest, on any loan amounts drawn, is payable monthly. The loan is repayable over six years, with seasonal payments of principal required. Payments of principal of $14,200 are required in October 2018 and $13,880 from November to December 2018, of $13,880 monthly from July to December for each of the years 2019 to 2023 and $13,880 monthly from July to September 2024.

Loan 4 – In March 2017, the Company's wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for a loan of $100,000 to fund the first year costs related to a program offered by the BDC that assisted the Company in establishing its growth strategy. The loan was fully drawn down in March 2017. The interest, which is payable monthly, is at a variable rate of 1.00% above the BDC floating base rate, currently set at 5.55%. The loan is repayable over four years, with seasonal payments of principal required. Payments of principal of $4,000 are required in August 2017 and $3,840 from September to December 2017, of $3,840 monthly from July to December for each of the years 2018 to 2020 and $3,840 monthly from July to September 2021.

Loan 1 may be prepaid, on each anniversary date, up to 15% of the then outstanding principal amount but if not used the prepayment privilege for that anniversary date ceases. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable if the loan is at floating rates, or if the loan is at a fixed rate, the sum of three months interest on the prepaid principal at the fixed interest rate then applicable and an interest differential relative to current fixed rate loans of the BDC.

Loan 2 may be prepaid at any time without indemnity. For Loan 3, the BDC will, within 24 months of the loan, and provided there are no adverse material changes, re-advance, one time only, any repaid portion of the loan in an amount not less than $10,000 under the same terms and conditions, other than a revised amortization period and maturity date, if applicable.

Loan 3 may be prepaid at any time without indemnity. If the loan is at floating rates any prepayment must include any interest owing up to the time of the prepayment. If the loan is at a fixed rate any prepayment must include any interest owing up to the time of the prepayment and an interest differential charge.

Loan 4 may be prepaid, once in any twelve month period, up to 15% of the then outstanding principal amount but the prepayment privilege is not cumulative. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable if the loan is at floating rates, or if the loan is at a fixed rate, the sum of three months interest on the prepaid principal at the fixed interest rate then applicable and an interest differential relative to current fixed rate loans of the BDC.

Management determined that the economic characteristics and risks of the prepayment features are closely related to those of the host debt contract and, therefore, no embedded derivative was identified for any of the loans.

11. Long term debt *(continued)*

The BDC loans ("BDC Financings") are secured with a general security agreement providing a first security interest in the Company's current owned equipment and new equipment acquired pursuant to the BDC Financings and a security interest in all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Company's line of credit and future charges on specific equipment to a creditor for financing the purchase or lease thereof.

There are no financial covenants with the BDC loans.

Secured Debenture:

In February 2014 the Company issued a secured debenture for $1,000,000 ("Secured Debenture") to an unrelated party. The Secured Debenture bears interest of 9%, payable monthly, and was initially repayable in full in February 2017 but this was extended by one year to February 2018 in April 2016 and further to February 2019, with no other items being amended. The Company has the option to prepay the full amount of the Secured Debenture. Any prepayment in the first year would have included an additional interest payment equal to 9% of the principal amount prepaid less any interest paid to the date of prepayment; any prepayment made in the second year would have included an additional interest payment equal to 18% of the prepayment amount less 1.5% of the interest paid to the date of the prepayment; any prepayment after the second year is without any additional interest payment. Management assessed whether this prepayment option was an embedded derivative that should be accounted for separately from the host contract. Management determined that the economic characteristics and risks of the prepayment feature were closely related to those of the host debt contract and, therefore, no embedded derivative was identified. The Secured Debenture is secured by the Company's currently owned equipment and new equipment acquired, subject to the priority of the BDC Financing. The Secured Debenture is further secured by all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Companies line of credit and any charges on specific equipment financed or leased.

The terms of the Secured Debenture restrict the amount of the demand operating loan to an amount equal to $1,000,000, with an increase to $1,500,000 on a short term basis during the Company's busy season, plus 60% of the Company's aggregate after tax earnings from the date the Secured Debenture was issued, without prior consent from the lender.

12. Finance lease obligations

Finance leases, which relate to the purchase of equipment, bear interest at 8.9% to 16.1% and are repayable in blended monthly payments and mature from April 2018 to July 2022. The leases are secured by the leased assets which have a carrying value of $247,591 at March 31, 2018 (December 31, 2017 - $260,764). The annual future commitments under the leases are as follows:

2018/19	$	77,014
2019/20		141,054
2020/21		37,712
2021/22		6,010
2022/23		2,450
		264,240
Less imputed interest		(37,751)
		226,489
Current portion		**(64,608)**
	$	**161,881**

Finance lease obligations of $nil were made during the three months ended March 31, 2018 ($nil during the three months ended March 31, 2017).

13. Share capital

(a) Authorized

Unlimited number of no par value voting common shares
Preferred shares – to be issued in series as authorized by the Board of Directors

(b) Issued

The following table summarizes the changes in the issued common shares of the Company for the three months ended March 31, 2018 and the year ended December 31, 2017:

	2018		2017	
	Number Of Shares	**$ Amount**	Number Of Shares	$ Amount
Common shares, beginning of period	**34,475,994**	**$7,495,530**	34,475,994	$7,495,530
Common shares issued	**-**	**-**	-	-
Common shares, end of period	**34,475,994**	**$7,495,530**	34,475,994	$7,495,530

14. Cost of sales

Cost of sales consists of the following components for the three months ended March 31, 2018 and 2017:

		2018		2017
Manufacture of cellular concrete				
Materials	**$**	**597,377**	$	1,180,690
Direct labour		**364,176**		371,609
Variable expenses		**170,019**		222,100
Fixed overhead		**79,984**		94,747
Depreciation		**92,777**		123,640
	$	**1,304,333**	$	1,992,786

15. Finance costs

The finance costs incurred for the three months ended March 31, 2018 and 2017 are as follows:

		2018		2017
Interest				
BDC Financing	**$**	**23,759**	$	22,760
Secured Debenture		**22,500**		22,500
Finance lease obligations		**3,847**		4,331
Demand operating loan		**2,240**		958
Other		**1,604**		1,262
		53,950		51,811
Accretion of fair value adjustment on share acquisition loans *(note 7)*		**(894)**		(1,290)
	$	**53,056**		50,521

16. Other income (expenses)

Other income for the three months ended March 31, 2018 and 2017 consists of the following:

		2018		2017
Foreign exchange expenses	**$**	**(2,484)**	$	(413)
Gain on sale of equipment		**-**		2,300
	$	**(2,484)**	$	1,887

In 2017 the Company sold idle equipment, which had a book value of $nil, for proceeds of $2,300.

17. Loss per common share

The number of common shares included in the computation of basic and diluted loss per common share for the three months years ended March 31, 2018 and 2017 is as follows:

	2018	2017
Weighted average common shares outstanding - basic	**34,475,994**	34,475,994
Effect of stock options	**-**	-
Weighted average common shares outstanding – diluted	**34,475,994**	34,475,994

The stock options for the three months ended March 31, 2018 and 2017 had no dilutive effect as the Company incurred a loss in these periods.

18. Non-cash stock based compensation

The Company has an option plan for the issue of up to 10% of the issued and outstanding common shares of the Company. All options that are outstanding will expire upon maturity, or earlier, if the optionee ceases to be a director, officer, employee or consultant or there is a merger, amalgamation or change in control of the Company. The purpose of the option plan is to reward and retain directors, management and consultants important to the continued operation and growth of the Company.

At March 31, 2018, the Company had 3,275,000 shares reserved for the issuance of stock options (December 31, 2017 – 3,275,000).

Options issued to employees and directors generally vest as to one third immediately on grant and one third on each of next two anniversary dates. Options issued to new employees generally do not vest for a year after issue. The options issued to The Howard Group, the Company's investor relation firm, vest in relationship to the term of their investor relation agreement.

18. Non-cash stock based compensation *(continued)*

The following table summarizes the changes in options for the three months ended March 31, 2018 and the year ended December 31, 2017:

	2018		2017	
	Number of Options	**Weighted average price**	Number of Options	Weighted average price
Outstanding, beginning of period	**3,275,000**	**$0.23**	3,425,000	$0.25
Granted	**-**	**-**	100,000	$0.18
Forfeited	**-**	**-**	(250,000)	$0.43
Outstanding, end of period	**3,275,000**	**$0.23**	3,275,000	$0.23
Exercisable, end of period	**3,075,000**	**$0.22**	3,000,000	$0.21

During the year ended December 31, 2017, 100,000 options were issued to a new employee and 250,000 options were forfeited when an employee left the Company before any of the options were vested.

There are 200,000 options that have not vested as at March 31, 2018 (December 31, 2017 – 275,000 options).

The following table summarizes the options to acquire common shares outstanding as at March 31, 2018:

Grant Date	Number Options	Exercise Price ($)	Weighted average remaining life (years)	Expiry Date
March 26, 2014	900,000	0.145	0.99	March 26, 2019
October 22, 2014	1,625,000	0.240	1.56	October 22, 2019
March 5, 2015	100,000	0.200	1.93	March 5, 2020
April 15, 2015	150,000	0.190	2.04	April 15, 2020
March 18, 2016	300,000	0.400	0.96	March 18, 2019
May 4, 2016	100,000	0.430	2.09	May 4, 2020
August 2, 2017	100,000	0.180	3.34	August 2, 2021
	3,275,000			

Non-cash stock based compensation for the three months ended March 31, 2018 and 2016 of $5,366 and $28,409, respectively, were recognized in the consolidated statement of income (loss) and comprehensive income (loss) with an offsetting amount charged to contributed surplus. Non-cash stock based compensation has no current period impact on the Company's cash position.

At the date of grant, the per share fair value of the options granted and other assumptions, using the Black-Scholes option pricing model are as follows:

	2018	2017
Estimated per share fair value per option	**-**	$0.14
Risk-free interest rate	**-**	1.44%
Expected life	**-**	4 years
Expected volatility in stock price	**-**	113%
Expected annual dividend yield	**-**	nil
Estimated forfeiture rate	**-**	nil

19. Change in non-cash working capital

The changes in non-cash working capital items - asset (increase) decrease and liability increase (decrease) - are outlined below for the three months ended March 31, 2018 and 2017.

	2018	2017
Trade and other receivables	**$ (1,030,949)**	$ (1,715,486)
Inventory	**17,268**	(61,669)
Prepaid expenses and deposits	**(30,284)**	7,479
Trade and other payables	**330,405**	1,314,622
	$ (713,560)	$ (455,054)

20. Related party transactions

During the three months ended March 31, 2018, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $nil ($3,559 for the three months ended March 31, 2017) of which $nil is in trade and other payables as at March 31, 2018 (December 31, 2017 - $2,651).

21. Financial instruments and risk management

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company financial instruments that are carried in the consolidated financial statements and how the fair value of financial instruments are measured.

Fair values

The fair values of cash and cash equivalents, term deposits, trade and other receivables, bank overdraft, bank operating loan and trade and other payables 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 inputs during the period.

21. Financial instruments and risk management *(continued)*

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.

(a) Interest Rate Risk

The BDC loans, which had a balance of $1,213,227 outstanding at March 31, 2018 and the demand operating loan, which had a balance of $948,784 outstanding at March 31, 2018 are subject to floating market rates. Based on the floating rate debt outstanding as at March 31, 2018, a 1% increase/decrease in interest rates would result in a decrease/increase in net loss attributable to common shareholders of approximately $15,800.

(b) Credit Risk

The Company is responsible for reviewing the credit risk for each customer before standard payment and delivery terms and conditions are offered. The Company review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before the Company extends credit. The Company monitors its trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk. The Company also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. The Company has not historically experienced any material credit losses.

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, term deposits, trade receivables and the share acquisition loans. The Company's cash is held with large established financial institutions. The Company manages credit risk using credit approval and monitoring practices. At March 31, 2018, 5 customers accounted for approximately 91% of trade receivables (at December 31, 2017, 9 customers accounted for approximately 90% of trade receivables). For the three months ended March 31, 2018, 2 customers each accounted for over 20% of revenue. At March 31, 2018, the Company had $37,696 of cash and cash equivalents (December 31, 2017 - $42,933), an $80,000 term deposit (December 31, 2017 - $80,000) and $49,261 (December 31, 2017 - $48,367) of fair valued share acquisition loans that are outstanding with two officers, and a former officer, of the Company.

(c) Liquidity Risk

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

21. Financial instruments and risk management *(continued)*

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2018 and December 31, 2017 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at March 31, 2018				
Bank overdraft	$ **229,003**	$ **-**	$ **-**	$ **229,003**
Demand operating loan	**948,784**	**-**	**-**	**948,784**
Trade and other payables	**899,769**	**-**	**-**	**899,769**
Long-term debt	**1,349,142**	**390,461**	**473,624**	**2,213,227**
Finance lease obligations	**64,608**	**123,868**	**38,013**	**226,489**
	$ **3,491,306**	$ **514,329**	$ **511,637**	$ **4,517,272**
As at December 31, 2017				
Bank overdraft	$ 55,053	$ -	$ -	$ 55,053
Demand operating loan	66,399			66,399
Trade and other payables	569,364	-	-	569,364
Long-term debt	349,142	1,390,462	473,623	2,213,227
Finance lease obligations	62,606	135,287	43,181	241,074
	$ 1,102,564	$ 1,525,749	$ 516,804	$ 3,145,117

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

As at March 31, 2018 and December 31, 2017, the following balances are denominated in USD:

		2018	2017
Cash and cash equivalents	**$**	**25,380**	32,136
Trade and other receivables	**$**	**39,191**	39,191
Prepaid expenses and deposits	**$**	**10,072**	10,127
Trade and other payables	**$**	**12,235**	8,148

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at March 31, 2018 a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total comprehensive loss of approximately $4,000.

22. Capital management

Management defines capital as the Company's total shareholders' equity, its long term debt and finance lease obligations. The Board of Directors does not establish a quantitative return on capital for management, but rather promotes year over year sustainable profitable growth. The Company's current objective when managing capital is to increase the Company's 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.

22. Capital management

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the three months ended March 31, 2018. The Company is subject to externally imposed financial covenants with its demand operating loan and certain restrictions imposed by the Secured Debenture. As at March 31, 2018, the Company was in compliance with the financial covenants.

The total capitalization as at March 31, 2018 and December 31, 2017 is outlined below:

		2018		2017
Long term debt (*Note 11*)	**$**	**2,213,227**	$	2,213,227
Finance lease obligations *(Note 12)*		**226,489**		241,074
Total debt		**2,439,716**		2,454,301
Shareholders' equity		**3,075,936**		3,384,945
	$	**5,515,652**	$	5,839,246

23. Geographical segmented information

The Company's primary business is the supply and placement of cellular concrete. It currently markets its services in Canada and the U.S. The tables below, present the sales to external customers for the three months ended March 31 2018 and 2017 and the total non-current assets attributable to the Company's geographical segments as at March 31, 2018 and December 31p, 2017:

		2018		2017
Sales to external customers*				
Canada	**$**	**1,476,468**	$	2,527,471
U.S.		**-**		-
	$	**1,476,468**	$	2,527,471

		2018		2017
Total non-current assets				
Canada	**$**	**4,957,985**	$	4,933,555
U.S.		**21,338**		22,244
	$	**4,979,323**	$	4,955,799

* Includes sales to one customer of $810,400 in the three months ending March 31, 2018 and sales to one customer of $1,419,500 in the three months ended March 31, 2017.

24. Subsequent events

(1) On April 30, 2018 the Company announced that the share purchase agreement (the "Definitive Agreement") between the Corporation and Mr. Ed Weiner (the "Vendor"), for the acquisition of all of the issued and outstanding shares (the "MOS Shares") of MixOnSite USA, Inc. ("MOS") had been executed (the "Acquisition'). This transaction will close on May 31, 2018 (the "Closing Date"). MOS is an S Corporation incorporated under the laws of California, with a head office in Buffalo Grove, Illinois, U.S. MOS is a contractor in the same business as CEMATRIX specializing in low density foam concrete and offering complete installation services including technical mix design support and development for a wide variety of construction applications in the U.S.

24. Subsequent events *(continued)*

Pursuant to the Definitive Agreement, the purchase price for the MOS Shares to be paid on the Closing Date to the Vendor by CEMATRIX as follows:

- cash in the amount of $2,000,000 USD (the "Cash Purchase Price");
- secured convertible note (the "Convertible Note") issued by the Purchaser in the amount of $2,500,000 USD;
- 3,343,421 common shares of CEMATRIX (the "CEMATRIX Shares") issued at a deemed price of $0.19 per CEMATRIX Share; and
- earn-out payment (the "Earn-out") calculated on the operations of MOS for three years following closing of the Acquisition.

The aggregate consideration paid for the MOS Shares will be $5,000,000 USD, as well as payment of the Earn-out.

The cash payment on the Closing Date of $2,000,000 will consist of $200,000 USD, coming from a portion of the funds raised from the first tranche of the Company's Private Placement (see below) and $1,800,000 USD will come from a loan with the BDC ("BDC USD Loan") (see below).

The Convertible Note will pay interest to the holder at a rate of 8% per year, payable quarterly, for a period of three years. The Convertible Note will convert into 13,373,684 CEMATRIX Shares at the option of the holder, at any time, at $0.2375 per CEMATRIX Share. CEMATRIX may repay the Convertible Note and may force the conversion of the Convertible Note upon 40 days' written notice after a period of 12 months, subject to an early payment and forced conversion penalties, as applicable.

The Earn-out will pay the Vendor 70% of the earnings before interest, income taxes, depreciation and amortization ("EBITDA") above $500,000 USD for the first year after closing of the Acquisition and 65% of the EBITDA above $500,000 USD for the second and third years after the Closing Date.

In addition to the consideration payable pursuant to the Definitive Agreement, the Vendor will be appointed a director of the Corporation and will be engaged as a consultant for a period of three years as of the Closing Date. The Vendor will receive 150,000 stock options for his role as a director and 350,000 for his role as a consultant. The stock options will be exercisable into common shares of the Corporation at an exercise price of $0.20 per common share. These stock options will be for a three year term and will vest over three years as to one third at the end of each year.

(2) On April 30, 2018 the Company completed the first tranche of the $2,000,000 non-brokered private placement for 3,203,600 units (each, a "Unit") at a price of $0.20 per Unit for gross proceeds of $640,720 (the "Private Placement"). Each Unit is comprised of one common share and one half warrant (each a "Warrant"). Each full warrant is exercisable into one common share for a period of two years at an exercise price of $0.35 per common share.

The Corporation paid a finder's fee and finder's warrants of 6% of the gross proceeds to qualified non-related parties that participated. The fees amounted to $7,500 and the Corporation issued 18,750 Warrants that entitle the holder thereof to acquire one common share for $0.35 until the expiry date of April 30, 2020.

The net proceeds of the first tranche of the Private Placement will be used for general working and growth capital and to finance a portion of the purchase price for the Acquisition.

Completion of the balance of the Private Placement is subject to regulatory approval including, but not limited to, the approval of TSX Venture Exchange Inc. The common shares issued will be subject to a four month hold period from the date of closing.

24. Subsequent events *(continued)*

(3) The Company announced the appointment of Mr. James Chong to the position of Chief Financial Officer of the Corporation effective April 27, 2018. Mr. Bruce McNaught, former Chief Financial Officer of the Corporation, will retire on June 30, 2018. Mr. Chong was awarded 250,000 stock options with an exercise price of $0.20 per common share. These stock options are for a three year term and will vest over three years as to one third at the end of each year.

(4) In May 2018 the Company entered into a BDC USD Loan agreement. The proceeds of $1,800,000 USD from this financing will be used to fund a portion of the purchase price for the Acquisition. The BDC USD Loan will be completed before the closing of the MOS transaction.

(5) In May 2018, the Canadian Western Bank granted relief on the consolidated current asset ratio in relation to the Company's demand operating loan for the three months ended March 31, 2018.

(6) In May 2018, the Company negotiated an extension of the repayment of the principal of the Secured Debenture to February 2020.