

CEMATRIX CORPORATION
Condensed Consolidated Financial Statements
(in Canadian dollars)
September 30, 2019

**Management's Responsibility for Financial Reporting and Notice of No Auditor
Review of the Interim Condensed Consolidated Financial Statements for the Three and Nine
Months Ended September 30, 2019**

To the Shareholders:

CEMATRIX CORPORATION

Management has responsibility for preparing the accompanying condensed consolidated financial statements. The condensed 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 judgement. Management has determined such amounts on a reasonable basis in order to ensure that the condensed 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 condensed 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 condensed 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 condensed 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 condensed consolidated financial statements.

November 6, 2019

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

CEMATRIX CORPORATION

Condensed Consolidated Statements of Financial Position

*As at September 30, 2019 (unaudited) and December 31, 2018 (audited)
(in Canadian Dollars)*

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,318,564	\$ 653,353
Term deposit	80,000	80,000
Trade and other receivables (note 6)	7,474,844	5,175,857
Inventory (note 7)	456,929	370,137
Prepaid expenses and deposits	239,633	218,946
Share acquisition loans (note 8)	45,932	43,874
	9,615,902	6,542,167
Non Current Assets		
Property and equipment	5,611,875	5,451,930
Goodwill and intangibles (note 9)	6,765,007	7,284,567
Deferred tax asset	1,019,913	1,143,300
	13,396,795	13,879,797
Total Assets	\$ 23,012,697	\$ 20,421,964
LIABILITIES and EQUITY		
Current Liabilities		
Bank overdraft	\$ 3,189	\$ 533,715
Bank operating loan (note 10)	1,239,249	1,205,443
US operating loan (note 11)	993,225	1,023,150
Trade and other payables (note 12)	4,008,042	1,993,040
Current portion of long term debt (note 13)	688,430	697,407
Current portion of lease obligations (note 14)	243,991	167,672
Current portion of earn-out liability (note 15)	822,509	1,051,772
	7,998,635	6,672,199
Non Current Liabilities		
Long term debt (note 13)	3,335,981	3,417,608
Lease obligations (note 14)	534,386	121,281
Earn-out liability (note 15)	620,912	1,128,258
Convertible note (note 16)	3,542,137	3,378,392
Deferred tax liability	902,293	958,651
	8,935,709	9,004,190
Total Liabilities	16,934,344	15,676,389
SHAREHOLDERS' EQUITY		
Share capital (note 17)	10,027,236	9,140,676
Contributed surplus	2,890,680	1,333,448
Accumulated other comprehensive loss	66,057	327,215
Deficit	(6,905,620)	(6,055,764)
Total Shareholders' Equity	6,078,353	4,745,575
Total Liabilities and Shareholders' Equity	\$ 23,012,697	\$ 20,421,964

Approved on behalf of the Board

Signed "Jeffrey Kendrick" Director

Signed "Steve Bjornson" Director

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

CEMATRIX CORPORATION
Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30 (unaudited)
(in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue (note 27)	\$ 7,622,397	\$ 7,039,839	\$ 17,256,666	\$ 11,424,240
Cost of sales (note 18)	(5,260,127)	(5,524,901)	(12,534,633)	(9,098,363)
Gross margin	2,362,270	1,514,938	4,722,033	2,325,877
Operating expenses				
General and administrative	(1,161,566)	(722,293)	(2,437,401)	(1,438,330)
Sales, marketing and engineering	(517,374)	(301,212)	(1,391,203)	(819,212)
Total operating expenses	(1,678,940)	(1,023,505)	(3,828,604)	(2,257,542)
Operating income	683,330	491,433	893,429	68,335
Non-cash stock based compensation (note 22)	(231,758)	(24,783)	(409,835)	(41,312)
Finance costs (note 19)	(221,848)	(193,868)	(654,172)	(350,693)
Other income (expenses) (note 20)	(33,517)	113,410	225,972	21,940
Amortization of intangibles (note 9)	(122,061)	(119,790)	(368,558)	(159,720)
Acquisition costs (note 5)	(280,824)	-	(346,649)	(619,723)
Accretion costs (note 19)	(98,520)	(206,958)	(388,165)	(229,426)
Revaluation of earn-out liability (note 15)	318,734	-	464,915	-
Non-cash fair value of derivatives (note 16)	(202,203)	(140,828)	(193,081)	(316,433)
Loss before income taxes	(188,667)	(81,384)	(776,144)	(1,627,032)
Provision of deferred taxes	(103,864)	74,184	(91,503)	335,787
Provision of current taxes	(979)	-	(90,052)	-
Loss attributable to the common shareholders	(293,510)	(7,200)	(957,699)	(1,291,245)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	67,319	(48,896)	(261,158)	(9,577)
Total comprehensive loss for the period	\$ (226,191)	\$ (56,096)	\$ (1,218,857)	\$ (1,300,822)
Loss per common share (note 21)				
Basic	\$ (0.006)	\$ (0.000)	\$ (0.021)	\$ (0.034)
Fully Diluted	\$ (0.006)	\$ (0.000)	\$ (0.021)	\$ (0.034)
Weighted average number of common shares (note 21)				
Basic	50,322,291	42,509,768	46,449,340	38,295,643
Fully Diluted	50,322,291	42,509,768	46,449,340	38,295,643

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

CEMATRIX CORPORATION
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the three and nine months ended September 30 (unaudited)
(in Canadian Dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive income (loss)	Deficit	Total Shareholder's Equity
Balance at December 31, 2018	\$ 9,140,676	\$ 1,333,448	\$ 327,215	\$ (6,055,764)	\$ 4,745,575
Non-cash stock based compensation (note 22)	-	34,117	-	-	34,117
Reclassification of contributed surplus to deficit (note 22)	-	(107,843)	-	107,843	-
Net loss attributable to common shareholders	-	-	-	(836,701)	(836,701)
Unrealized foreign exchange loss on translation of foreign subsidiaries	-	-	(162,911)	-	(162,911)
Balance at March 31, 2019	9,140,676	1,259,722	164,304	(6,784,622)	3,780,080
Non-cash stock based compensation (note 22)	-	143,960	-	-	143,960
Net loss attributable to common shareholders	-	-	-	172,512	172,512
Unrealized foreign exchange loss on translation of foreign subsidiaries	-	-	(165,566)	-	(165,566)
Balance at June 30, 2019	\$ 9,140,676	\$ 1,403,682	\$ (1,262)	\$ (6,612,110)	\$ 3,930,986
Common share issuance	-	-	-	-	-
Non-cash stock based compensation (note 22)	-	231,758	-	-	231,758
Private Placement	886,560	1,255,240	-	-	2,141,800
Net loss attributable to common shareholders	-	-	-	(293,510)	(293,510)
Unrealized foreign exchange loss on translation of foreign subsidiaries	-	-	67,319	-	67,319
Balance at September 30, 2019	\$ 10,027,236	\$ 2,890,680	\$ 66,057	\$ (6,905,620)	\$ 6,078,353
Balance at December 31, 2017	\$ 7,495,530	\$ 903,153	\$ (36,947)	\$ (4,976,791)	\$ 3,384,945
Non-cash stock based compensation (note 22)	-	5,366	-	-	5,366
Net loss attributable to common shareholders	-	-	-	(316,778)	(316,778)
Unrealized foreign exchange gain on translation of foreign subsidiaries	-	-	2,403	-	2,403
Balance at March 31, 2018	7,495,530	908,519	(34,544)	(5,293,569)	\$ 3,075,936
Common shares issuance (note 17)	735,553	-	-	-	735,553
Non-cash stock based compensation (note 22)	-	11,163	-	-	11,163
Private Placement	449,063	235,581	-	-	684,644
Net loss attributable to common shareholders	-	-	-	(967,267)	(967,267)
Unrealized foreign exchange gain on translation of foreign subsidiaries	-	-	36,916	-	36,916
Balance at June 30, 2018	\$ 8,680,146	\$ 1,155,263	\$ 2,372	\$ (6,260,836)	\$ 3,576,945
Common shares issuance (note 17)	43,500	-	-	-	43,500
Reclassification of contributed surplus to share capital (note 22)	41,922	(41,922)	-	-	-
Non-cash stock based compensation (note 22)	-	24,783	-	-	24,783
Private Placement	375,108	164,493	-	-	539,601
Reclassification of contributed surplus to deficit (note 22)	-	(13,002)	-	13,002	-
Net loss attributable to common shareholders	-	-	-	(7,200)	(7,200)
Unrealized foreign exchange gain on translation of foreign subsidiaries	-	-	(48,896)	-	(48,896)
Balance at September 30, 2018	9,140,676	1,289,615	(46,524)	(6,255,034)	4,128,733

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

CEMATRIX CORPORATION
Condensed Consolidated Statements of Cash Flows
For the three and nine months ended September 30 (unaudited)
(in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Cash generated from (used in):				
Operating activities				
Net loss attributable to common shareholders	\$ (293,510)	\$ (7,200)	\$ (957,699)	\$ (1,291,245)
Add (deduct) non-cash items				
Provision for deferred taxes	103,864	(74,184)	91,503	(335,787)
Depreciation and amortization	385,654	339,284	1,159,722	620,801
Non-cash stock based compensation (note 22)	231,758	24,783	409,835	41,312
Loss on sale of equipment (note 20)	-	-	1,084	-
Unrealized foreign exchange gain (loss)	60,436	(122,340)	(160,750)	(23,806)
Non-cash accretion of convertible note and earn-out (notes 15 and 16)	98,985	207,852	389,560	232,108
Non-cash accretion of share acquisition loans (note 8)	(465)	(894)	(1,395)	(2,682)
Non-cash fair value adjustment in, derivative liability (note 16)	202,203	140,828	193,081	316,433
Non-cash fair value adjustment in earn-out liability	(318,734)	-	(464,915)	-
Non-cash interest on share acquisition loans (note 8)	(224)	(126)	(663)	(360)
	469,967	508,003	659,363	(443,226)
Net change in non-cash working capital items (note 23)	(1,272,141)	88,574	(501,548)	(200,064)
Cash generated from (used in) operating activities	(802,174)	596,577	157,815	(643,290)
Investing activities				
Purchase of property and equipment	(38,237)	(7,059)	(417,046)	(17,902)
Proceeds on sale of property and equipment (note 20)	-	-	41,000	-
Purchase of intangibles (note 9)	(16,318)	(11,911)	(39,851)	(79,736)
Net cash paid on acquisition (note 5)	-	-	-	(2,807,985)
Net cash used in investing activities	(54,555)	(18,970)	(415,897)	(2,905,623)
Financing activities				
Proceeds from (repayment of) bank operating loan	167,798	(305,791)	33,806	877,118
Proceeds from long term debt	-	-	319,445	2,332,620
Proceeds from government grants on intangibles (note 9)	-	-	-	16,775
Repayment of finance lease obligations	(55,868)	(23,373)	(157,548)	(55,138)
Repayments of long term debt	(344,008)	(202,187)	(344,008)	(202,187)
Repayment of earnout liability	(534,436)	-	(534,436)	-
Proceeds from private placement	2,141,800	539,601	2,141,800	1,224,245
Issue of common shares	-	43,500	-	43,500
Cash generated from (used in) financing activities	1,375,286	51,750	1,459,059	4,236,933
Foreign exchange effect on cash	5,014	(6,653)	(5,240)	(2,690)
Increase in cash	791,804	50,506	119,638	(12,120)
Cash (cash deficiency), beginning of period	523,571	622,704	1,195,737	685,330
Cash end of period	1,315,375	673,210	1,315,375	673,210
Cash (cash deficiency)				
Cash and cash equivalents	1,318,564	683,723	1,318,564	683,723
Bank overdraft	(3,189)	(10,513)	(3,189)	(10,513)
	\$ 1,315,375	\$ 673,210	\$ 1,315,375	\$ 673,210
Supplemental Information				
Finance costs paid during the period	\$ 227,839	\$ 199,846	\$ 653,566	\$ 293,587

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

CEMATRIX CORPORATION

Notes to the Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018
(in Canadian dollars)

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 subsidiaries, MixOnSite USA, Inc. (“MOS”) and CEMATRIX (Canada) Inc. and its subsidiaries CEMATRIX (USA) Inc. and CEMATRIX (Calgary) Ltd., 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 condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2019 were authorized for issue in accordance with a resolution of the Board of Directors on November 6, 2019.

2. Basis of preparation

Statement of compliance

These condensed consolidated financial statements for the three and nine months ended September 30, 2019 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”).

The condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2018 and the condensed consolidated financial statements for the six months ended June 30, 2019.

Basis of measurement

These condensed consolidated financial statements were prepared on a going concern basis under the historical cost convention except for share-based payment transactions and certain financial instruments which are measured at fair value.

Use of estimates and judgements

The preparation of condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed 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 condensed consolidated financial statements are disclosed in note 3.

Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency. The functional currency of CEMATRIX (USA) Inc. and MOS is U.S. dollars (“USD”).

CEMATRIX CORPORATION

Notes to the Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018
(in Canadian dollars)

3. Significant accounting judgements, estimates and assumptions

The preparation of condensed 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 condensed 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.

The key sources of these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2018. There have 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 condensed consolidated financial statements for the year ended December 31, 2018. There have been no changes since that date other than what is outlined below.

Effective January 1, 2019, the Company adopted IFRS 16 Leases (IFRS 16) using the modified retrospective approach. The new standard requires a lessee to recognize a liability to make lease payments (the lease liabilities) and an asset to recognize the right to use the underlying asset during the lease term (the lease assets) in the statement of financial position.

Comparative information has not been restated and continues to be reported under IAS 17 Leases (IAS 17). The Company used the practical expedient not to reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied IFRS 16 only to contracts previously identified as leases under IAS 17.

The Company also used the following practical expedients to account for leases at January 1, 2019:

- Applied recognition exemptions for operating leases when the underlying asset was of low value or the lease term ends within 12 months. The payments associated with these leases are recognized as an expense.
- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Relied on the Company's assessment of whether leases are onerous immediately before January 1, 2019, and adjusted the lease asset by this amount.
- Excluded initial direct costs when measuring the lease asset.
- Used hindsight to determine the lease term when the contract contained options to extend or terminate the lease.

These policies apply to contracts entered into or changed on or after January 1, 2019.

A contract is a lease or contains a lease if it conveys the right to control the use of an asset for a time period in exchange for consideration. To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

CEMATRIX CORPORATION

Notes to the Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018
(in Canadian dollars)

4. Significant accounting policies (continued)

The Company has elected not to recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. These lease payments are recognized in expenses over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component. Lease payments generally include fixed payments less any lease incentives receivable.

The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

The lease asset is recognized at the present value of the liability at the commencement date of the lease less any incentives received from the lessor. Added to the lease asset are initial direct costs, payments made before the commencement date, and estimated restoration costs. The lease asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the lease asset or the end of the lease term. The lease asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The recognized right-of-use assets relate to the buildings. Right-of-use assets were measured at the amount equal to the lease liability, except for onerous contracts.

The change in accounting policy resulted in an increase in property and equipment and lease obligations of \$643,632 as follows:

Operating lease commitments disclosed as at December 31, 2018	\$	1,085,422
Less: short-term lease exemption		(285,868)
Undiscounted lease payments		799,554
Discount effect at January 1, 2019		(155,922)
	\$	643,632

Consolidated net income did not change materially as a result of the adoption of IFRS 16.

CEMATRIX CORPORATION

Notes to the Condensed Consolidated Financial Statements

*For the three and nine months ended September 30, 2019 and 2018
(in Canadian dollars)*

5. Business acquisitions

On January 18, 2019 the Company announced a letter of intent for the proposed acquisition of Pacific International Grout Co (“PIGCO”). The acquisition provides a platform for long-term growth opportunities and diversification into new markets. The transaction costs of \$346,649 have been incurred as of September 30, 2019. On October 1, 2019 the acquisition of PIGCO was closed. Refer to note 28.

On May 31, 2018 the Company acquired all of the issued and outstanding shares of MOS. MOS is 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 concrete and offering complete installation services including technical mix design support and development for a wide variety of construction applications in the U.S. The acquisition provides a platform for long-term growth opportunities and diversification into new markets. The transaction was accounted for as a business combination.

The purchase price for all the issued and outstanding shares of MOS was \$9,537,319 and was comprised of the following:

Cash	\$	3,051,595
Common shares (note 17)		735,553
Convertible note (note 16)		3,239,750
US operating loan (note 11)		968,300
Earn-out liability (note 15)		1,542,121
		\$ 9,537,319

The net cash payment of \$2,807,985 was financed with a \$1,800,000 USD loan from the Business Development Bank of Canada (note 13), a portion of the funds raised from the private placement and from working capital.

The common shares were valued at \$0.22, which was the trading price on the date of acquisition.

Purchase price allocation

The Company determined the preliminary fair values based on discounted cash flows, market information, independent valuations and management’s estimates.

Cash	\$	243,610
Accounts receivable		1,961,426
Inventory		105,836
Prepaid expenses		69,541
Property and equipment		2,709,402
Intangible assets		638,879
Goodwill		5,881,947
Trade and other payables		(952,317)
Finance lease obligation		(77,705)
Deferred income tax liability		(1,043,300)
		\$ 9,537,319

The intangible assets acquired relate to the sales backlog for which contracts existed on May 31, 2018. The sales backlog acquired by the Company is amortized over 16 months on a straight line basis, which is consistent with the time period the Company expects to complete the aforementioned contracts.

Goodwill arises principally from the earnings potential of MOS, ability to leverage the larger base of operations, the assembled workforce, future growth and the potential to realize synergies in the form of cost savings.

CEMATRIX CORPORATION
Notes to the Condensed Consolidated Financial Statements

*For the three and nine months ended September 30, 2019 and 2018
(in Canadian dollars)*

6. Trade and other receivables

Trade and other receivables consist of the following components as at September 30, 2019 and December 31, 2018:

	2019	2018
Trade receivables	\$ 6,734,169	\$ 4,651,775
Holdbacks	669,965	434,804
Other receivables	70,710	89,278
	\$ 7,474,844	\$ 5,175,857

Trade receivables and holdbacks are unsecured, 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 September 30, 2019 and December 31, 2018:

	2019	2018
1-30 days	\$ 3,711,608	\$ 2,033,188
31-60 days	2,181,331	1,855,030
61-90 days	435,920	607,102
Greater than 90 days	405,309	156,455
	\$ 6,734,168	\$ 4,651,775

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. 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.

CEMATRIX CORPORATION
Notes to the Condensed Consolidated Financial Statements

*For the three and nine months ended September 30, 2019 and 2018
(in Canadian dollars)*

7. Inventory

Inventory consists of the following components as at September 30, 2019 and December 31, 2018:

	2019	2018
Raw materials (principally foaming agent)	\$ 456,929	\$ 364,712
Spare parts and marketing material	-	5,425
	\$ 456,929	\$ 370,137

Inventory expensed as part of cost of sales was and \$167,513 and \$410,878, respectively, for the three and nine months ended September 30, 2019 (\$320,532 and \$471,528 for the same periods in 2018). There were no inventory write-downs in either 2019 or 2018.

8. Share acquisition loans

Share acquisition loans consist of the following components as at September 30, 2019 and December 31, 2018:

	2019	2018
Share acquisition loans, beginning of period	\$ 45,743	\$ 53,812
Repayments	-	(8,563)
Interest	663	494
Share acquisition loans, end of period	46,406	45,743
Non-cash fair value adjustment, beginning of period	(1,869)	(5,445)
Accretion of non-cash fair value adjustment	1,395	3,576
Non-cash fair value adjustment, end of period	(474)	(1,869)
	\$ 45,932	43,874

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 a market rate. An imputed rate used was 9%. This fair value adjustment is being accreted to income over the life of the loans.

One of the individuals, who is not a Company employee, with a shareholder loan, of which \$25,686 was outstanding at December 31, 2017, was unable to make two of the scheduled repayment of \$8,563. Another individual, who is a Company employee, with a shareholder loan, of which \$11,000 was outstanding at December 31, 2018, was unable to make one of the schedule repayment of \$5,500. Commencing January 1, 2018 and January 1, 2019, respectively, interest will be charged on these outstanding payments at the Bank of Canada prime plus two percent until the outstanding repayment is made. The \$17,126 and \$5,500 amounts are included in the current portion of the share acquisition loans. The Company has recourse on these loans as the common shares issued to these individuals can be cancelled in the event of non-payment.

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Notes to the Condensed Consolidated Financial Statements

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9. Goodwill and intangibles

Goodwill and intangibles consist of the following components as at September 30, 2019 and December 2018:

	Foaming agent technology	Process licenses	Trademarks	Product testing costs	Sales backlog	Goodwill	Total
Cost							
At December 31, 2017	315,000	141,110	9,006	174,196	-	-	639,312
Acquisitions	-	-	-	-	638,879	5,881,947	6,520,826
Additions	-	-	-	91,767	-	-	91,767
Government grants	-	-	-	(16,775)	-	-	(16,775)
Exchange difference	-	-	-	-	22,841	310,006	332,847
At December 31, 2018	315,000	141,110	9,006	249,188	661,720	6,191,953	7,567,977
Accumulated amortization							
At December 31, 2017	-	-	-	-	-	-	-
Amortization	-	-	-	-	(283,410)	-	(283,410)
At December 31, 2018	-	-	-	-	(283,410)	-	(283,410)
Net book value							
At December 31, 2018	315,000	141,110	9,006	249,188	378,310	6,191,953	7,284,567
Cost							
At December 31, 2018	315,000	141,110	9,006	249,188	661,720	6,191,953	7,567,977
Additions	-	-	-	39,852	-	-	39,852
Exchange difference	-	-	-	-	(9,752)	(181,102)	(190,854)
At September 30, 2019	315,000	141,110	9,006	289,040	651,968	6,010,851	7,416,975
Accumulated amortization							
At December 31, 2018	-	-	-	-	(283,410)	-	(283,410)
Amortization	-	-	-	-	(368,558)	-	(368,558)
At September 30, 2019	-	-	-	-	(651,968)	-	(651,968)
Net book value							
At September 30, 2019	315,000	141,110	9,006	289,040	-	6,010,851	6,765,007

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.

CEMATRIX CORPORATION

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9. Goodwill and intangibles (continued)

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.

The indefinite life intangibles have been allocated to the Cematrix and MOS group of CGU's. Product testing costs relate to third party testing and verification of certain qualities 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 and nine months ended September 30, 2019 the Company incurred expenditures of \$16,318 and \$39,851 respectively, including capitalized labour costs of approximately \$6,317 and \$9,779, respectively and \$nil government grants received (year ended December 31, 2018 - \$91,767, \$26,269 and \$16,775, respectively).

The sales backlog and goodwill were the result of the acquisition of MOS. The sales backlog represents the value of contracted sales that existed on the closing date. The sales backlog acquired by the Company is being amortized over 16 months on a straight line basis, which is consistent with the time period the Company expects to complete the aforementioned contracts. Goodwill arises principally from the ability to leverage the larger base of operations, the assembled workforce, future growth and the potential to realize synergies in the form of cost savings.

10. Bank operating loan

CEMATRIX's wholly owned subsidiary, CEMATRIX (Canada) Inc. has a financing arrangement with the Canadian Western Bank (the "Bank") which provides a \$1,500,000 demand operating loan. The bank operating loan (the "Loan") bears interest at 5.95%, which is set at the greater of 4.70% or 2% above the Bank's prime lending rate. The Loan 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 a general security agreement providing a second secured interest in all present and after acquired property of the Company.

Under the bank operating 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 bank operating loan availability at September 30, 2019 was \$1,500,000, of which \$1,239,249 was outstanding as at September 30, 2019 (\$1,205,443 at December 31, 2018).

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

The bank operating loan contains covenants in regard to consolidated cash flow coverage ratio, consolidated debt to tangible net worth ratio and consolidated current ratio. The consolidated cash flow coverage ratio is only calculated annually whereas the other ratios are calculated monthly. Cematrix is in compliance with its covenants.

On June 4, 2019, the Bank renewed the operating loan and provided a general tolerance for its covenants until December 31, 2019.

CEMATRIX CORPORATION

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11. US operating loan

As part of the consideration for the acquisition of MOS on May 31, 2018, the former owner of MOS (the "Vendor") agreed to enter into a financing arrangement with the Company to provide a \$750,000 USD operating loan. The interest, which is payable quarterly, and is set at 2.00% above JPMorgan Chase Bank Bank's prime lending rate. The principal was to be repaid in full before May 31, 2019. On May 21, 2019, the loan was extended to September 30, 2019. On July 30, 2019, the loan was further extended to January 31, 2020 with an annual interest rate of 14%, payable monthly.

The loan is secured by MOS's trade receivable and inventory and is further guaranteed with a general security agreement provided by the Company.

The loan is fully drawn at September 30, 2019 and had a Canadian equivalent value of \$993,225.

12. Trade and other payables

Trade and other payables consist of the following components as at September 30, 2019 and December 31, 2018:

	2019	2018
Trade payables	\$ 3,464,225	\$ 1,388,756
Accrued interest	20,739	23,374
Other accruals	358,096	99,855
Payroll remittance and goods & services tax	164,982	481,055
	\$ 4,008,042	\$ 1,993,040

13. Long term debt

Long term debt consists of the following components as at September 30, 2019 and December 31, 2018:

	Maturity	Interest rate	2019	2018
BDC financing				
Loan 1	October 1, 2020	Floating	\$ 234,339	\$ 334,770
Loan 2	December 1, 2022	Floating	291,480	333,120
Loan 3	September 1, 2024	Floating	416,400	138,595
Loan 4	September 1, 2021	Floating	46,080	57,600
Loan 5	August 1, 2026	Floating	2,036,112	2,250,930
			3,024,411	3,115,015
Secured debenture	January 1, 2021	Fixed	1,000,000	1,000,000
			4,024,411	4,115,015
Less current portion			(688,430)	(697,407)
			\$ 3,335,981	\$ 3,417,608

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13. Long term debt (continued)

Business Development Bank of Canada Financing (“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 currently 7.80% and is payable monthly, is set at 1.75% above the BDC floating base rate of 6.05%. 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.

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 fully drawn down in December 2016. The interest, which is currently 9.91% and is payable monthly, is set at 3.86% above the BDC floating base rate of 6.05%. 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 were required in July 2017 and \$13,880 from August to December 2017. Principal payments for each year thereafter of \$13,880 are required monthly from July to December of 2018 to 2022.

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 30 months from the date of the loan and was fully drawn down in April 2019. The interest, which is currently 7.90% and is payable monthly, is set at 1.85% above the BDC floating base rate of 6.05%. 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 were required in October 2018 and \$13,880 from November to December 2018. Payments of principal of \$13,880 monthly are required 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 will assist the Company in establishing its growth strategy. The loan was fully drawn down in March 2017. The interest, which is currently 7.05% and is payable monthly, is set at 1.00% above the BDC floating base rate of 6.05%. The loan is repayable over four years, with seasonal payments of principal required. Payments of principal of \$4,000 were required in August 2017 and \$3,840 from September to December 2017, of \$3,840 monthly from July to December 2017 and from September to December 2018. Payments of principal of \$3,840 are required from July to December for each of the years 2019 to 2020 and \$3,840 monthly from July to September 2021.

Loan 5 – In May 2018 the Company entered into an agreement with the BDC for a loan of \$1,800,000 USD to fund a portion of the purchase price of the MOS acquisition. The interest, which is currently 8.3% and is payable monthly, is set at 1.60% above the BDC floating USD base rate of 6.70%. The loan is repayable over eight years, with seasonal payments of principal required. Payments of principal of \$37,500 USD were required from September to December 2018. Payments of principal of \$37,500 USD are required from July to December for the years 2019 to 2025 and from July to August 2026. On May 31, 2018, the Canadian equivalent of this loan was \$2,332,620. On September 30, 2019, the Canadian dollar equivalent of this was \$2,036,112. The difference being \$296,508 which is the net of principal repayments of \$344,767 being offset by 48,259 in unrealized foreign exchange loss, which was recognized on the statement of loss and comprehensive loss.

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.

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13. Long term debt (continued)

Loan 2 may be prepaid at any time without indemnity. For Loan 2, 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.

Loan 5 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.

Under terms of the BDC loans, the Company will have the option to prepay the facilities. The prepayment penalties vary depending on the time frame. Timeframe and terms are specified in individual agreements. The prepayment option is considered to be an embedded derivative with a fair value of nil at the date of issuance and at June 30, 2019.

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 demand operating loan 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 1 to 4. The BDC loan 5 has a consolidated fixed charge coverage ratio financial covenant which is tested annually.

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 is repayable in full in July 2020. In September 2019, the Secured Debenture was termed out over a period of five years where the original bullet principal repayment due in July 2020 was replaced with principal repayments of \$200,000 on January 1st in years 2021 to 2025. 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 bank 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.

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14. Lease obligations

Lease obligations, which relate to a building, vehicles and equipment, bear interest between 5.7% to 14.2% and are repayable in monthly installments. The leases have a carrying value of \$847,084 (2018 - \$353,083). The annual future commitments and are as follows:

2019/2020	\$	294,275
2020/2021		240,602
2021/2022		194,808
2022/2023		158,730
		888,415
Less imputed interest		(110,038)
		778,377
Current portion		(243,991)
	\$	534,386

New lease obligations of \$nil and \$643,632 were incurred during the three and nine months ended September 30, 2019, respectively and relate entirely to the adoption of IFRS 16 on January 1, 2019 and it's affect on a pre-existing building lease (\$nil during the three and nine months ended September 30, 2018).

15. Earn-out liability

The earn-out will pay the Vendor 70% of the earnings before interest, income taxes, depreciation and amortization ("EBITDA") of MOS above \$500,000 USD for the first 12 month period after May 31, 2018 and 65% of the EBITDA above \$500,000D USD for the second and third 12 month periods after May 31, 2018. Payments are due within 90 days of the respective May 31st period end date accrue interest at 8% per annum in the event of non payment. At a 27% discount rate, the earn-out liability, which is denominated in USD is measured at FVTPL and is recalculated at every reporting period based upon management's estimate which considers economic conditions, customer demand for MOS's services and current borrowing rates available to the Company.

The first year earn-out is estimated to be \$501,221 USD of which \$401,983 USD has been paid. The residual of \$99,238 USD is owing and it's payment is contingent upon the collection of certain receivables and therefore does not accrue interest at the 8% noted above.

		2019		2018
Value of liability, beginning of period	\$	2,180,030	\$	1,542,121
Revaluation in the period		(464,915)		305,031
Payments		(534,436)		
Accretion expense		325,705		243,032
Exchange difference		(62,963)		89,846
Value of liability, end of period		1,443,421		2,180,030
Current portion		(822,509)		(1,051,772)
	\$	620,912	\$	1,128,258

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16. Convertible note

In conjunction with the acquisition of MOS on May 31, 2018 a \$2,500,000 USD convertible note was issued to the Vendor. The convertible note bears interest at a rate of 8% per year, payable quarterly, for a period of three years. The convertible note can convert into 13,373,684 CEMATRIX Shares at the option of the holder, at any time, the equivalent of \$0.2375 per CEMATRIX common 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 convertible note is trifurcated into a conversion feature, prepayment feature and host debt contract. The conversion feature is an embedded derivatives as the convertible note violates the fixed for fixed criterion because the convertible note is denominated in a currency other than the Company's functional currency. The prepayment feature is an embedded derivative as its value is not closely related with the value of the host debt contract. The conversion feature and prepayment feature are measured at FVTPL. Changes in the fair value of the conversion and prepayment feature will be recognized in profit or loss. The host debt contract was initially measured at its fair value and is subsequently measured at amortized cost over the term to maturity using an interest rate of 11.2%.

The fair value of the conversion feature was determined using a Black-Scholes option pricing model. The fair value of the prepayment feature was determined using a modified Black-Scholes option pricing model that incorporates the prepayment penalty and is referred to as the Barrier option pricing model. At September 30, 2019 and December 31, 2018, the following assumptions were used:

	September 30, 2019	December 31, 2018
Estimated fair value per common share	\$0.14	\$0.07
Common share price	\$0.27	\$0.18
Risk-free interest rate	1.58%	1.84%
Expected life	1.67 years	2.4 years
Expected volatility in stock price	104.0 %	80.0 %
Expected annual dividend yield	nil	nil
Estimated forfeiture rate	nil	nil
Prepayment penalty	5% - 10%	5% - 10%

Convertible note consists of the following components as at September 30, 2019 and December 31, 2018.

	Host Debt Contract	Prepayment Feature	Conversion Feature	Total
At May 31, 2018	2,974,515	(1,100,695)	1,365,930	3,239,750
Accretion expense	45,403	-	-	45,403
Unrealized foreign exchange loss	158,496	-	-	158,496
Fair value adjustment loss (gain)	-	328,201	(393,458)	(65,257)
At December 31, 2018	3,178,414	(772,494)	972,472	3,378,392
Accretion expense	63,855	-	-	63,855
Unrealized foreign exchange gain	(93,191)	-	-	(93,191)
Fair value adjustment loss (gain)	-	(772,324)	965,405	193,081
At September 30, 2019	3,149,078	(1,544,818)	1,937,877	3,542,137

CEMATRIX CORPORATION
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17. 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 nine months ended September 30, 2019 and the year ended December 31, 2018:

	2019		2018	
	Number Of Shares	\$ Amount	Number Of Shares	\$ Amount
Common shares, beginning of period	44,480,769	\$9,140,676	34,475,994	\$7,495,530
Common shares issued	-	-	300,000	85,422
Private placement, net of costs	11,500,000	2,141,800	6,361,354	1,224,245
Business acquisition	-	-	3,343,421	735,553
Reclassification of warrants	-	(1,255,240)	-	(400,074)
Common shares, end of period	55,980,769	\$10,027,236	44,480,769	\$9,140,676

On April 30, 2018 and June 26, 2018, the Company completed the first and second tranches of a non-brokered private placement for 3,481,130 units (each, a “Unit”) at a price of \$0.20 per Unit for gross proceeds of \$696,226. 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 Company 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 \$8,100 and 20,250 finder’s warrants were issued that entitle the holder thereof to acquire one common share for \$0.35 until the expiry date of April 30, 2020. In addition to this, costs of \$3,482 were incurred in conjunction with the Private Placement.

On August 24, 2018, the Company completed a non-brokered private placement for 2,880,224 units (each, a “Unit”) at a price of \$0.20 per Unit for gross proceeds of \$576,045 (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 Company 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 \$24,900 and 62,250 finder’s warrants were issued that entitle the holder thereof to acquire one common share for \$0.35 until the expiry date of August 24, 2020. In addition to this, costs of \$11,544 were incurred in conjunction with the Private Placement.

The net proceeds of the Private Placements was used for general working capital and to finance a portion of the purchase price for the Acquisition.

On September 25, 2018, 300,000 common shares were issued on the exercise of employee stock options, proceeds of \$43,500 were received by the Company and \$41,922 of related non-cash stock based compensation previously charged to contributed surplus was reclassified to share capital.

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17. Share capital (continued)

On August 14, 2019 and August 23, 2019, the Company completed the first and second tranches of a non-brokered private placement for 11,500,000 units at a price of \$0.20 per Unit for gross proceeds of \$2,300,000 (the "Private Placement"). Each Unit is comprised of one common share and one share purchase warrant (each a "Warrant"). Each full warrant is exercisable into one common share for a period of two years at an exercise price of \$0.30 per common share.

The Company paid a finder's fee and finder's warrants of 7% of the gross proceeds to qualified non-related parties that participated. The fees amounted to \$158,200 and 791,000 finder's warrants were issued that entitle the holder thereof to acquire one common share for \$0.30 until the expiry date of August 23, 2021.

The Company has issued 15,554,177 share purchase warrants as of September 30, 2019. Each warrant entitled the holder thereof to purchase one common share at either \$0.30 or \$0.35 per share as noted in the table below. The fair value per share purchase warrant was determined using the following weighted average assumptions at the time of the issuance using the Black Scholes option pricing model:

	April 30, 2018	June 26, 2018	August 24, 2018	August 14, 2019	August 23, 2019
Estimated fair value per share purchase warrant	\$0.14	\$0.11	\$0.11	\$0.10	\$0.10
Common share price	\$0.20	\$0.23	\$0.24	\$0.20	\$0.20
Exercise price	\$0.35	\$0.35	\$0.35	\$0.30	\$0.30
Risk-free interest rate	1.99%	1.99%	1.99%	1.38%	1.38%
Expected life	2 years	2 years	2 years	2 years	2 years
Expected volatility in stock price	106.0 %	104.0 %	101.0%	111.0%	112.0%
Expected annual dividend yield	nil	nil	nil	nil	nil
Estimated forfeiture rate	nil	nil	nil	nil	nil
Share purchase warrants	1,601,800	138,765	1,440,112	9,880,000	1,620,000
Share purchase warrants – Finder's warrants	18,750	1,500	62,250	686,350	104,650

(c) Share Purchase Warrants

The following table reflects the issuance of warrants for the nine months ended September 30, 2019 and the year ended December 31, 2018 which is recorded in contributed surplus:

	2019		2018	
	Number Of Shares	Amount	Number Of Shares	Amount
Warrants, beginning of year	3,263,177	\$ 400,074	-	\$ -
Private placement	12,291,000	1,255,240	3,263,177	400,074
Warrants, end of year	15,554,177	\$ 1,655,314	3,263,177	\$ 400,074

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18. Cost of sales

Cost of sales consists of the following components for the three and nine months ended September 30, 2019 and 2018:

	<i>Three months ended September 30</i>		<i>Nine months ended September 30</i>	
	2019	2018	2019	2018
Manufacture of cellular concrete				
Materials	\$ 3,454,763	\$ 3,532,906	\$ 7,595,863	\$ 5,364,172
Direct labour	961,187	1,090,512	2,597,294	2,037,694
Variable expenses	553,039	609,506	1,449,372	1,012,775
Fixed overhead	72,345	82,349	236,810	249,255
Depreciation	218,793	209,628	655,294	434,467
	\$ 5,260,127	\$ 5,524,901	\$ 12,534,633	\$ 9,098,363

19. Finance costs and Accretion costs

The finance costs incurred for the three and nine months ended September 30, 2019 and 2018 are as follows:

	<i>Three months ended September 30</i>		<i>Nine months ended September 30</i>	
	2019	2018	2019	2018
Interest				
BDC Financings	\$ 66,510	\$ 70,543	\$ 206,673	\$ 135,659
Secured Debenture	22,500	22,500	67,500	67,500
Convertible Note	66,032	63,066	204,806	84,184
Lease obligations	15,311	3,378	49,512	11,497
Bank operating loan	15,666	14,629	46,971	26,964
US operating loan	35,066	21,038	76,323	22,567
Share acquisition loans (note 8)	(225)	(126)	(663)	(360)
Other	988	(1,160)	3,050	2,682
	\$ 221,848	\$ 193,868	\$ 654,172	\$ 350,693

The accretion costs incurred for three and nine months ended September 30, 2019 and 2018 are as follows:

	<i>Three months ended September 30</i>		<i>Nine months ended September 30</i>	
	2019	2018	2019	2018
Accretion				
Share acquisition loans (note 8)	\$ (465)	\$ (894)	\$ (1,395)	\$ (2,682)
Convertible note (note 16)	21,742	77,479	63,855	101,735
Earn-out liability (note 15)	77,243	130,373	325,705	130,373
	\$ 98,520	\$ 206,658	\$ 388,165	\$ 229,426

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*For the three and nine months ended September 30, 2019 and 2018
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20. Other income (expenses)

Other income (expenses) for the three and nine months ended September 30, 2019 and 2018 consists of the following:

	<i>Three months ended September 30</i>		<i>Nine months ended September 30</i>	
	2019	2018	2019	2018
Unrealized foreign exchange gains (losses)	\$ (60,436)	\$ 122,340	\$ 160,750	\$ 23,806
Realized foreign exchange gains (losses)	11,116	(28,222)	7,363	(30,150)
Loss on sale of equipment	-	-	(1,084)	-
Equipment rental	15,800	23,700	63,200	31,600
Other	3	(4,408)	(4,257)	(3,316)
	\$ (33,517)	\$ 113,410	\$ 225,972	\$ 21,940

Pursuant to an equipment lease agreement, entered into in 2017, with Lafarge Canada Inc. ("Lafarge"), the Company receives monthly rental payments of \$7,900, when the equipment is on site, over an initial term of five years for equipment utilized under the regional market development program with Lafarge.

In 2019 the Company sold three vehicles, which had a book value of \$42,084, for proceeds of \$41,000.

21. Loss per common share

The number of common shares included in the computation of basic and diluted loss per common share for the three and nine months ended September 30, 2019 and 2018 is as follows:

	<i>Three months ended September 30</i>		<i>Nine months ended September 30</i>	
	2019	2018	2019	2018
Weighted average common shares outstanding - basic	\$ 50,322,291	\$ 42,509,768	\$ 46,449,340	\$ 34,475,994
Effect of dilutive instruments	-	-	-	-
	\$ 50,322,291	\$ 42,509,768	\$ 46,449,340	\$ 34,475,994

The stock options for the three and nine months ended September 30, 2019 and 2018 have no dilutive effect as the Company incurred losses during these periods.

CEMATRIX CORPORATION
Notes to the Condensed Consolidated Financial Statements

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22. 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 September 30, 2019, the Company had 4,520,000 shares reserved for the issuance of existing stock options (December 31, 2018 – 4,220,000).

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.

During the nine months ended September 30, 2019, 900,000 vested options expired.

On May 2, 2019, 600,000 options with a term of 5 years were granted to certain Directors of the Corporation. As these were replacement options, they vested immediately.

On June 13, 2019, 300,000 options with a term of 3 years were granted to an investor relations group, the Howard Group. Half of these options vest after one year and the other half vest after two years.

On September 10, 2019, 300,000 options with a term of 3 years were granted to an investor relations group, Bristol Capital Ltd. These options vest over a period of 1 year with one quarter vesting every 3 months.

The following table summarizes the changes in options for the nine months ended September 30, 2019 and year ended December 31, 2018:

	2019		2018	
	Number of Options	Weighted average price	Number of Options	Weighted average price
Outstanding, beginning of period	4,220,000	\$0.230	3,275,000	\$0.230
Granted	1,200,000	\$0.238	1,295,000	\$0.200
Exercised	-	-	(300,000)	\$0.145
Expired	(900,000)	\$0.145	(50,000)	\$0.240
Outstanding, end of period	4,520,000	\$0.230	4,220,000	\$0.230
Exercisable, end of period	3,023,333	\$0.235	2,891,667	\$0.230

CEMATRIX CORPORATION
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22. Non-cash stock based compensation (continued)

The following table summarizes the stock options to acquire common shares outstanding as at September 30, 2019:

Grant Date	Number Options	Number of Options Exercisable	Exercise Price (\$)	Weighted average remaining life (years)	Expiry Date
October 22, 2014	1,575,000	1,575,000	0.24	0.31	October 22, 2021
March 5, 2015	100,000	100,000	0.20	0.68	March 5, 2022
April 15, 2015	150,000	150,000	0.19	0.79	April 15, 2022
May 4, 2016	100,000	100,000	0.43	0.85	May 4, 2022
August 2, 2017	100,000	66,666	0.18	3.09	August 2, 2022
April 30, 2018	250,000	83,334	0.20	3.84	April 30, 2023
May 31, 2018	150,000	50,000	0.20	1.92	May 31, 2021
May 31, 2018	350,000	116,667	0.20	3.67	May 31, 2023
August 28, 2018	345,000	115,000	0.20	4.16	August 28, 2023
November 12, 2018	200,000	66,666	0.25	2.37	November 12, 2020
May 2, 2019	600,000	600,000	0.23	4.84	May 2, 2024
June 13, 2019	300,000	-	0.23	2.96	June 13, 2022
September 10, 2019	300,000	-	0.26	2.95	September 10, 2022
	4,520,000	3,023,333	0.23		

Non-cash stock based compensation expense for the three and nine months ended September 30, 2019 of \$231,758 and \$409,835 respectively (2018 – non-cash stock based compensation expense of \$24,783 and \$41,312, respectively) was recognized in the consolidated statement of loss and comprehensive 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:

	2019	2018
Estimated fair value per option	\$0.16 - \$0.23	\$0.14 - \$0.19
Weighted average common share price	\$0.23	\$0.22
Risk-free interest rate	1.40 - 1.62%	1.99%
Expected life	3 - 5 years	3 years
Expected volatility in stock price	104- 114%	101 - 112%
Expected annual dividend yield	nil	nil
Estimated forfeiture rate	nil	nil

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23. 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 September 30, 2019 and 2018.

	<i>Three months ended September 30</i>		<i>Nine months ended September 30</i>	
	2019	2018	2019	2018
Trade and other receivables	\$ (2,400,290)	\$ (791,199)	\$ (2,333,919)	\$ (2,246,385)
Inventory	48,620	(165,170)	(90,480)	(83,789)
Prepaid expenses and deposits	6,774	90,543	(21,416)	60,961
Trade and other payables	1,072,755	954,400	1,944,267	2,069,149
	\$ (1,272,141)	\$ 88,574	\$ (501,548)	\$ (200,064)

24. Related party transactions

A director of the Company was a partner at the Companies Law firm. During the three and nine months ended September 30, 2019, the Company incurred legal fees of \$77,277 and \$111,484 (\$161,849 was incurred for the same period ended September 30, 2018) and \$66,045 is outstanding in trade and other payables as at September 30, 2019 (December 31, 2018 - \$4,347). In February 2019, the director is no longer a partner at the Companies Law firm.

The Vendor is currently a director of the Company and holds half of the US operating loan (\$993,225 at September 30, 2019), half of the earn-out liability (\$1,443,421 at September 30, 2019) and half of the convertible note (\$3,542,137 at September 30, 2019). The Vendor is also a consultant and is entitled to an annual consulting fee of \$20,000 USD over the term of the agreement which is 3 years from May 31, 2018.

25. 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 condensed consolidated financial statements and how the fair value of financial instruments are measured.

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, US operating loan, trade and other payables, 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.

CEMATRIX CORPORATION

Notes to the Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018
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25. Financial instruments and risk management (continued)

Fair values

The fair values of cash and cash equivalents, term deposits, trade and other receivables, bank overdraft, bank operating loan, US 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 and is representative of market rates offered to the Company.

The fair value of the share acquisition loans has been determined using a market rate of interest.

The fair value of the secured debenture approximates its carrying value as the interest rate is a market rate for similar instruments offered to the Company for similar instruments.

The fair value of the convertible debenture approximates its carrying value as the interest rate used to discount the host debt contract approximates a market rate for similar instruments offered to the Company.

The Company has no plans to prepay any debt instruments prior to maturity.

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. The embedded derivatives related to the conversion and prepayment features on the convertible note are measured based on level 2 (note 16)

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market data. The earn-out liability is measured at level 3 (note 15).

There were no transfers between level 1, 2 and 3 inputs 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.

(a) Interest Rate Risk

The BDC Financings, which had a balance of \$3,024,411 outstanding at September 30, 2019 and the bank operating loan, which had a balance at September 30, 2019 of \$1,239,249 are subject to floating market rates. Based on the floating rate debt outstanding as at September 30, 2019, a 1% increase/decrease in interest rates would result in a decrease/increase in net loss attributable to common shareholders of approximately \$31,200.

CEMATRIX CORPORATION
Notes to the Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and 2018
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25. Financial instruments and risk management *(continued)*

(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.

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. The credit risk on share acquisition loans is minimal as the Company can cancel the common shares issued to these individuals in the event of non payment. At September 30, 2019, 15 customers accounted for approximately 67.04% of trade receivables (at December 31, 2018, 6 customers accounted for approximately 51% of trade receivables). For the nine months ended September 30, 2019, 15 customers each accounted for over 66,02% of revenue. At September 30, 2019, the Company had \$1,318,564 of cash and cash equivalents (2018 - \$653,353), an \$80,000 term deposit (2018 - \$80,000) and \$45,932 (2018 - \$43,874) of fair valued share acquisition loans that are outstanding with two officers, and a former officer of the Company.

CEMATRIX CORPORATION
Notes to the Condensed Consolidated Financial Statements

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25. Financial instruments and risk management (continued)

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of working capital financing to meet its financial obligations.

The table below summarizes the maturity profile of the Company's financial liabilities at September 30, 2019 and December 31, 2018 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at September 30, 2019				
Bank overdraft	\$ 3,189	\$ -	\$ -	\$ 3,189
Bank operating loan	1,239,249	-	-	1,239,249
US operating loan	993,225	-	-	993,225
Trade and other payables	4,008,042	-	-	4,008,042
Long-term debt	688,430	721,044	2,614,937	4,024,411
Lease obligations	243,991	226,802	307,584	778,377
Earn-out liability	822,509	620,912	-	1,443,421
Convertible note	-	3,542,137	-	3,542,137
	\$ 7,998,635	\$ 5,110,895	\$ 2,922,521	\$ 16,032,051
As at December 31, 2018				
Bank overdraft	\$ 533,715	\$ -	\$ -	\$ 533,715
Bank operating loan	1,205,443	-	-	1,205,443
US operating loan	1,023,150	-	-	1,023,150
Trade and other payables	1,993,040	-	-	1,993,040
Long-term debt	697,407	2,004,233	1,413,375	4,115,015
Lease obligations	167,672	118,771	2,510	288,953
Earn-out liability	1,051,772	594,304	533,954	2,180,030
Convertible note	-	-	3,378,392	3,378,392
	\$ 6,672,199	\$ 2,717,308	\$ 5,328,231	\$ 14,717,738

CEMATRIX CORPORATION
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*For the three and nine months ended September 30, 2019 and 2018
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25. Financial instruments and risk management (continued)

(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 balances denominated in US dollars ("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 September 30, 2019 and December 31, 2018 the following balances are denominated in USD:

	2019	2018
Cash and cash equivalents	\$ 571,392	\$ 477,244
Trade and other receivables	\$ 2,393,806	\$ 1,355,817
Prepaid expenses and deposits	\$ 33,979	\$ 62,916
Trade and other payables	\$ 1,026,978	\$ 1,148,915
US operating loan	\$ 750,000	\$ 750,000
Long term debt	\$ 1,537,500	\$ 1,650,000
Lease obligations	\$ 463,136	\$ 49,242
Earn-out liability	\$ 1,089,950	\$ 1,598,028
Convertible note	\$ 2,674,724	\$ 2,221,772

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 September 30, 2019 a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net loss of approximately \$44,000.

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26. Capital management

Management defines capital as the Company's total shareholders' equity, its debt and 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.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the nine months ended September 30, 2019. The Company is subject to externally imposed financial covenants with its bank operating loan and long term debt loan 5 and certain restrictions imposed by the Secured Debenture. As at September 30, 2019, the Company was in compliance with the financial covenants related to its bank operating loan (see Note 10).

The total capitalization as at September 30, 2019 and December 31, 2018 is outlined below:

	2019	2018
Bank operating loan (<i>Note 10</i>)	\$ 1,239,249	\$ 1,205,443
US operating loan (<i>Note 11</i>)	993,225	1,023,150
Long term debt (<i>Note 13</i>)	4,024,411	4,115,015
Lease obligations (<i>Note 14</i>)	778,377	288,953
Convertible note (<i>Note 16</i>)	3,542,137	3,378,392
Total debt	10,577,399	10,010,953
Shareholders' equity	6,078,353	4,745,575
	\$ 16,655,752	\$ 14,756,528

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27. Geographical segmented information

The Company has one operating segment and its 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 and nine months ended September 30, 2019 and 2018 and the total non-current assets attributable to the Company's geographical segments as at September 30, 2019 and December 31, 2018:

	<i>Three months ended September 30</i>		<i>Six months ended September 30</i>	
	2019	2018	2019	2018
Sales to external customers				
Canada	\$ 4,105,994	\$ 2,022,404	\$ 8,966,254	\$ 5,889,646
United States	3,516,403	5,017,435	8,290,412	5,534,594
	\$ 7,622,397	\$ 7,039,839	\$ 17,256,666	\$ 11,424,240
<hr/>				
			2019	2018
Total non-current assets				
Canada			\$ 4,608,906	\$ 4,729,195
U.S.			8,785,260	9,150,602
			\$ 13,394,166	\$ 13,879,797

28. Subsequent events

On October 1, 2019 the Company acquired all the issued and outstanding shares of PIGCO for consideration of:

- Cash in the amount of \$2.8 million USD (the "Cash Purchase Price");
- Vendor financing in the amount of \$0.575 million USD, which is non interest bearing and is to be repaid over six months commencing January 1, 2020; and
- 3,305,250 common shares of the Company

In addition to this, the Company will assume a \$0.430 million USD shareholder loan (the "Vendor Loan") and enter into a four year earn-out (the "Earn-out"). The \$0.430 million USD Vendor Loan bears no interest and is to be repaid in twelve equal monthly installments commencing on November 1, 2019. The Earn-out will be calculated annually on the operations of PIGCO for four years following the effective date the acquisition, August 31, 2019, and will pay the vendor 65% of the EBITDA above \$0.5 million USD in each 12 month period.

The Cash Purchase Price was financed with a \$2.8 million USD loan (the "Loan") with the Business Development Bank of Canada. The interest rate is set at 3.7% above the BDC's US Dollar Floating Base rate, which is currently at 6.7%. The Loan matures and will be repaid in full on December 1, 2025. Principal prepayments commence on July 1, 2020 with six monthly payments in each calendar year from July to December for a total of 36 monthly payments. The first monthly principal payment is \$78,050 USD and the remaining 35 monthly principal repayments are \$77,770 USD.