MATRRIX Energy Technologies Inc.

Management's Discussion & Analysis

For the three month period ended March 31, 2018

(Expressed in Canadian Dollars)

MATRRIX ENERGY TECHNOLOGIES INC.
(also referred to as “MATRRIX” or the “Corporation”)

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018

The following management’s discussion and analysis (“MD&A”) should be read in conjunction with the March 31, 2018 unaudited condensed consolidated financial statements and the December 31, 2017 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), and the most recently filed annual information form (“AIF”). Additional information regarding MATRRIX, including the AIF, is available on SEDAR at www.sedar.com.

All amounts or dollar figures are denominated in thousands of Canadian dollars except for per share amounts, number of drilling rigs, directional drilling systems or, operating days or unless otherwise noted.

This MD&A is dated May 23, 2018 and is in respect of the three month period ended March 31, 2018.

Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates. See “Forward-Looking Information” in this MD&A for additional details.

FIRST QUARTER 2018 SUMMARY (Compared with prior year’s first quarter)

- Net income of $200, improved 129% from a net loss of $693
- Adjusted EBITDA of $1,152, up from an Adjusted EBITDA loss of $55
- Revenue of $7,475, up 382% from $1,549
- Gross margin of 31%, down 21% from 39%

FINANCIAL SUMMARY

	Three months ended March 31,		
(000's CAD $)	**2018**	**2017**	**% Change**
Revenue	7,475	1,549	382%
EBITDA (i)	1,049	(59)	nm
EBITDA per share			
Basic	0.01	(0.00)	nm
Diluted	0.01	(0.00)	nm
Adjusted EBITDA (ii)	1,152	(55)	nm
Adjusted EBITDA per share			
Basic	0.01	(0.00)	nm
Diluted	0.01	(0.00)	nm
Net income (loss)	200	(693)	129%
Net income (loss) per share			
Basic	0.00	(0.02)	nm
Diluted	0.00	(0.02)	nm
Funds flow from operations (iii)	817	(49)	nm
Gross Margin (iv)	2,288	603	279%
Capital expenditures	313	-	nm
Weighted Average common shares outstanding	128,472	32,185	299%
Weighted Average diluted common shares outstanding	129,508	32,185	302%

nm - calculation is not meaningful

As at March 31,	**2018**	**2017**	**% Change**
Current assets	21,625	4,816	349%
Total assets	45,130	13,790	227%
Total current liabilities	2,874	673	327%
Total non-current liabilities	2,341	-	nm
Shareholders' Equity	39,915	13,117	204%

NON-GAAP MEASURES

This MD&A contains references to (i) EBITDA; (ii) Adjusted EBITDA; (iii) funds flow; and (iv) gross margin. These financial measures are not measures that have any standardized meaning prescribed by IFRS and are therefore referred to as non-GAAP measures. The non-GAAP measures used by the Corporation may not be comparable to similar measures used by other companies.

(i) EBITDA is not a measure recognized under IFRS and does not have a standardized meanings prescribed by IFRS. EBITDA is defined as "income (loss) before interest expense, income taxes, depreciation and amortization." Management believes that EBITDA provides useful information to investors as it provides an indication of results generated from the Corporation's operating activities prior to financing, taxation and non-recurring/non-cash impairment charges occurring outside the normal course of business.

	Three months ended March 31,		
(000's CAD $)	2018	2017	% Change
Net income (loss)	200	(693)	129%
Depreciation	784	634	24%
Interest on Convertible Debenture	65	-	nm
EBITDA	1,049	(59)	nm

nm - not meaningful

(ii) Adjusted EBITDA is defined as "income (loss) before interest income, interest expense, taxes, business acquisition transaction costs, depreciation and amortization, shared based compensation expense, gains on disposal of property and equipment, impairment expenses, interest and other income, foreign exchange, non recurring restructuring charges and accretion of debentures." Management believes that in addition to net and total comprehensive income (loss), Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed, how assets are depreciated, amortized and impaired, the impact of foreign exchange, or how the results are affected by the accounting standards associated with the Corporation's stock based compensation plan.

	Three months ended March 31,		
(000's CAD $)	2018	2017	% Change
EBITDA	1,049	(59)	nm
Gain from equipment lost in hole	(635)	(30)	nm
Interest and other income	(18)	(7)	151%
Share based payments	81	32	153%
Transaction costs	277	-	nm
Foreign exchange (gain) loss	24	9	nm
Accretion of debentures	44	-	nm
Non recurring restructuring charges	330	-	nm
Adjusted EBITDA	1,152	(55)	nm

nm - not meaningful

(iii) Funds flow from operations is defined as "cash provided by operating activities before the change in non-cash working capital". Funds flow from operations is a measure that provides shareholders and potential investors additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Corporation's ability to finance operating activities and capital expenditures.

	Three months ended March 31,		
(000's CAD $)	2018	2017	% Change
Operating cash flow	(334)	(545)	39%
Changes in non-cash working capital	1,151	496	(132%)
Funds flow	817	(49)	nm

(iv) Gross margin is defined as “gross profit from services revenue before stock based compensation and depreciation”. Gross margin is a measure that provides shareholders and potential investors additional information regarding the Corporation’s cash generating and operating performance. Management utilizes this measure to assess the Corporation’s operating performance.

(000's CAD $)	Three months ended March 31, 2018	2017	% Change
Income (loss) from operations	1,505	(20)	nm
Depreciation	783	623	26%
Gross margin	2,288	603	279%
Gross margin %	31%	39%	(21%)

nm - not meaningful

DESCRIPTION OF MATRRIX'S BUSINESS AND 2018 OVERVIEW

Since inception, MATRRIX has been engaged in the provision of horizontal and directional drilling services and technology for the oil and gas industry focused in the Western Canadian Sedimentary Basin (“WCSB”). During Q1 2018, MATRRIX operated in Alberta, Saskatchewan and British Columbia.

Starting in the second quarter of 2017 to complement its existing horizontal and direction drilling operations the Corporation developed a strategic plan for its expansion into the land-based drilling business.

On October 30, 2017, the Corporation completed its acquisition of assets from Vortex through Vortex Drilling Ltd. (“Vortex”) court appointed receiver, Deloitte Restructuring Inc. Under the terms of an asset purchase agreement with the receiver, the Corporation purchased three complete heavy telescopic drilling rigs and related assets from Vortex for a purchase price of $6,100.

On November 21, 2017, the Corporation acquired all of the issued and outstanding shares of Stampede Drilling Ltd. (“Stampede”) for total consideration of $9,258. As part of the acquisition, the Corporation acquired three heavy telescopic double drilling rigs in the Weyburn/Estevan area of southeast Saskatchewan. The Corporation also retained all key management personnel and field crews.

On January 19, 2018, the Corporation acquired all the issued and outstanding shares of D2 Drilling Inc. (“D2”), a private corporation which owned one heavy telescopic double drilling rig and additional drilling equipment in the Weyburn/Estevan area of southeast Saskatchewan. The Corporation issued 6,667 common shares of the Corporation (“Common Shares”) at a deemed price of $0.45 per share and a cash payment of $530 equal to D2’s working capital at the time of closing for total consideration of approximately $3,000.

On May 24, 2018, the Corporation completed its acquisition of substantially all of the assets of Red Dog Drilling Inc. (“Red Dog”) used in connection with their land based contract drilling rig operations (the "Purchased Assets"). Pursuant to an asset purchase agreement dated May 10, 2018 between Red Dog and the Corporation, the Corporation acquired the Purchased Assets for a purchase price of $5,700, which has been paid as follows: (i) the issuance of 1,573 Common Shares at a deemed price of $0.45 per Common Share, valued at $708; and (ii) $4,992 in cash.

With the purchased assets of Red Dog, the Corporation now has eleven drilling rigs consisting of nine complementary heavy telescopic double drilling rigs, one cantilever triple drilling rig and one cantilever double drilling rig. The Corporation will operate the Purchased Assets from its existing Stampede Drilling Ltd. facilities located in Estevan, Saskatchewan. Additionally, the Corporation continues to operate its horizontal and directional drilling division consisting of 16 directional systems from its field office located in Leduc, Alberta.

OUTLOOK

Although prices for commodities continue to trend upward in 2018, the activity in the WCSB remains challenged and the Corporation is anticipating slow to moderate growth in the second half of 2018 as compared to 2017 activity levels.

With the recent acquisition of D2 and the Red Dog Acquisition, the Corporation continues its strategic plan of purchasing best in class assets and intends to continue to look for investments that will provide a high rate of return for our shareholders.

The Corporation also continues to seek increased market share with the horizontal and directional drilling segment. The Corporation continues to build momentum with its current customer base with its proprietary software platform

D2ROXTM (pronounced DEE-ROCKS). This software platform allows the Corporation and its oil and gas clients to drive safe, predictable, repeatable, cost effective drilling operations at the rig site, for the Corporation's existing horizontal and directional drilling operation and its drilling rig business.

CAPITAL AVAILABILITY AND CAPITAL PROGRAM

As at March 31, 2018, the Corporation had $14,297 of cash, which it expects to utilize to fund the remainder of its 2018 capital program and take advantage of further strategic opportunities which may arise. As of the date of this MD&A, the Corporation has committed $1,902 for rig upgrades and $179 for equipment upgrades related to the directional drilling segment as part of its 2018 capital program.

Operating Segments

Management evaluates the Corporation's performance on a divisional segmented basis. The composition of the divisional segments and segment information reported in the consolidated financial statements is consistent with the internal management reporting provided to key management. The Corporation has identified two reportable divisional segments being contract drilling rigs and directional drilling. The contract drilling rig segment operates land based contract drilling rigs in Canada for oil and gas exploration and development companies. The directional drilling segment is engaged in providing the services and supply of oil and gas down hole drilling technologies and efficiency to customers. The details related to each operating segment's results are discussed throughout this MD&A.

Consolidated Operations

	Three months ended March 31,		
(000's CAD $ except per day amounts)	2018	2017	% Change
Contract Drilling rig revenue	5,488	-	nm
Directional drilling revenue	1,973	1,460	35%
Directional drilling motor rental revenue	14	89	(84%)
Consolidated revenue	7,475	1,549	383%
Direct operating expenses	5,187	946	448%
Gross margin	2,288	603	280%
Gross margin %	31%	39%	(21%)
Administrative expenses	1,849	710	160%
Consolidated administrative expenses as a % of revenue	25%	46%	(46%)
Adjusted EBITDA	1,152	(55)	nm
Adjusted EBITDA %	15%	(4%)	534%
Drilling rigs operating days	307	-	nm
Drilling rigs revenue per day	17.9	-	nm
Directional drilling operating days	252	232	8%
Directional drilling revenue per day	7.8	6.3	24%

nm - not meaningful

Directional Drilling Operations

(000's CAD $ except per day amounts)	Three months ended March 31, 2018	2017	% Change
Motor rental revenue	14	89	(84%)
Directional drilling revenue	1,973	1,460	35%
Total revenue	1,987	1,549	28%
Direct operating expenses	1,619	946	71%
Gross margin	368	603	(39%)
Gross margin %	19%	39%	(52%)
Administrative expenses	1,174	710	65%
Total G&A as a % of revenue	59%	46%	29%
Adjusted EBITDA	(371)	(55)	(575%)
Adjusted EBITDA %	(19%)	(4%)	(426%)
Directional drilling operating days	252	232	8%
Directional drilling revenue per day	7.8	6.3	24%

nm - not meaningful

FIRST QUARTER 2018 SUMMARY (Compared with prior year's first quarter)

- Revenue of $1,987, up 28% from $1,549
- Adjusted EBITDA of ($372), down 576% from ($55)
- Operating days of 252, up 8% from 232 days
- Directional revenue per day of $7.8, up 24% from $6.3

For the three month period ended March 31, 2018, the Corporation experienced a slight increase in overall operational activity related to horizontal and directional drilling relative to the comparative 2017 period. The increase in revenue was directly related to an increase in operational activity that required additional field personnel which increased the revenue per day as compared to the corresponding 2017 period.

For the three month period ended March 31, 2018, the average active drilling rig count in the WCSB was down 9% compared to the corresponding 2017 period in the WCSB (Source: Peters & Co. Limited).

During 2018, the Corporation continued to focus its sales and operations efforts in the WCSB with respect to the horizontal and directional drilling segment. The Corporation was active in the Clearwater, Cardium, Cummings, Dina, Charlie Lake and Montney areas during Q1 2018.

Direct operating expenses are primarily comprised of personnel, equipment operating and repair costs, shop expenses and direct general and administrative expenses in support of field operations.

For the three months ended March 31, 2018, the Corporation's horizontal and directional drilling segment achieved a gross margin of 19%, down from 39% for the corresponding 2017 period. The primary reason for the gross margin decrease was due to deferred directional repairs and maintenance from Q4 2017 and increased day rates related to field personnel.

For the three month period ended March 31, 2018, the directional drilling segment also incurred non recurring restructuring charges of $329 which increased the segments administrative expenses for the period.

Contract Drilling Rig Operations

(000's CAD $ except per day amounts)	Three months ended March 31, 2018	2017	% Change
Drilling rig segment			
Contract Drilling rig revenue	5,488	-	nm
Direct operating expenses	3,568	-	nm
Gross margin	1,920	-	nm
Gross margin %	35%	-	nm
Administrative expenses	675	-	nm
Total G&A as a % of revenue	12%	-	nm
Adjusted EBITDA	1,523	-	nm
Adjusted EBITDA %	28%	-	nm
Drilling rigs operating days	307	-	nm
Drilling rigs revenue per day	17.9	-	nm

nm - not meaningful

FIRST QUARTER 2018 SUMMARY

- Revenue of $5,488
- Adjusted EBITDA of $1,523
- Operating days of 307
- Drilling rig revenue per day of $17.9

The contract drilling rig segment started 2018 with six heavy telescopic rigs operating in southeast Saskatchewan. During the three month period ended March 31, 2018, the contract drilling rig segment added an additional heavy telescopic double drilling rig and additional drilling equipment with the acquisition of D2 on January 19, 2018. Subsequent to March 31, 2018, the corporation purchased four more drilling rigs and related drilling equipment from Red Dog consisting of two heavy telescopic double drilling rigs complementary to Corporations existing drilling rig fleet; one cantilever triple drilling rig and one cantilever double drilling rig. As of the date of this MD&A the contract drilling rig segment has a total of 11 drilling rigs.

The contract drilling rig utilization for the three month period ended March 31, 2018 was 57%, as compared to the CAODC industry average of 41%.

Direct operating expenses are primarily comprised of personnel, equipment operating and repair costs, shop expenses and direct general and administrative expenses in support of field operations.

(000's CAD $ except per day amounts)	Three months ended March 31, 2018	2017	% Change
Drilling rigs			
Opening balance	6	-	-
Acquired	1	-	nm
Ending balance	7	-	nm
Operating days (spud to rig release)	307	-	nm
Utilization	57%	-	nm

nm - not meaningful

Consolidated Analysis

Expenses

Total general and administrative ("G&A") for the three month period ended March 31, 2018, was $1,849 as compared to $710 in the corresponding 2017 period. The primary reason for the increase in G&A was related to expenses incurred with the Corporation's expansion into contract drilling rigs which included salaries, stock based payments and legal expenses. The Corporation also incurred non recurring restructuring charges of $330 during Q1 2018.

(000's CAD $)	Three months ended March 31, 2018	2017	% Change
Administrative expenses	615	297	107%
Salaries and benefits	521	361	44%
Share based payments	81	32	153%
Transaction costs	277	-	nm
Non recurring restructuring charges	330	-	nm
Depreciation	1	11	(91%)
Foreign exchange loss	24	9	170%
Total G&A	1,849	710	160%
Total G&A as a % of revenue	25%	46%	(46%)

nm - not meaningful

Depreciation (Non-Administrative Assets)

The depreciation expense for the three month period ended March 31, 2018 was $783, up 26% from $623 in the comparable 2017 period. The primary reason for the increase was related to the drilling rigs acquired in Q4 2017 and Q1 2018, combined with a decrease in directional drilling depreciation as a result of the impairment taken in Q4 2017.

(000's CAD $)	Three months ended March 31, 2018	2017	% Change
Depreciation	783	623	26%

Share Based Payments

(000's CAD $)	Three months ended March 31, 2018	2017	% Change
Share based payments	81	32	153%

The share based payments expense for the periods relate to the expense of previously issued stock options to directors, officers, employees and consultants of the Corporation.

Share based payments expense for the three month period ended March 31, 2018 was $81, up 153% from $32 in the 2017 corresponding period. The increase in stock option expense relates to the increase in total outstanding options of 6,684 as of March 31, 2018 as compared to 2,466 outstanding options for the corresponding 2017 period.

At the date of this MD&A, 5,941 stock options and 131,487 Common Shares were outstanding.

Interest and Other Items

For the three month period ended March 31, 2018, the Corporation recorded a gain of $635 related to equipment lost downhole as compared to $30 for the corresponding 2017 period. The timing of lost-in-hole recoveries is not within the control of the Corporation and therefore can fluctuate significantly from quarter-to-quarter. The interest and other income primarily relates to interest earned from term deposits.

(000's CAD $)	Three months ended March 31, 2018	2017	% Change
Accretion on debentures	(44)	-	nm
Gain on equipment lost in hole	635	30	nm
Interest on convertible debenture	(65)	-	nm
Interest and other income	18	7	151%
Other items	544	37	nm

nm - not meaningful

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Relating to Operating Activities and Working Capital

Operating cash flow for the three month period ended March 31, 2018, was ($348), up 36% as compared to the 2017 corresponding period. The increase in operating cash flow is primarily related to the increase in activity related to the contract drilling rig segment which was partially offset by the negative change in non-cash working capital.

(000's CAD $)	Three months ended March 31, 2018	2017	% Change
Funds flow [3]	817	(49)	nm
Changes in non-cash working capital balances	(1,151)	496	nm
Operating cash flow	(334)	(545)	39%

[3] Non-GAAP measure

Cash Flows Relating to Investing Activities

For the three months ended March 31, 2018, the Corporation purchased $313 in drilling rig equipment as compared to $nil for the corresponding 2017 period. The Corporation paid $523 for the net working capital related to the acquisition of D2 during Q1 2018 and incurred $277 of transaction costs related to the acquisitions of drilling rig equipment. The Corporation also received $655 related to proceeds from equipment lost in hole as compared to $55 for the 2017 corresponding period.

Transaction costs represent uncapitalizable amounts directly related to drilling rig acquisitions which consist of due diligence and external legal fees.

(000's CAD $)	Three months ended March 31, 2018	2017	% Change
Purchase of property and equipment	(313)	-	nm
Cash from D2 acquisition (net)	(523)	-	nm
Transaction costs	(277)	-	nm
Proceeds from equipment lost in hole	655	55	nm
Investing cash flow	(458)	55	nm

nm - not meaningful

Cash Flows Relating to Financing Activities

On October 27, 2017, the Corporation closed private placement of 10% convertible unsecured subordinated debentures of the Corporation (the "Debentures") for gross proceeds of $2,612. The net proceeds after the amortization of the private palcement costs were $2,559. The Corporation incurred $65 interest expense related to the Debentures as compared to $nil for the 2017 corresponding period.

(000's CAD $)	Three months ended March 31, 2018	2017	% Change
Interest on Debentures	(65)	-	nm
Stock options exercised	2	-	nm
Financing cash flow	(63)	-	nm

nm - not meaningful

Commitments

The following table reflects the Corporation's commitments as of March 31, 2018:

(000's CAD $)	2018	2019	2020	2021	2022
Operating Leases	169	202	138	198	99
Trade and other payables	2,874	-	-	-	-
Total	3,043	202	138	198	99

As of the date of this MD&A, the Corporation has committed $1,902 for rig upgrades and $179 for equipment upgrades related to the horizontal and directional drilling segment.

The Corporation entered into a new lease related to its headquarters located in downtown Calgary. The lease has a term of 2.8 years, which commenced on March 1, 2018.

Summary of Quarterly Results

	2018	2017				2016		
(000's CAD $)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	7,475	4,984	1,933	1,061	1,549	1,135	268	7
Gross Margin	2,288	1,363	582	273	(20)	(373)	(604)	(777)
EBITDA	1,049	(3,610)	(151)	(365)	(59)	(400)	(539)	(702)
Income (loss)	200	(4,464)	(743)	(976)	(693)	(1,042)	(1,192)	(1,373)
Income (loss) per share	0.00	(0.06)	(0.02)	(0.03)	(0.02)	(0.03)	(0.04)	(0.04)
Income (loss) per share - diluted	0.00	(0.06)	(0.02)	(0.03)	(0.02)	(0.03)	(0.04)	(0.04)
Working Capital	18,751	17,917	4,841	3,756	4,143	4,136	4,604	5,102
Total assets	45,130	42,525	13,455	13,034	13,790	14,661	15,160	16,143

An assessment or comparison of the Corporation's quarterly results, at any given time, requires consideration of crude oil and natural gas commodity prices and the seasonal nature of the oil and gas industry in North America. Commodity prices ultimately drive the level of exploration and development activities carried out by the Corporation's customers and associated demand for the oilfield services provided by MATRRIX. Results are impacted by the gain or loss of key customers. Additions or losses of key customers can fluctuate on a quarterly basis. From a seasonality perspective, MATRRIX currently operates all of its directional and horizontal systems and drilling rigs in western Canada; therefore, operations are impacted by weather and seasonal factors. The winter season, which incorporates the first quarter, is generally a higher activity period as oil and gas companies take advantage of frozen ground conditions to move heavy equipment and operate in regions which might otherwise be inaccessible due to ground conditions during warmer periods. The second quarter normally encompasses a slow period in Canada referred to as spring break-up. During this period, melting conditions result in temporary municipal road bans that effectively prohibit the movement of drilling rigs and other heavy equipment. The third and fourth quarters in western Canada are usually representative of average activity levels. Starting in Q4 2017, the Corporation entered into the land based contract drilling market in southeast Saskatchewan.

FINANCIAL INSTRUMENTS

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below:

Credit risk

The adoption of IFRS 9 Financial Instruments requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Corporation's assessment, an increase in the allowance for doubtful accounts was recorded, using the lifetime expected credit loss model. The expected credit loss rates are based on actual credit loss experience since inception for each operating segment. The adjustment to allowance for doubtful accounts on initial application of IFRS 9 is $94.

The loss allowance provision for trade accounts receivable as at March 31, 2018 reconciles to the opening loss allowance provision as follows:

	2018
At January 1, 2018 – calculated under IAS 39	94
Increase in loan loss allowance per IFRS 9	18
As at March 31, 2018	112

Credit risk arises from the potential that one or more counterparties fail to meet their obligations. The Corporation is normally exposed to credit risk through its accounts receivable balances. The Corporation manages credit risk by assessing the credit worthiness of its customers before providing services and on an ongoing basis as well as monitoring the amount and age of balances outstanding. The Corporation views credit risks on its accounts receivable as normal for the industry.

The Corporation does not have any accounts receivable at March 31, 2018 that are believed to be uncollectible.

Substantially all of the Corporation's cash and cash equivalents are held by high credit quality financial institutions.

During the period ended March 31, 2018, MATRRIX had three customers that comprised of 48%, 16% and 10% of total revenue, compared to four customers that comprised 34%, 14%, 11% and 11% of total revenue in 2017. For the accounts receivable balances outstanding at March 31, 2018, MATTRIX had three customers that comprised of 41%, 13% and 11% of the total balance as compared to four customers that comprised 19%, 16%, 15% and 15% of the total balance in 2017.

The Corporation's trade and other receivables aging is as follows:

	March 31, 2018	December 31, 2017
Within 30 days	2,465	3,104
31 to 60 days	2,975	1,631
61 to 90 days	467	1,017
Over 90 days	1,050	-
Allowance for doubtful accounts	(112)	-
Accounts receivable	6,845	5,752

As at the date of this MD&A, MATRRIX had collected 83% of the March 31, 2018 outstanding balance.

Liquidity risk

The Corporation's objective in managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due by maintaining sufficient cash to settle current liabilities and meet its anticipated 2018 working capital requirements. As at March 31, 2018, the Corporation had a current assets balance of $21,625 and current liabilities of $2,874.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest Rate Risk

The Corporation has no debt and has invested its excess cash in short-term deposits with a fixed rate of interest at its banking institution and therefore is exposed to interest rate risk; however, this is not considered to be significant due to the short time to maturity.

b) Foreign Currency Risk

The Corporation is exposed to foreign currency fluctuations on its financial instruments in relation to its U.S. dollar denominated cash, accounts receivable and accounts payable. The Corporation monitors its foreign currency exposure and attempts to minimize the effect of fluctuations in the U.S. dollar by maintaining appropriate levels of cash and accounts receivable to offset corresponding U.S. dollar denominated accounts payable.

c) Fair Value

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments depending on the observable nature of inputs employed in the measurement:

Level 1: fair value measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. Level 2 valuations are based on inputs including quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative instrument.

Level 3: fair value measurements are based on unobservable information or where the observable data does not support a significant portion of the instrument's fair value.

The carrying amount of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximates their fair value due to their short term nature. At December 31, 2017, the Corporation valued its cash and cash equivalents using Level 1 inputs. The Corporation does not have any Level 2 instruments. The fair value of the Debentures liability was recorded based on an estimated fair value interest rate and is considered a level 3 fair value instrument.

As the Debentures have not traded, the fair value of the Debentures is $2,612 as at March 31, 2018, based on the purchase price of $1 per Debenture.

RECENT PRONOUNCEMENTS AND APPLICATION OF NEW AND REVISED IFRS

Recent pronouncements and application of new and revised International Financial Reporting Standards

Except as noted below, the March 31, 2018 unaudited condensed consolidated financial statements follow the same accounting policies and methods of application as the most recent annual financial statements.

Certain new or amended standards or interpretations have been issued by the International Accounting Standards Board (“IASB”) or the International Financial Reporting Interpretations Committee (“IFRIC”) that are not required to be adopted in the current period. The Corporation has not early adopted these standards or interpretations. The standards which the Corporation anticipates may have a material effect on the consolidated financial statements or note disclosures are described below.

Changes in accounting policies:

1) *IFRS 9*

IFRS 9, “Financial Instruments” replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 amends its classification and measurement of financial assets and introduces a new expected loss impairment model and new general hedge accounting requirements. This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation has adopted IFRS 9 for the annual period beginning on January 1, 2018. The adjustment to opening deficit as of January 1, 2018 due to the cumulative impact of adopting IFRS 9 was $94. The impact to net earnings for the three months ended March 31, 2018 was $18.

Financial Instruments

The new guidance under IFRS 9 Financial Instruments does not affect the Corporation’s classification, measurement and recognition of financial assets and financial liabilities. The Corporation does not have any hedging arrangements. The new impairment model under IFRS 9 requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument.

Classification

From January 1, 2018, the Corporation classifies its financial assets in the following two measurement categories: (1) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and (2) those to be measured at amortized cost. The classification depends on the Corporation’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. The Corporation reclassifies financial assets when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Corporation measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement of financial assets depends on the Corporation’s business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Corporation classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains and losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in profit or loss.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or less. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

2) <u>IFRS 15</u>

IFRS 15, "Revenue from Contracts with Customers", is required to be applied for period beginning on or after January 1, 2018 and supersedes existing standards and interpretations including IAS 18 and IAS 11 Construction Contracts. The standard is required to be adopted either retrospectively or using a modified transition method, with early adoption permitted. As of January 1, 2018, the Corporation has adopted the modified retrospective approach.

The Corporation recognizes revenue when a performance obligation is satisfied by transferring promised goods or services to a customer and the amount recorded is measured at the fair value of the consideration received. The Corporations standard drilling rig contract includes performance obligations to provide drilling services and rig equipment, which are satisfied over time. Once determined, the transaction price will be allocated to each performance obligation based on stand-alone selling prices. The Corporation recognizes revenue daily, based on agreed upon rates in each contract and on the daily activity of the rig. As such, there will be no unfulfilled performance obligations.

The Corporation's contracts contain both a lease and a service element. IFRS 15 requires revenue from both the service and lease elements related to customer contracts to be presented separately.

The Corporation's revenue streams under IFRS 15 are comprised of the following:

	Three months ended, March 31,	
	2018	2017
Horizontal and directional drilling revenue	1,987	1,549
Contract drilling rig services	2,951	-
Contract drilling rig lease revenue	2,537	-
Total revenue	7,475	1,549

There is no impact on the adoption of the standard on the Corporations interim condensed consolidated financial statements.

<u>New and revised IFRS that has been issued but is not yet effective:</u>

IFRS 16, "Leases" replaces the previous guidance on leases and sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract. The new standard is effective for annual periods beginning on or after January 1, 2019, and which supersedes IAS 17, Leases; earlier application is allowed, but not before the application of IFRS 15, Revenue from Contracts with Customers. This new pronouncement introduces a single lessee accounting model by eliminating a lessee's classification of leases as either operating leases or finance leases. The Corporation is currently reviewing it lease agreements to determine the impact that the adoption of the standard will have on its consolidated financial statements.

RISKS AND UNCERTAINTIES

The Corporation's operations are subject to certain factors that are beyond its control. Readers should carefully consider all such risk factors contained herein and in the Corporation's other public filings before making an investment decision. The risks set out below are not an exhaustive list, and should not be taken as a complete summary or description of all the risks associated with the Corporation's business and the oilfield services business generally. Detailed disclosure of such risk factors are included in the Corporation's most recently filed AIF. Management has identified herein certain key risks and uncertainties associated with the Corporation's business that could impact financial results. They include, but are not limited to:

Demand for Services

There are many risks inherent in the oil and natural gas services industry, which even a combination of experience, knowledge and careful evaluation may be difficult to overcome. The demand, price and terms of horizontal and directional drilling services and land based contract drilling rigs are dependent on the level of activity in the industry. Industry conditions are influenced by numerous factors over which MATRRIX has no control, including the level of oil and natural gas prices, expectations about oil and natural gas prices, the cost of exploring for, producing and delivering oil and natural gas, the expected rates of declining current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, weather conditions, political regulatory and economic conditions, and the ability of oil and natural gas companies to obtain equity or debt financing.

Oil and natural gas exploration and production activity levels are subject to fluctuation and may be impacted by fluctuations in commodity prices, which can be volatile. No assurance can be given that expected trends in oil and natural gas exploration and production activities will continue or that demand for oil and natural gas services will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas prices is expected to affect oil and natural gas exploration and production activities and therefore affect customer demand for horizontal and directional drilling services. A material decline in oil or gas prices or industry activity could have a material adverse effect on MATRRIX's business, financial condition, results of operations and cash flows.

Volatility and Weakness in the Oil and Natural Gas Industry

MATRRIX is subject to broader geopolitical risk that affects pricing, supply and demand in the oil and natural gas industry. The inability of MATRRIX to deal with a sustained low commodity price environment resulting from geopolitical events beyond the Corporation's control could have a material adverse impact on its business, operations, and prospects.

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by the Organization of the Petroleum Exporting Countries, slowing growth in emerging economies, market volatility and disruptions in Asia, sovereign debt levels and political upheavals in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and natural gas companies and a decrease in confidence in the oil and natural gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty changes and environmental regulation. In addition, the inability to get the necessary approvals to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the oil and gas industry in Western Canada has led to additional downward price pressure on oil and gas produced in Western Canada and uncertainty and reduced confidence in the oil and gas industry in Western Canada. Lower commodity prices have restricted, and are anticipated to continue to restrict, oil and natural gas producers' cash flows resulting in reduced capital expenditure budgets. Such events directly affect the demand for drilling services which has, and are anticipated to continue to have, a material adverse effect upon the Corporation's business, financial condition, results of operations and cash flows. If these conditions persist, the Corporation's cash flow may not be sufficient to continue to fund its operations and to satisfy its obligations when due and the Corporation's ability to discharge its obligations will require additional equity or debt financing and/or proceeds from asset sales. There can be no assurance that such equity or debt financing will be available on terms that are satisfactory to the Corporation or at all.
The Corporation is subject to various laws and regulations that govern the operation and taxation of the Corporation's business. The Corporation's operations may be adversely affected by political, economic or social instability or events. These events may include, but are not limited to, onerous fiscal policy, renegotiation or nullification of agreements and treaties, imposition of onerous regulation, changes in laws governing existing operations, financial constraints, including unreasonable taxation and corrupt behavior of public officials, joint venture partners or third-party representatives that could result in lost business opportunities for the Corporation. This could materially adversely affect the Corporation's business, financial condition, results of operations and cash flows.

Substantial Capital Requirements and Additional Funding Requirements

MATRRIX's cash flow from its operations may not be sufficient to fund its ongoing activities at all times. As the Corporation's revenues and cash flow may decline because of decreased activity levels, it has and may be required to further reduce its planned capital expenditures. In addition, uncertain levels of near term industry activity coupled with the uncertain global economy exposes the Corporation to additional capital risk. From time to time, MATRRIX may require additional financing in order to carry out its operations. Failure to obtain such financing on a timely basis could cause MATRRIX to reduce or terminate its operations. If MATRRIX's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or be available on terms acceptable to MATRRIX. The Corporation's inability to raise financing to support ongoing operations or to Corporation capital expenditures or acquisitions could limit the Corporation's growth and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Where additional financing is raised by the issuance of Shares or securities convertible into Shares, control of the Corporation may change and Shareholders may suffer dilution to their investment.

Issuance of Debt

From time to time, MATRRIX may enter into transactions to acquire assets or the shares of other entities. Those transactions may be financed partially or wholly with debt, which may increase MATRRIX's debt levels above its industry peers. Depending on future plans, MATRRIX may require additional equity and/or debt financing that may not be available or, if available, may not be available on favorable terms. Neither MATRRIX's articles nor its bylaws limit the amount of indebtedness that MATRRIX may incur. The level of MATRRIX's future indebtedness from time to time could impair MATRRIX's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate which will fluctuate over time. Any material increases in the value of the Canadian dollar negatively impact the revenues of exploration and production companies, and consequently, the revenues of oil and natural gas services companies such as the Corporation. Any material increases in the value of the Canadian dollar can have a potential negative impact and may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Additionally, MATRRIX purchases equipment from outside of Canada and therefore decreases in the value of the Canadian dollar can have potential negative impacts on the Corporation's purchasing power for its equipment. An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, resulting in a reduced amount available to fund its capital expenditure program.

Tax Matters

The taxation of corporations is complex. In the ordinary course of business, MATRRIX may be subject to ongoing audits by tax authorities. While MATRRIX believes that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. In addition, the previous tax filing positions of businesses acquired by MATRRIX may be reviewed and challenged by tax authorities. If such challenge were to succeed, it could have a material adverse effect on MATRRIX's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could have a material adverse effect on MATRRIX's tax position. As a consequence, MATRRIX is unable to predict with certainty the effect of the foregoing on MATRRIX's taxes payable, effective tax rate and earnings. MATRRIX regularly reviews the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from these provisions, MATRRIX's taxes payable, effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. MATRIX intends to mitigate this risk through ensuring that tax filing positions are carefully scrutinized by management and external consultants, as appropriate. There can be no assurance that income tax laws or the interpretation thereof in any of the jurisdictions in which MATRRIX operates will not be changed or interpreted or administered in a manner which adversely affects MATRRIX and its shareholders. In addition, there is no assurance that the Canada Revenue Agency will agree with the manner in which MATRRIX calculates income or taxable income for tax purposes or that any of the other tax agencies will not change their administrative practices to the detriment of MATRRIX, Shareholders or both.

Asset Impairment

The Corporation is required to periodically review asset balances including goodwill and capital assets for impairment when certain factors indicate the need for analysis. In the case of goodwill, if any exists on the balance sheet, an impairment test must be completed at least annually. These calculations are based on management's estimates and assumptions at the time the analysis is made. Several factors are included in this analysis and may include changes in share price, cash flow and earnings estimates, changes in market conditions, and general local and global economic conditions. Any resulting future impairment write down to goodwill or capital assets could result in a non-cash charge against net earnings, and could be material in nature.

Unpredictability and Volatility of Share Price

The trading price of securities of oil and natural gas services issuers is subject to substantial volatility. This volatility is often based on factors both related and unrelated to the financial performance or prospects of the issuers involved. A publicly traded corporation will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Shares will trade cannot be predicted. The market price of the Shares could be subject to significant fluctuations in response to variations in quarterly operating results and other factors, including local and global economic conditions, governmental/regulatory actions or inactions, speculation made by media or the investment community, industry conditions, commodity prices, foreign exchange rates and political or other events unrelated to MATRRIX's operating performance. Investors should not place undue reliance on historical share price as an indicator of future share price and should seek advice from a financial expert prior to investing.

In addition, the securities markets have experienced significant market wide and sectoral price and volume fluctuations from time to time that often have been unrelated or disproportionate to the operating performance of particular issuers. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oilfield services industry or oil and gas market. Such fluctuations could have a material adverse effect on the market price of the Shares.

Equipment and Technology Risks

Complex drilling and completions programs for the exploration, development and production of conventional and unconventional oil and natural gas reserves in North America demand high performance equipment. The abilities of oil and natural gas service providers to meet these demands will depend on continuous improvement of existing rig technology such as drive systems, control systems, automation, mud systems and top drives to improve drilling efficiency. MATRRIX's ability to deliver equipment and services that are more efficient than its competitors is critical to continued success. There is no assurance that competitors will not achieve technological improvements that are more advantageous, timely or cost effective than improvements developed by MATRRIX.

The ability of MATRRIX to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment and there can be no assurance that MATRRIX will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Other companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Corporation does implement such technologies, there is no assurance that the Corporation will do so successfully. In such case, the Corporation's business, financial condition, results of operations and cash flows could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition, results of operations and cash flows could also be adversely affected in a material way.

Certain of the Corporation's equipment may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be preferable for environmental or other reasons. The Corporation will need to keep current with the changing market for oil and natural gas services and technological and regulatory changes. If the Corporation fails to do so, this could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

MATRRIX currently owns its own horizontal and directional drilling equipment and land based contract drilling rigs and makes additional purchases of certain drilling equipment from time to time from various suppliers in the oil and natural gas services industry. There can be no assurance that these sources for equipment will be maintained. If such equipment is not made available and is not available from any other source, the Corporation's ability to compete may be impaired.

MATRRIX has not sought or obtained patent or other similar protection in respect of any equipment or technology it has developed independently. In the future, MATRRIX may seek patents or other similar protections in respect of particular equipment and technology; however, MATRRIX may not be successful in such efforts. Competitors may also develop similar equipment and technology to that of MATRRIX, thereby adversely affecting MATRRIX's competitive advantage in one or more of its businesses. Additionally, there can be no assurance that certain equipment or technology developed by MATRRIX may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on the business, financial condition, results of operations and cash flows of MATRRIX.

In the future MATRRIX may seek patents or other similar protections in respect of particular tools, equipment and technology; however, MATRRIX may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of MATRRIX thereby adversely affecting MATRRIX's competitive advantage in one or both of its businesses. Additionally, there can be no assurance that certain tools, equipment or technology which may be developed by MATRRIX, may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on MATRRIX's business, financial condition, results of operations and cash flows.

Stage of Development for the Land Based Contract Drilling Rig Segment

An investment in MATRRIX is subject to certain risks related to the nature of MATRRIX's business and its newly acquired land based contract drilling rig business segment. There are numerous factors which may affect the success of MATRRIX's business which are beyond MATRRIX's control including local, national and international economic and political conditions described in this Annual Information Form. MATRRIX's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. MATRRIX has a limited history of land based contract drilling rig operations and there can be no assurance that MATRRIX's business will be successful or profitable.

In addition, the Corporation is subject to the various additional risk factors described in the Corporation's most recently filed annual information form, a copy of which can be found under the Corporation's profile at www.sedar.com.

FORWARD LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking statements or forward-looking information (collectively, "forward-looking information"). Forward-looking information relates to future events or the Corporation's future performance. All information other than statements of historical fact is forward-looking information. The use of any of the words “anticipate”, “plan”, “contemplate”, “continue”, “estimate”, “expect”, “intend”, “propose”, “might”, “may”, “will”, “could”, “believe”, “predict”, and “forecast” are intended to identify forward-looking information.

This MD&A contains forward-looking information pertaining to, among other things: the slow to moderate growth expected in the second half of 2018; the Corporation's strategic plan; commodity prices; industry activity for overall rig activity in 2018; management of liquidity risk; capital spending; lower capital expenditures of the industry; the expectations regarding seeking additional market share with the horizontal and directional drilling segment; competition; the momentum created by its proprietary software platform; foreign exchange rates; future cash flow; operational efficiency; the Corporation's ability to continue to build relationships with current and potential customers; and managing costs through reductions in staffing and compensation levels.
This forward-looking information involves material assumptions and known and unknown risks and uncertainties and other factors, certain of which are beyond the Corporation's control, that may cause actual results or events to differ materially from those anticipated in such forward-looking information. This MD&A, the Corporation's annual information form and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describe the risks, the material assumptions and other factors that could influence actual results, which include, among other things, anticipated financial performance; the implementation of the Corporation's growth strategy; business prospects; conditions in general economic and financial markets; the ability to get additional market share with the directional drilling segment; industry conditions; current commodity prices and royalty regimes; regulatory developments; the impact of increasing competition; future exchange rates; the availability and cost of labour and services; the sufficiency of budgeted capital expenditures in carrying out planned activities; timing and amount of capital expenditures; the ability of the Corporation to renew existing contracts and enter into new contracts; utilization and pricing of the Corporation's systems and rigs; supply and demand for oil and natural gas services relating to the drilling and ancillary services; effects of regulation by governmental agencies; tax laws; future operating costs; and the ability to obtain financing on acceptable terms, which are subject to change based on commodity prices, market conditions and potential timing delays. Although management of the Corporation considers these assumptions to be reasonable based on information currently available to it, such assumptions may prove to be incorrect. Actual results, performance or achievements could differ material from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits the Corporation will derive therefrom.

Statements, including forward-looking information, are made as of the date of this MD&A and the Corporation does not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.