

Energy Technologies Inc.

MATRIX

Drilling. Performance. Focused.

Management's Discussion & Analysis

MATRIX Energy Technologies Inc.

For the three months ended March 31, 2017 and 2016

(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, 2017**

The following discussion and analysis should be read in conjunction with the March 31, 2017 unaudited condensed consolidated financial statements and the December 31, 2016 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), the December 31, 2016 Management’s Discussion and Analysis and the Annual Information Form (“AIF”) for the year ended December 31, 2016. 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 dollars except for per share amounts, operating days or unless otherwise noted.

This management’s discussion and analysis (“MD&A”) is dated May 17, 2017 and is in respect of the three month period ended March 31, 2017.

Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates.

DESCRIPTION OF MATRRIX'S BUSINESS AND OVERVIEW

MATRRIX is engaged in the provision of horizontal and directional drilling services and technology for the oil and gas industry in North America. The Corporation commenced Canadian operations in Q3 2011, US performance drilling operations in Q4 2011 and complementary US horizontal and directional drilling in Q2 2013. During Q3 2015 the Corporation temporarily ceased operations in the US due to decreasing industry activity and high competition. During 2017, MATRRIX operated in Alberta and British Columbia.

Since operations commenced in 2011, MATRRIX has grown its job capacity of horizontal and directional drilling systems (“Systems”) organically with the acquisition and assembly of 25 Systems as at the date of this MD&A.

OVERALL HIGHLIGHTS

For the three month period ended March 31, 2017, the Corporation experienced a 119% increase in operating days related to horizontal drilling and motor rental activity in Canada relative to the comparative 2016 period. The Corporation’s overall increase in operational activity was due to the addition of new customers related to the increase in overall activity in the Western Canadian Sedimentary Basin (“WCSB”) as compared to the comparative 2016 period.

The Corporation continues to be in a strong financial position with positive working capital of \$4,143 (\$0.13/per share) including \$3,119 (\$0.10/per share) of cash and cash equivalents on hand as at March 31, 2017.

FIRST QUARTER 2017 SUMMARY (Compared with the first quarter of 2016)

- revenue of \$1,549, up 67% from \$925
- operating days of 232, up 119% from 106
- net loss of (\$693), improved 15% from (\$816)
- adjusted EBITDA of (\$55), improved 7% from (\$59)

FINANCIAL HIGHLIGHTS

(000's CAD \$)	Three Months Ended		
	March 31,		
	2017	2016	% Change
Revenue	1,549	925	67%
EBITDA (i)	(59)	(130)	55%
EBITDA per share			
Basic	(0.00)	(0.00)	-
Diluted	(0.00)	(0.00)	-
Adjusted EBITDA (ii)	(55)	(59)	7%
Adjusted EBITDA per share			
Basic	(0.00)	(0.00)	-
Diluted	(0.00)	(0.00)	-
Net loss	(693)	(816)	15%
Net loss per share			
Basic	(0.02)	(0.03)	33%
Diluted	(0.02)	(0.03)	33%
Funds flow from operations (iii)	(49)	(76)	36%
Gross Margin (iv)	603	442	36%
Assets	13,790	17,536	(21%)
Liabilities	673	288	(134%)
Capital expenditures (net of lost in hole replacements) ⁽¹⁾	-	38	(100%)
Directional and horizontal systems available	25	25	-
Weighted Average common shares outstanding	32,185	32,185	-
Weighted Average diluted common shares outstanding	32,185	32,185	-

⁽¹⁾ Non-GAAP measure

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 meaning prescribed by IFRS. EBITDA is defined as "income (loss) before interest expense, income taxes, depreciation and amortization.

(000's CAD \$)	Three Months Ended		
	March 31,		
	2017	2016	% Change
Net loss	(693)	(816)	15%
Depreciation	634	686	(8%)
EBITDA	(59)	(130)	55%

(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, and foreign exchange.” 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.

(000's CAD \$)	Three Months Ended		
	March 31,		
	2017	2016	% Change
EBITDA	(59)	(130)	55%
Gain from equipment lost in hole	(30)	-	100%
Interest and other income	(7)	(8)	(13%)
Share based payments	32	71	(55%)
Foreign exchange (gain) loss	9	8	13%
Adjusted EBITDA	(55)	(59)	7%

(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.

(000's CAD \$)	Three Months Ended		
	March 31,		
	2017	2016	% Change
Operating cash flow	(545)	(9)	5,956%
Changes in non-cash working capital	496	(67)	840%
Funds flow	(49)	(76)	36%

(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,		
	2017	2016	% Change
Loss from operations	(20)	(221)	91%
Depreciation	623	663	(6%)
Gross margin	603	442	36%

RESULTS OF OPERATIONS

Revenue

(000's CAD \$)	Three Months Ended		
	March 31,		
	2017	2016	% Change
Total revenue	1,549	925	67%

For the three month period ended March 31, 2017, the Corporation experienced an increase in horizontal drilling and motor rental activity in Canada relative to the comparative 2016 period. The Corporation's overall increase in operational activity was due to the addition of new customers related to the increase in overall activity in the Western Canadian Sedimentary Basin ("WCSB") as compared to the comparative 2016 period.

FIRST QUARTER 2017 SUMMARY (Compared with the first quarter of 2016)

- Revenue of \$1,549, up 67% from \$925
- Operating Days of 232, up 119% from 106
- Revenue per day of \$6.3, down 34% from \$9.6

The average number of active drilling rigs in the WCSB for the three month period ended March 31, 2017 increased 81% as compared to the corresponding 2016 period (Source: Peters & Co.).

Canadian segment revenue

The Corporation's operating days were positively impacted by the overall increase in WCSB drilling activity in Q1 2017 as compared to the corresponding period in 2016. The decrease in revenue per day for the three period ended March 31, 2017 as compared to the corresponding 2016 period relates to an increase of work that required less onsite field supervision combined with continued competitive pricing.

(000's CAD \$ except per day amounts)	Three Months Ended March 31,		
	2017	2016	% Change
Canada			
Performance drilling	89	18	394%
Directional drilling	1,460	907	61%
Total revenue	1,549	925	67%
Operating days ⁽²⁾	232	106	119%
Directional revenue per day	6.3	9.6	(34%)

⁽²⁾ MATRIX calculates a stand-by or partial operating day as 0.5 day of an operating day.

Direct Operating Expenses

(000's CAD \$)	Three Months Ended March 31,		
	2017	2016	% Change
Revenue	1,549	925	67%
Direct operating expenses	946	483	96%
Gross margin ⁽³⁾	603	442	36%
Gross margin %	39%	48%	(19%)

⁽³⁾ Non-GAAP measure

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.

Gross margin for the three month period ended March 31, 2017 was 39%, down 19% from 48% for the corresponding 2016 period. The primary reason for the gross margin decrease was due to an increase in third party equipment expenses and an increase in repairs and maintenance on equipment for anticipated Q2 2017 work incurred during the three month period ended March 31, 2017.

Expenses

Total G&A for the three month period ended March 31, 2017 was \$710, up 18% from \$603 for the corresponding 2016 period. The primary reason for the increase is related to the increased employee headcount.

(000's CAD \$)	Three Months Ended March 31,		
	2017	2016	% Change
Administrative expenses	297	193	54%
Salaries and benefits	361	308	17%
Share based payments	32	71	(55%)
Depreciation	11	23	(52%)
Foreign exchange (gain) or loss	9	8	13%
Total G&A	710	603	18%
Total G&A as a % of revenue	46%	65%	(29%)

Depreciation (Non-Administrative Assets)

The decrease in depreciation expense for the three period ended March 31, 2017 was primarily a result of certain assets becoming fully depreciated.

(000's CAD \$)	Three Months Ended March 31,		
	2017	2016	% Change
Depreciation	623	663	(6%)

Share Based Payments

The share based payments expense for the periods relate to the expense of previously issued stock options to directors, officers and employees of the Corporation. The primary reason for the decrease is due to expiries of higher priced options.

As at March 31, 2017, the total outstanding options were 2,466 as compared to 2,950 at December 31, 2016.

At the date of this MD&A, 2,466 options and 32,185 common shares were outstanding.

(000's CAD \$)	Three Months Ended March 31,		
	2017	2016	% Change
Share based payments	32	71	(55%)

Operating Segments

Management evaluates the Corporation's performance on a geographically segmented basis. The composition of the geographic 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 geographical segments being Canada and the US. Currently the Corporation is engaged in providing services and supply of oil and gas down hole directional and horizontal drilling technologies and drilling efficiency to customers only in Canada. There was no activity in the US for the three month period ended March 31, 2017 and the corresponding 2016 period.

Other Items

For the three month period ended March 31, 2017, MATRRIX had a gain of \$30 as a result of equipment lost downhole as compared to \$Nil the corresponding 2016 period. The timing of lost-in-hole recoveries is not within the control of the Corporation and therefore it 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,		
	2017	2016	% Change
Gain on equipment lost in hole	30	-	100%
Interest and other income	7	8	(13%)
Other items	37	8	363%

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Relating to Operating Activities and Working Capital

During the three month period ended March 31, 2017 operating cash flow decreased relative to the comparable period as a result of 840% decrease in non-cash working capital related to increased operating activity and related working capital requirements.

(000's CAD \$)	Three Months Ended March 31,		
	2017	2016	% Change
Funds flow ⁽³⁾	(49)	(76)	36%
Changes in non-cash working capital balances	(496)	67	(840%)
Operating cash flow	(545)	(9)	5,956%

⁽³⁾ Non-GAAP measure

Cash Flows Relating to Investing Activities

MATRIX did not purchase any property and equipment during the three month period ended March 31, 2017, as compared to \$38 for the 2016 corresponding period. The Corporation received proceeds of \$55 related to lost in hole equipment for the three month period ended March 31, 2017, as compared to \$Nil for the corresponding 2016 period.

(000's CAD \$)	Three Months Ended March 31,		
	2017	2016	% Change
Purchase of property & equipment	-	(38)	(100%)
Proceeds from equipment lost in hole	55	-	100%
Investing cash flow	55	(38)	245%

Liquidity

Liquidity risk is the exposure of the Corporation to the risk of not being able to meet its financial obligations as they become due. The Corporation is exposed to liquidity risk. Operating cash flow is affected by seasonality as activity generally increases during the third and fourth quarters and peaks in the first quarter before subsiding during spring break-up in the second quarter.

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 2017 working capital requirements. Due to continued operating losses, MXX is exposed to increased liquidity risk. To offset the risk, management closely monitors cash flows and the

Corporation's unused line of credit. Should the company continue to experience operating losses, management may be required to obtain additional financing or assess other options. As at March 31, 2017, the Corporation had current assets balance of \$4,816 to settle current liabilities of \$673.

Financial instruments include cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities. The fair values of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturities.

COMMITMENTS

The Corporation has not committed to any material capital expenditures as at March 31, 2017.

In Q1 2016 the Corporation renewed its Calgary office lease and signed a new contract regarding its Leduc shop premise both with 2 year terms. The total lease commitment for the remainder of 2017 is \$80 and \$Nil in 2018.

SUMMARY OF QUARTERLY RESULTS

(000's CAD \$)	2017		2016		2015			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	1,549	1,135	267	7	925	797	1,090	391
Gross Profit (Loss from operations)	(20)	(373)	(604)	(777)	(221)	(403)	(464)	(1,012)
EBITDA	(59)	(400)	(539)	(702)	(130)	(679)	(4,130)	(1,121)
Income (loss)	(693)	(1,042)	(1,193)	(1,373)	(816)	(1,343)	(4,952)	(1,895)
Income (loss) per share	(0.02)	(0.03)	(0.04)	(0.04)	(0.03)	(0.04)	(0.15)	(0.06)
Working Capital	4,143	4,136	4,604	5,102	5,752	5,848	6,345	6,734
Total assets	13,790	14,661	15,160	16,143	17,536	18,461	19,830	24,542

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. As there are no formal contracts in place gains 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 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.

OUTLOOK

The current business strategy of MATRRIX is to deploy horizontal and directional drilling technology in Canada, while actively seeking investment opportunities to acquire existing drilling services businesses and/or equipment. As at the date of this MD&A, 25 Horizontal and Directional Systems are available within MATRRIX for deployment to the field in the WCSB.

The Corporation has announced it intends to investigate entering the land-based contract drilling business to complement its business of supplying horizontal and directional drilling technologies for the oil and gas industry in North America. MATRRIX continues to evaluate opportunities to purchase contract drilling companies and/or drilling rig assets and will transact when and if an appropriate opportunity exists.

The oil and gas industry in North America extensively uses horizontal drilling to exploit conventional and unconventional oil and liquids-rich natural gas plays in most basins within North America. Oil prices have significantly rebounded from lows experienced in early 2016, which have positively affected capital expenditures and drilling programs by the Corporation's oil and gas clients, while improving the outlook for oil and gas service companies including MATRRIX.

The Corporation expects 2017 to be a recovery year for the industry. Supply of oil and gas services equipment continues to exceed demand, and until activity meets a reasonable threshold to improve the supply / demand imbalance, we expect the market for the Corporation's services to remain highly competitive. To that end, the Corporation continues to drive efficiency and scalability into its systems and processes, with a view that fixed expenses will be spread over a larger revenue base as the Corporation's revenue base recovers.

Canada

Predicated upon improvements in oil and gas prices, and improvements in market access, the Corporation expects industry activity levels in Western Canada to grow through 2017 and into 2018.

MATRRIX continues to have success leveraging and building relationships with active current and potential customers in Western Canada, and expects growth in revenue and earnings within an improving industry environment. The Corporation continues to effectively balance costs with forecasted activity levels, while managing equipment vendor relationships, and perpetually improving operational results and efficiency through use of its proprietary D²ROX™ software platform

OTHER MARKETS

The Corporation will evaluate, assess, and execute (if it deems appropriate) an expansion program into markets outside of North America, with a goal to improving geographic diversity. Opportunities will be evaluated based upon expected financial impact and risk to the Corporation through delivery of appropriate levels of revenue, income, and returns in each geographic region.

In considering geographic expansion, the Corporation will assess the potential of partnering with established organizations that have significant, existing operations in certain regions of interest.

RISKS AND UNCERTAINTIES

There are a number of risk factors facing the Corporation that are beyond its control.

Industry Risks

There are many risks inherent in the drilling 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 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 gas prices, expectations about oil and gas prices, the cost of exploring for, producing and delivering oil and gas, the expected rates of declining current production, the discovery rates of new oil and gas reserves, available pipeline and other oil and gas transportation capacity, weather conditions, political regulatory and economic conditions, and the ability of oil and gas companies to obtain equity or debt financing.

Oil and 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 gas exploration and production activities will continue or that demand for oilfield 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 gas exploration and production activities and therefore affect customer demand for 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.

Geopolitical Risk

MATRRIX is subject to broader geopolitical risk that affects pricing, supply and demand in the oil and 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.

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 results of operations and financial condition.

Seasonality/Weather

The activities in the oilfield services industry are subject to a degree of seasonality. Operating activities within the Canadian oilfield services industry are generally lower in April and May during spring break up, and tend to increase in the fall and peak in the winter months of December through March. In addition, unpredictability in the weather and temperature not only within these seasons, but year-round as well, can create additional unpredictability in utilization rates and operational results for entities such as MATRRIX.

Government Regulation of Oil and Natural Gas Industry

The oil and natural gas industry is subject to extensive laws and regulations imposed by various levels of government where MATRRIX operates. Compliance with, breaches of, or changes to such laws and regulations could have a material adverse effect on MATRRIX's business, financial

condition, results of operations and cash flows. It is not expected that any of these laws or regulations will affect the operations of MATRRIX in a manner materially different than they would affect other oil and gas service companies of similar size.

Provincial Royalty Rate Changes

The provincial governments of Alberta, British Columbia, Manitoba and Saskatchewan collect royalties on the production from Crown lands. These fiscal royalty regimes are reviewed and adjusted from time to time by the respective governments for appropriateness and competitiveness. These changes, as well as the potential for future changes in these and other jurisdictions, add uncertainty to the outlook of the oilfield services sector.

Regulation of Drilling Services Industry

MATRRIX's activities are subject to complex and stringent energy, environmental and other governmental laws and regulations. While management believes that MATRRIX's business will be operated in accordance with applicable laws, MATRRIX will remain subject to a varied and complex body of laws and regulations that both public officials and private individuals may seek to enforce. Existing laws and regulations may be revised or new laws and regulations may become applicable to MATRRIX that may have a negative effect on MATRRIX's business and its operations. MATRRIX expects that it will be able to comply with regulatory requirements in all material respects.

Environmental Regulation

The oil and natural gas industry is currently subject to federal, provincial and state environmental laws and regulations. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain oil and gas industry operations. In addition, certain legislation requires that well and facility sites are abandoned and reclaimed. Compliance with such legislation can require significant expenditures and a breach of such legislation may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of fines and penalties. These environmental compliance obligations are primarily the responsibility of the oil and gas companies which contract with MATRRIX; however, where applicable directly to MATRRIX, MATRRIX is committed to meeting its responsibilities in all material respects to protect the environment wherever it operates.

Competition

Competition could adversely affect MATRRIX's performance. The horizontal and directional drilling services industry is characterized by intense competition and MATRRIX competes directly with other companies that have greater resources and access to capital.

Service Agreements and Contracts

The business operations of the Corporation depend on successful execution of horizontal and directional drilling services, primarily written agreements that are cancellable at any time. The key factors which determine whether a client continues to use MATRRIX are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, safety and competitive price. There can be no assurance that MATRRIX's relationships with its customers will continue.

Equipment Construction Risks

MATRRIX currently manufactures and constructs Systems for its own use. MATRRIX estimates the cost of the construction of the Systems and the timeline for completing the construction. Actual costs of construction may, however, vary significantly from those estimated as a result of numerous factors, including, without limitation, changes in input costs; variations in labor rates; and, to the extent that component parts must be sourced from other countries, fluctuations in exchange rates. In addition several factors could cause delays in construction, including, and without limitation, shortages in skilled labor and delays or shortages in the supply of component parts. Construction delays may lead to postponements of the anticipated date for deployment of the newly constructed equipment into operation and any such postponement could have a negative impact on cash flows generated from operations or the loss of a contract, of which the effect may be material.

Credit Risk

A substantial portion of MATRRIX's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. Any inability of MATRRIX to collect these accounts receivable could have a material adverse effect on MATRRIX's business, financial condition, results of operations and cash flows.

Equipment and Technology Risks

The ability of MATRRIX to meet customer demands in respect of performance and cost will depend upon continuous improvements in its equipment. 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. Failure by MATRRIX to do so could have a material adverse effect on MATRRIX. No assurances can be given that competitors will not achieve technological advantages over MATRRIX.

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, results of operations and financial conditions of MATRRIX.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. MATRRIX cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on MATRRIX's business, financial condition, results of operations and cash flows.

Stage of Development

An investment in MATRRIX is subject to certain risks related to the nature of MATRRIX's business

and its early stage of development. 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. 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 operations and there can be no assurance that MATRRIX's business will be successful or profitable.

Reliance on Key Personnel

MATRRIX's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on MATRRIX. The competition for qualified personnel in the oil and natural gas drilling service industry is intense and there can be no assurance that MATRRIX will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Additional Funding Requirements

MATRRIX's cash flow from its operations may not be sufficient to fund its ongoing activities at all times. 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.

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.

Foreign Currency Exchange

MATRRIX purchases equipment from outside of Canada and therefore it is exposed to risks caused by fluctuations in currency exchange rates.

Management of Growth

MATRRIX may be subject to growth related risks including capacity constraints and pressure on its internal systems, controls and personnel. The ability of MATRRIX to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of MATRRIX to deal with this growth could have a material adverse impact on its business, operations and prospects.

Third Party Credit Risk

MATRRIX is exposed to third party credit risk through its contractual arrangements with other parties.

In the event such entities fail to meet their contractual obligations to MATRRIX, such failures could have a material adverse effect on MATRRIX and its cash flow from operations.

Conflicts of Interest

The directors and officers of MATRRIX may also be directors or officers of other companies involved in the oil and gas industry and situations may arise where they are in a conflict of interest with MATRRIX. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the *Business Corporations Act* (Alberta) (“ABCA”), which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has some material interest in any person who is a party to, a material contract or proposed material contract with MATRRIX, to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

FINANCIAL INSTRUMENTS

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

Credit risk

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, 2017 that are believed uncollectible. Substantially all of the Corporation’s cash and cash equivalents are held by high credit quality financial institutions. The Corporation did not incur any bad debt expense for the three month period ended March 31, 2017.

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

	March 31, 2017	December 31, 2016
Within 30 days	695	615
31 to 60 days	340	226
61 to 90 days	189	-
Over 90 days	-	5
Allowance for doubtful accounts	-	-
Accounts receivable	1,225	913

As at the date of this MD&A, MATRRIX has collected 44% of the Q1 2017 outstanding balance.

Significant Customers

During the three months ended March 31, 2017, MATRRIX had four customers that comprised 34%, 14%, 11% and 11% of total revenue, as compared to two customers that comprised 86% and 12% of total revenue for the comparative period in 2016.

For the accounts receivable balances outstanding at March 31, 2017, MATRRIX had four customers

that comprised 19%, 16%, 15% and 15% of the total balance as compared to two customers that comprised 70% and 22% for the comparative period in 2016.

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 and minimal credit risk.

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. The Corporation believes a fluctuation of the U.S. dollar relative to the Canadian dollar of 10% during the next 12 month reporting period would be reasonably possible.

	March 31, 2017	December 31, 2016
Cash	4	11
Non-cash current financial assets	-	-
Non-cash current financial liabilities	(77)	(49)
Net US dollar exposure	(73)	(38)
Effect of plus (minus) 10% change in the US dollar to Canadian dollar exchange rate on income before tax	(7)	(4)

FORWARD LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. This information relates to future events of 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 following: the Corporation's intentions to enter the land-based contract drilling business; the Corporation's continued evaluation of opportunities to purchase contract drilling companies and/or drilling rig assets; the Corporation's expectation that 2017 will be a recovery year for the industry; the Corporation's expectation that the market for the Corporation's services will remain competitive until the supply/demand imbalance is improved; the Corporation's evaluation of an expansion program into markets outside of North America; and fluctuation of the US dollar relative to the Canadian dollar.

This forward-looking information involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond the Corporation's control. The Corporation's Annual

Information Form and other documents filed with the 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 and which are incorporated herein by reference. Actual results, performance or achievements could differ materially 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 statements 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 statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.