Energy Technologies Inc.

MATRRIX

Drilling. Performance. Focused.

Unaudited Condensed Consolidated Financial Statements of

MATRRIX Energy Technologies Inc.

For the three and nine months ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Unaudited Condensed Consolidated Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of MATRRIX Energy Technologies Inc. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

MATRRIX Energy Technologies Inc.

Condensed Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)	Note	September 30, 2017	December 31, 2016
		$	$
ASSETS			
Current assets:			
Cash and cash equivalents		3,349	3,608
Trade and other receivables	9	1,648	913
Inventory	4	340	353
Prepaid expenses and deposits		284	154
		5,621	5,028
Property and equipment	6	7,834	9,633
Total assets		13,455	14,661
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities		780	892
Total liabilities		780	892
SHAREHOLDERS' EQUITY			
Share capital		30,995	29,789
Employee benefit reserve		2,363	2,258
Foreign currency translation reserve		883	877
Deficit		(21,566)	(19,155)
Total equity	7	12,675	13,769
Total liabilities and equity		13,455	14,661

Commitments (Note 10)

Subsequent Events (Note 12)

See accompanying notes to these condensed consolidated financial statements

MATRRIX Energy Technologies Inc.
Condensed Consolidated Statements of Comprehensive Loss

(Stated in thousands of Canadian dollars except per share amounts)	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
		$	$	$	$
Revenue		1,933	268	4,544	1,199
Cost of sales:					
Direct operating expenses		1,351	237	3,086	848
Depreciation	6	588	635	1,813	1,954
		1,939	872	4,899	2,802
Loss from operations		(6)	(604)	(355)	(1,603)
Expenses					
Administrative expenses		331	239	910	688
Salaries and benefits		386	308	1,091	903
Share based payments	8	71	40	124	161
Depreciation	6	4	18	24	57
Foreign exchange (gain) loss		(37)	1	(32)	8
		755	606	2,117	1,817
Net loss before interest and other income		(761)	(1,210)	(2,472)	(3,420)
Gain from equipment lost in hole		12	-	42	-
Interest and other income		6	18	19	37
Net Income (loss)		(743)	(1,192)	(2,411)	(3,383)
Other comprehensive income					
Items that may be subsequently reclassified to profit or (loss):					
Foreign currency translation adjustment		(2)	2	6	2
Total comprehensive loss		(743)	(1,190)	(2,405)	(3,381)
Basic loss per common share	3	$ (0.02)	($0.04)	($0.07)	($0.11)
Diluted loss per common share	3	$ (0.02)	($0.04)	($0.07)	($0.11)

See accompanying notes to these condensed consolidated financial statements

MATRRIX Energy Technologies Inc.
Condensed Consolidated Statements of Cash Flows

(Stated in thousands of Canadian dollars)	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
		$	$	$	$
Cash flows from the following activities:					
Operating activities					
Net loss		(743)	(1,192)	(2,411)	(3,383)
Items not involving cash:					
Share based payments		71	40	124	161
Depreciation	6	592	653	1,837	2,010
Gain on equipment lost in hole		(12)	-	(42)	-
Unrealized foreign exchange gain (loss)		(24)	(4)	(11)	(2)
Funds flow from operations		(116)	(503)	(503)	(1,214)
Changes in non-cash working capital items:					
Trade and other receivables		(283)	(281)	(736)	416
Inventory		26	1	14	47
Prepaid expenses and deposits		(125)	(41)	(130)	(38)
Accounts payable and accrued liabilities		(59)	168	(112)	(81)
Cash flows from operating activities		(557)	(656)	(1,467)	(870)
Financing activities					
Proceeds from issuance of common shares		1,157	-	1,157	-
Stock options exercised		-	-	30	-
Cash flows from financing activities		1,157	-	1,187	-
Investing activities					
Purchase of property and equipment		-	-	(77)	(34)
Proceeds from equipment lost in hole		26	-	81	-
Cash flows from investing activities		26	-	4	(34)
Change in cash and cash equivalents		626	(656)	(276)	(904)
Effect of foreign exchange rate changes on cash		18	4	17	4
Cash and cash equivalents, beginning of period		2,705	4,810	3,608	5,058
Cash and cash equivalents, end of period		3,349	4,158	3,349	4,158
Supplementary cash flow disclosure information:					
Interest received during the period		6	11	19	29

See accompanying notes to these condensed consolidated financial statements

MATRRIX Energy Technologies Inc.

Condensed Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian dollars)

	Share Capital (Note 8)		Employee Benefit Reserve	Foreign Currency Translation Reserve	Deficit	Total Equity
	Shares	Amount				
		$	$	$	$	$
Balance as at January 1, 2016	32,185	29,789	2,060	875	(14,732)	17,992
Share based payments expense	-	-	161	-	-	161
Comprehensive income (loss) for the period	-	-	-	-	(3,383)	(3,381)
Balance as at September 30, 2016	32,185	29,789	2,221	877	(18,115)	14,772
Balance as at January 1, 2017	32,185	29,789	2,258	877	(19,155)	13,769
Share based payments expense	-	-	124	-	-	124
Stock Options Exercised	120	30	-	-	-	30
Stock Option Value of Exercised Options	-	19	(19)	-	-	-
Comprehensive income (loss) for the period	-	-	-	6	(2,411)	(2,405)
Common Shares issued - Private Placement	3,673	1,157	-	-	-	1,157
Balance as at September 30, 2017	35,978	30,995	2,363	883	(21,566)	12,675

See accompanying notes to these condensed consolidated financial statements

1. REPORTING ENTITY

MATRRIX Energy Technologies Inc. (the "Corporation") was incorporated pursuant to the provisions of the Canada Business Corporations Act on January 7, 2011 and maintains its head office at Suite 350, 808 4th Ave SW, Calgary, AB T2P 3E8. The Corporation is a publicly-traded company listed on the TSX Venture Exchange under the symbol “MXX”. The Corporation is engaged in the provision of horizontal and directional drilling services and technology for the oil and gas industry in North America.

The consolidated financial statements of the Corporation are comprised of the Corporation and its subsidiary MATRRIX (US) Energy Technologies Inc.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2016 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”).

The significant accounting policies followed in these consolidated financial statements are consistent with those applied in the Corporation’s annual audited financial statements for the year ended December 31, 2016.

The preparation of the condensed consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are continually evaluated and are based on historical experience and expectations of future events. While judgments and estimates used by the Corporation are believed to be reasonable under current circumstances, actual results could differ. The Corporation has applied significant judgments on a basis consistent with the December 31, 2016 financial statements.

These condensed consolidated financial statements have been prepared on the historical cost basis, with the exception of share based payments, and are presented in Canadian dollars, which is the Corporation’s functional and reporting currency. The Corporation’s US subsidiary uses US dollars as its functional currency due to the primary economic environment it operates within. The Corporation did not have any US operations in 2016 and during the nine month period ended September 30, 2017.

There have been no changes in the Corporation’s assessment of risk from the use of financial instruments or in the financial risk management policies of the Corporation since December 31, 2016.

These condensed consolidated financial statements are based on and are in compliance with IFRS effective for the three and nine month periods ended September 30, 2017 and were approved by the Corporation’s Board of Directors on November 22, 2017.

(In thousands of Canadian dollars except per share amounts)

3. EARNINGS PER SHARE

For the three and nine month periods ended September 30, 2017, the weighted average basic and diluted number of common shares outstanding excludes 3,051 (2015: 2,359) of stock options.

	Three months ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Loss	(743)	(1,192)	(2,411)	(3,383)
Weighted average common shares	33,862	32,185	32,750	32,185
Effect of stock options	-	-	-	-
Diluted balance, end of year	33,862	32,185	32,750	32,185
Basic loss per common share	$ (0.02)	$ (0.04)	$ (0.07)	$ (0.11)
Diluted loss per common share	$ (0.02)	$ (0.04)	$ (0.07)	$ (0.11)

4. INVENTORY

Inventory is mainly comprised of drilling and other equipment repair parts. For the three and nine month periods ended September 30, 2017, consumed repair parts included in direct operating expenses amounted to $104 and $217, respectively and $17 and $44 in 2016 respectively.

5. SIGNIFICANT ACCOUNTING POLICIES

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.

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

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 intends to adopt IFRS 9 for the annual period begging on January 1, 2018. The Corporation is currently finalizing its review of IFRS 9, and does not expect the new standard to have any material impact on the consolidated financial statements.

IFRS 15, "Revenue from Contracts with Customers", is required to be applied for years 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. The Corporation is currently finalizing its review of IFRS 15, and does not expect the new standard to

(In thousands of Canadian dollars except per share amounts)

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

have any material impact on the consolidated financial statements, however, it will have an impact on the associated disclosures.

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

6. PROPERTY AND EQUIPMENT

	Directional drilling and related equipment	Machinery and other equipment	Office furniture and equipment	Total
Cost				
Balance at December 31, 2015	24,836	460	74	25,370
Additions	23	110	11	144
Disposals	(8)	-	-	(8)
Balance at December 31, 2016	24,851	570	85	25,506
Additions	37	40	-	77
Disposals	(93)	(32)	-	(125)
Balance at September 30, 2017	24,795	578	85	25,458
Depreciation				
Balance at December 31, 2015	12,884	294	48	13,226
Depreciation for the year	2,565	72	15	2,652
Disposals	(5)	-	-	(5)
Balance at December 31, 2016	15,444	366	63	15,873
Depreciation for the period	1,800	15	22	1,837
Disposals	(64)	(22)	-	(86)
Balance at September 30, 2017	17,180	359	85	17,624
Balance at December 31, 2016	9,407	204	22	9,633
Balance at September 30, 2017	7,615	219	-	7,834

(In thousands of Canadian dollars except per share amounts)

7. CAPITAL MANAGEMENT

The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide adequate returns for shareholders. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation defines capital as total equity which was $12,675 at September 30, 2017 (December 31, 2016: $13,769).

8. SHARE CAPITAL

Authorized and Issued Shares

	Number	Amount
Balance as at January 1, 2016	32,185	29,789
Issued Shares pursuant to the exercise of stock options	-	-
Stock Option Value of Exercised Options	-	-
Issued Shares pursuant to private placement	-	-
Blanance as at December 31, 2016	32,185	29,789
Issued Shares pursuant to the exercise of stock options	120	30
Stock Option Value of Exercised Options	Nil	19
Issued Shares pursuant to private placement	3,673	1,157
Balance as at September 30, 2017	35,978	30,995

On August 23, 2017, the Corporation closed a private placement of 3,673 common shares at a price of $0.315 per common share with Executives and Board members of the Corporation, for aggregate gross proceeds of $1,157. The common shares are subject to a hold period under applicable securities laws until December 24, 2017.

Share Option Program

A summary of the Corporation's outstanding stock options as at September 30, 2017, and the changes for the period then ended, are as follows:

Stock Options	Outstanding	Weighted Average Exercise Price	
Outstanding at December 31, 2015	3,206	$	0.85
Options granted to employees and directors	160	$	0.23
Options exercised	-	$	-
Options expired	(416)	$	0.99
Options forfeited	-	$	-
Outstanding at December 31, 2016	2,950	$	0.40
Options granted to employees and directors	1,036	$	0.29
Options exercised	(120)	$	0.25
Options expired	(719)	$	0.59
Options forfeited	(96)	$	0.21
Outstanding at September 30, 2017	3,051	$	0.26

(In thousands of Canadian dollars except per share amounts)

8. SHARE CAPITAL (Continued)

	Total Outstanding		
Range of Exercise Prices	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Employees and directors			
$0.12 to $0.18	990	$ 0.13	3.12
$0.22 to $0.27	994	$ 0.28	3.09
$0.32 to $0.70	1,067	$ 0.37	2.71
	3,051	$ 0.26	2.97

	Exercisable		
Range of Exercise Prices	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Employees and directors			
$0.12 to $0.18	405	$ 0.12	3.02
$0.22 to $0.27	354	$ 0.27	2.06
$0.32 to $0.70	377	$ 0.51	0.45
	1,136	$ 0.30	1.87

Share Based Payments

For the three and nine month periods ended September 30, 2017, the Corporation recorded a share based payment expense of $71 and $124, respectively, and $40 and $161 in 2016 respectively. The following assumptions were used for the Black-Scholes valuation of these stock options:

	2017	2016
Risk-free interest rate range	1.07% - 1.49%	0.63 - 0.65%
Expected Term	5.0 years	5.0 years
Annualized volatility	134.44% - 162.16%	139.79% - 149.29%
Dividend rate	0.00%	0.00%
Forfeiture rate	10.00%	10.00%
Average fair value per option granted	$0.27	$0.13

9. 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

(In thousands of Canadian dollars except per share amounts)

9. FINANCIAL INSTRUMENTS (continued)

providing services and on an ongoing basis monitors 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 September 30, 2017 that are believed uncollectible. Substantially all of the Corporation's cash and cash equivalents are held by high credit quality financial institutions.

During the nine months ended September 30, 2017, MATRRIX had four customers that comprised 21%, 12%, 11% and 10% of total revenue, as compared to three customers that comprised 35%, 32%, and 21% of total revenue for the comparative period in 2016.

For the accounts receivable balances outstanding at September 30, 2017, MATRRIX had four customers that comprised 24%, 23%, 16% and 12% of the total balance as compared to three customer that comprised 51%, 29% and 16% for the comparative period in 2016.

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

	September 30, 2017	December 31, 2016
Within 30 days	961	615
31 to 60 days	579	226
61 to 90 days	75	67
Over 90 days	33	5
Allowance for doubtful accounts	-	-
Accounts receivable	1,648	913

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 2017 working capital requirements. Due to continued operating losses, the Corporation 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 loses, management may be required to obtain additional financial or assess other options. As at September 30, 2017, the Corporation had a current assets balance of $5,621 to settle current liabilities of $780.

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 bank debt and 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 low credit risk.

(In thousands of Canadian dollars except per share amounts)

9. FINANCIAL INSTRUMENTS (continued)

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 and accounts payable held in Canada.

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 September 30, 2017, the Corporation valued its cash and cash equivalents using Level 1 inputs. The Corporation does not have any Level 2 or 3 instruments.

10. COMMITMENTS

The Corporation has not committed to any material capital expenditures as at September 30, 2017.

The following table reflects the Corporations commitments as of September 30, 2017.

(000's CAD $)	2017	2018	2019	2020	2021
Operating Leases	30	42	43	82	83
Trade and other payables	780	-	-	-	-
Total	810	42	43	82	83

11. LOANS AND BORROWINGS

On January 20, 2015, the Corporation entered into an operating loan facility (revolving) in the amount of $5,000 with a financial institution which was reduced by management to $2,000 in December 2016. The credit facility bears interest at the bank's prime rate plus 1.0% with interest payable monthly, subject to certain financial ratio covenants and limited to 75% of a defined accounts receivable balance. The credit facility is secured by a general security agreement providing a first security interest over all present and after acquired personal property and specifically registered against any applicable serial-numbered equipment. As at September 30, 2017 the Corporation had not drawn any amount on the facility.

12. SUBSEQUENT EVENTS

Private Placement

On October 27, 2017 the Corporation announced that it successfully closed a $2.6 million private placement of unsecured, subordinated convertible debentures of the Corporation (the “Debentures”).

The Debentures mature on October 31, 2020 (the “Maturity Date”), bear interest at a rate of 10% per annum paid semi-annually, in arrears on December 31 and June 30 of each year, and are convertible into common shares in the capital of the Corporation (“Common Shares”) at a price of $0.49 per Common Share based on a conversion premium of approximately 25% to the last trade on the TSX Venture Exchange (the “TSXV”) on October 6, 2017 (being the date on which the Offering was announced), subject to adjustments in certain circumstances.

The principal amount of the Debentures (the “Principal Amount”) is convertible at the option of the holder at any time prior to the close of business on the earlier of (i) the business day immediately preceding the Maturity Date or, (ii) if called for redemption, on the business day immediately preceding the date fixed for redemption, or (iii) if called for repurchase pursuant to a transaction resulting in any person or persons acquiring voting control or direction over at least 50% of the aggregate voting rights attached to the Common Shares then outstanding, on the business day immediately preceding the payment date.

Insiders of the Corporation participated in the Offering and purchased Debentures having an aggregate Principal Amount of $950, or approximately 36% of the Offering. The Debentures issued are subject to a hold period under applicable securities laws until February 28, 2018.

Amended Revolving Operating Loan Facility & New Non-Revolving Acquisition Loan Facility

On October 27, 2017, the Corporation entered into an amended and restated commitment letter with Alberta Treasury Branches (the “Lender”) providing for a revolving operating loan facility in the initial principal amount of $3 million and a non-revolving acquisition loan facility in the amount of $2.5 million. The operating facility is to be used by the Corporation for working capital purposes and can be increased by an additional $2 million on the pro forma meeting of certain financial tests and at the Lender’s discretion. The acquisition loan facility is available to finance a portion of the acquisition (the “Acquisition”) of assets from Vortex Drilling Ltd. (“Vortex”) through Vortex’s court appointed receiver, Deloitte Restructuring Inc. (the “Receiver”). The acquisition facility is

12. SUBSEQUENT EVENTS (continued)

designed to be a bridge loan and the interest rate thereon will increase by 100 bps 120 days following closing.

Purchase of Vortex Assets

On October 30, 2017, the Corporation announced that it successfully completed the acquisition of assets from Vortex Drilling Ltd. through Vortex's court appointed receiver, Deloitte Restructuring Inc.

Under the terms of an asset purchase agreement with the Receiver, the Corporation agreed to purchase three complete tele-double drilling rigs and related assets from Vortex for a purchase price of $6.1 million.

Stampede Drilling Acquisition Agreement

On October 31, 2017, the Corporation entered into an agreement to acquire all of the issued and outstanding shares of Stampede Drilling Ltd. ("Stampede"), a private corporation which owns and operates 3 heavy telescopic double drilling rigs in the Weyburn/Estevan area of southeast Saskatchewan.

Under the terms of a pre-acquisition agreement with Stampede, the Corporation has agreed to make an offer to acquire all of Stampede's outstanding Shares for total consideration of approximately $7 million (plus the assumption of debt of approximately $2 million), consisting of the issuance of 22 million common shares of MATRRIX based on a deemed value of $0.31 per MATRRIX share. The deal is anticipated to close on or near November 21, 2017, and the final purchase price for accounting purposes will be based on the share price at the close date.

Private Placement

On October 31, 2017, the Corporation engaged an agent to complete a private placement of Matrrix common shares on a best efforts basis at a price of $0.31 per Matrrix share, for gross proceeds of approximately $7 million. Due to strong demand from existing and new shareholders, the Corporation announced an increase in the Private Placement to approximately $20 million and will now consist of approximately 64,520,000 common shares at a price of $0.31 per common share. The proceeds of the Private Placement will be used for capital expansion, repayment of debt, and working capital.