Management's Discussion & Analysis

MATRRIX Energy Technologies Inc.

For the Three Month Period Ended March 31, 2019

(Expressed in Canadian Dollars)

MATRRIX ENERGY TECHNOLOGIES INC.

(“MATRRIX” or the “Corporation”)

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019

The following management’s discussion and analysis (“MD&A”) should be read in conjunction with the March 31, 2019 unaudited interim condensed consolidated financial statements and the December 31, 2018 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), and the annual information form (“AIF”) for the year ended December 31, 2018. 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, and operating days, or unless otherwise noted.

This MD&A is dated May 15, 2019 and is in respect of the three month period ended March 31, 2019.

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.

FINANCIAL SUMMARY

	Three months ended March 31,		
(000’s CAD $)	**2019**	**2018**	**% Change**
Continuing operations			
Revenue	7,763	5,488	41%
Direct operating expenses	4,403	3,568	23%
Gross margin [1]	3,360	1,920	75%
Net income from continuing operations	1,211	795	52%
Basic and diluted per share	0.01	0.01	0%
Adjusted EBITDA [1]	2,499	1,567	59%
Basic and diluted per share	0.02	0.01	100%
Combined operations [2]			
Net income	2,041	200	921%
Basic and diluted per share	0.02	0.00	nm
Adjusted EBITDA [1]	3,028	1,152	163%
Basic and diluted per share	0.02	0.01	100%
Capital expenditures	255	313	(19%)
Weighted average common shares outstanding	131,614	128,472	2%
Weighted average diluted common shares outstanding	134,452	129,508	4%

nm - not meaningful

[1] Refer to "Non-GAAP Measures" for further information.

[2] Combined operations represents the aggregated results of both continuing and discontinued operations.

(000's CAD $)	As at March 31, 2019	2018	% Change
Current assets, including assets classified as held for sale	11,366	21,625	(47%)
Total assets	51,989	45,130	15%
Total current liabilities, including liabilities related to assets classified as held for sale	10,062	2,874	250%
Total non-current liabilities	3,529	2,341	51%
Shareholders' Equity	38,398	39,915	(4%)

NON-GAAP MEASURES

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

(i) Adjusted EBITDA is defined as "income (loss) from continuing operations before interest income, interest expense, taxes, business acquisition transaction costs, depreciation and amortization, share-based compensation expense, gains on disposal of property and equipment, impairment expenses, other income, foreign exchange, non-recurring restructuring charges, finance costs, accretion of debentures and other income/expenses, and any other items that the Corporation considers appropriate to adjust given the irregular nature and relevance to comparable operations." 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. Investors should be cautioned, however, that Adjusted EBITDA should not be construed as an alternative to net income (loss) and comprehensive income (loss) determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's method of calculating Adjusted EBITDA may differ from that of other organizations and, accordingly, its Adjusted EBITDA may not be comparable to that of other companies.

(000's CAD $)	Three months ended March 31, 2019	2018	% Change
Net income from continuing operations	1,211	795	52%
Depreciation	1,046	386	171%
Finance costs	175	109	61%
Other income	(42)	-	nm
Gain from equipment lost in hole	(15)	-	nm
Share-based payments	29	-	nm
Transaction costs	99	277	(64%)
Foreign exchange (gain) loss	(4)	-	nm
Adjusted EBITDA	2,499	1,567	59%

nm - not meaningful

(ii) Gross margin is defined as "gross profit from services revenue from continuing operations 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.

	Three months ended March 31,		
(000's CAD $)	2019	2018	% Change
Income from operations	2,422	1,534	58%
Depreciation of property and equipment	938	386	143%
Gross margin	3,360	1,920	75%
Gross margin %	43%	35%	23%

DESCRIPTION OF MATRRIX'S BUSINESS

Since inception, MATRRIX has been engaged in the provision of directional drilling services and technology for the oil and natural gas industry focused in the Western Canadian Sedimentary Basin. Starting in the second quarter of 2017, to complement its existing directional drilling operations, the Corporation developed a strategic plan for expansion into the drilling rig business. During the first quarter of 2019, MATRRIX operated in the provinces of Alberta and Saskatchewan.

On April 3, 2019, MATRRIX announced that it was discontinuing its directional drilling division to focus on the drilling rig business.

OUTLOOK & 2019 OPERATIONAL OVERVIEW

The Canadian Association of Oilwell Drilling Contractors' ("CAODC") average utilization for the first quarter of 2019 was 29%, down 28% from the corresponding 2018 period. Management believes the decrease in activity was primarily related to the Government of Alberta's mandated crude oil production curtailment program and continued pricing pressures related to pipeline capacity restraints in Western Canada. However, there is a sense of renewed optimism for increased forecasted activity in Western Canada with a newly elected Alberta government, which ran on a platform of regulatory and economic reform and a message that Alberta is "Open for Business". Notwithstanding the renewed optimism, the Corporation does not anticipate a significant recovery in Canadian activity in 2019 from 2018 levels.

Drilling Rig Division

Entering into its second full year of operations, the drilling rig division recorded net income of $1,211 and Adjusted EBITDA of $2,499 for the three months ended March 31, 2019 despite decreased drilling activity in Western Canada. Management believes the Corporation has been able to drive incremental revenue as a direct result of purchasing rigs that are of high quality and in high demand and have purchase prices below the cost of new builds. As at March 31, 2019, the Corporation has nine marketable drilling rigs, seven in Saskatchewan and two in Alberta. Overall utilization for the Corporation's drilling rig division in the first quarter of 2019 was 47%. The Corporation's two rigs that were upgraded and relocated from Saskatchewan to Alberta in the fourth quarter of 2018 continue to be highly utilized, with a combined utilization rate of 75.6% in the first quarter of 2019. The Corporation's Saskatchewan rigs had a combined utilization rate of 45%. The Corporation is optimistic that the current utilization rates for both Alberta and Saskatchewan will continue through 2019 based on the 2019 forecasted drilling programs for its current and future customers.

The Corporation continues to maintain a strong balance sheet. At March 31, 2019, the Corporation's total debt to EBITDA (see "Operating Loan Facility" in this MD&A for additional details) was 0.70 to 1. The Corporation anticipates having full access to its $15,000 Operating Loan Facility (the "Operating Loan") post spring breakup after cash

collections have been received from the winter drilling season. Management believes this access will provide the Corporation with flexibility to execute on strategic acquisitions, specific customer related upgrades and other opportunities that may arise and align with the Corporation's growth plan.

Directional Drilling Division

In April 2019, the Board of Directors approved the discontinuation of the Corporation's directional drilling operations starting in the second quarter of 2019 due to continued losses in the division since the first quarter of 2015. Management performed a thorough review of the directional drilling division, including the consideration of potential implications of all available options. Management and the Board of Directors determined that both significant capital investment which could not be projected to meet the Corporation's investment criteria, and major macroeconomic changes, which the Corporation could not project happening in the near future in Western Canada, would be required in order to see a path to profitability for the division. The Corporation is currently actively marketing its directional drilling assets.

CAPITAL AVAILABILITY AND CAPITAL PROGRAM

As at March 31, 2019, the Corporation had $3,284 available on the Operating Loan, which is available to fund its remaining 2019 capital program and to take advantage of further strategic opportunities which may arise. As of the date of this MD&A, the Corporation has committed $775 for rig upgrades as part of its 2019 recertification capital program.

FIRST QUARTER 2019 RESULTS OF CONTINUING OPERATIONS

	Three months ended March 31,		
(000's CAD $ except operating days)	**2019**	**2018**	**% Change**
Revenue	7,763	5,488	41%
Direct operating expenses	4,403	3,568	23%
Gross margin [1]	3,360	1,920	75%
Gross margin %	43%	35%	23%
Net income	1,211	795	52%
General and administrative expenses	998	353	183%
General and administrative expenses as a % of revenue	13%	6%	117%
Adjusted EBITDA [1]	2,499	1,567	59%
Adjusted EBITDA %	32%	29%	10%
Drilling rig operating days	378	306	24%
Drilling rig revenue per day	20.5	17.9	15%

[1] Refer to "Non-GAAP measures" for further information.

- Revenue in the first quarter of 2019 was $7,763, an increase of $2,275 (41%) compared to $5,488 in the first quarter of 2018. The increase was as a result of an increase in operating days due to the addition of two marketable rigs from seven at the end of the first quarter of 2018 to nine during the first quarter of 2019, and an increase in revenue per day of 15% from $17.9 in the first quarter of 2018 to $20.5 in the comparable 2019 period. The increase in revenue per day was related to the higher day rates in Alberta compared to in Saskatchewan as the Corporation relocated two rigs from Saskatchewan to Alberta during the second half of 2018.
- Operating days in the drilling rig division of 378 days in the first quarter of 2019 was a 24% increase over the 306 operating days in the first quarter of 2018, as a result of the increase in rig count. The drilling rig utilization for the quarter ended March 31, 2019 was 47%, 62% above the CAODC industry average utilization rate of 29%, but below the drilling rig utilization of 57% in the first quarter of 2018. The decrease in drilling rig utilization was a result of the increase in active rigs from seven at the end of March, 2018, to nine at the end of March, 2019.

- Direct operating expenses are primarily comprised of personnel, equipment, operating and repair costs, and shop expenses. Direct operating expenses for the three months ended March 31, 2019 were $4,403, up $835 (23%) from $3,568 for the three months ended March 31, 2018, also as a result of the increased operating days compared to the first quarter of 2018.
- For the first quarter ended March 31, 2019, gross margin as a percentage of revenue was 43%, up 23% from a gross margin of 35% in the first quarter of 2018. The increase in gross margin as a percentage of revenue was primarily a result of decreased maintenance costs per day compared to the first quarter of 2018 when additional non-capitalizable expenditures were made to put the rigs acquired in 2017 to use as well as fixed operating costs being allocated over more operating days and an increase in revenue per day.
- General and administrative expenses for the three months ended March 31, 2019 were $998, up $645 (183%) from $353 for the three months ended March 31, 2018, as a result of the increased headcount and the higher allocation of corporate expenses related to salaries, legal, IT, and rent from the directional drilling division in the first quarter of 2019.
- For the three months ended March 31, 2019, Adjusted EBITDA in the drilling rig division was $2,499, a $932 (59%) increase from $1,567 in the first quarter of 2018, as a result of the increase in active rig count and higher gross margin which was partially offset by the increased general and administrative expenses compared to the first quarter of 2018.

EXPENSES

General and Administrative Expenses

	Three months ended March 31,		
(000's CAD $)	**2019**	**2018**	**% Change**
Administrative expenses	380	172	121%
Salaries and benefits	481	181	166%
Share-based payments	29	-	nm
Depreciation of right-of-use assets	108	-	nm
Total general and administrative expenses	998	353	183%
Total general and administrative expenses as a % of revenue	13%	6%	117%

nm - not meaningful

Total general and administrative expenses for the quarter ended March 31, 2019 were $998, an increase of $645 (183%) from $353 in the first quarter of 2018. The primary reasons for the increase in general and administrative were the increased headcount and the increased allocation of administrative, salary, share-based payments, and legal expenses from the discontinued directional drilling division.

Depreciation of Property and Equipment

	Three months ended March 31,		
(000's CAD $)	**2019**	**2018**	**% Change**
Depreciation of property and equipment	938	386	143%

Depreciation expense for the quarter ended March 31, 2019 was $938, an increase of $552 (143%) from $386 for the quarter ended March 31, 2018. The primary reason for the increase was the Corporation's larger depreciable asset base due to the increased drilling rig count and capital investments made in 2018 to upgrade and relocate two rigs from Saskatchewan to Alberta.

Share-Based Payments

(000's CAD $)	Three months ended March 31, 2019	2018	% Change
Share-based payments	29	-	nm

nm - not meaningful

Share-based payments expense for the quarter ended March 31, 2019 relate to the expense of stock options issued to directors, officers, and employees of the Corporation.

Stock option expense fluctuates based on the share price of grants during the year, expiries and forfeitures of options and the effects of vesting.

At the date of this MD&A, 6,022 stock options and 131,769 common shares were outstanding.

Other Items

(000's CAD $)	Three months ended March 31, 2019	2018	% Change
Gain from equipment lost in hole	15	-	nm
Finance costs	(175)	(109)	61%
Other income	42	-	nm
Foreign exchange gain (loss)	4	-	nm
Transaction costs	(99)	(277)	(64%)
Other items	(213)	(386)	(45%)

nm - not meaningful

For the quarter ended March 31, 2019, the Corporation recorded a gain of $15 related to equipment lost downhole. The timing of lost-in-hole recoveries is not within the control of the Corporation and therefore can fluctuate significantly from period to period.

For the quarter ended March 31, 2019, finance costs were $175, a $66 (61%) increase from $109 for the first quarter of 2018. The increase was due to $67 interest charged on the Operating Loan related to capital projects completed in 2018 and $17 interest on lease liabilities as a result of IFRS 16, Leases, offset by a $18 decrease in accretion on convertible debentures.

Non-capitalizable transaction costs related to potential acquisitions of $99 were incurred in the first quarter of 2019, a decrease of $178 (64%) from $277 on acquisitions in the first quarter of 2018. Transaction costs represent non-capitalizable amounts directly related to drilling rig acquisitions which consist of due diligence and external legal fees.

RESULTS OF DISCONTINUED OPERATIONS

On April 3, 2019, the Corporation announced the discontinuation of its directional drilling division. As part of this process, the Corporation determined that the assets related to the directional drilling operations had met the criteria under "IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations", to be classified as held for sale on the consolidated statements of financial position as at March 31, 2019, and the related directional drilling operations to be presented on the consolidated statements of comprehensive income as discontinued operations. The criteria were met based on certain events that occurred during the first quarter of 2019, supporting the Corporation's intent and high probability of the sale of the assets of the directional drilling division.

The following table sets forth operating results from the discontinued operations for the three months ended March 31, 2019 and 2018:

	Three months ended March 31,		
(000's CAD $ except operating days)	**2019**	**2018**	**% Change**
Directional drilling revenue	1,835	1,987	(8%)
Direct operating expenses	928	1,619	(43%)
Gross margin [(1)]	907	368	146%
Gross margin %	49%	19%	158%
Directional drilling net income (loss)	830	(595)	(239%)
General and administrative expenses	385	865	(55%)
General and administrative expenses as a % of revenue	21%	44%	(52%)
Adjusted EBITDA [(1)]	529	(415)	(227%)
Adjusted EBITDA %	29%	(21%)	238%
Directional drilling operating days[(2)]	209	252	(17%)
Directional drilling revenue per day	8.8	7.9	11%

[(1)] Refer to "Non-GAAP measures" for further information.

[2] MATRRIX calculates a stand-by day as 0.5 of an operating day.

- Revenue from discontinued operations for the three month period ended March 31, 2019 was $1,835, a decrease of $152 (8%) from $1,987 in the prior year comparable period, as a result of a 17% decrease in operating days offset by an 11% increase in revenue per day.
- Direct operating expenses from discontinued operations for the three month period ended March 31, 2019 were $928, a decrease of $691 (43%) from $1,619 in the prior year comparable period. Gross margin as a percentage of revenue for the quarter ended March 31, 2019 was 49%, up 158% from 19% in the first quarter of 2018. The primary reason for the increase was the rebilling of repairs and maintenance costs of $285 to customers and the deferral of all non-essential repairs to the Corporation's owned equipment.
- General and administrative expenses from discontinued operations in the first quarter of 2019 were $385, a decrease of $480 (55%) compared to $865 in the first quarter of 2018. The overall decrease was a result of a reduction in headcount in the division and the reallocation of corporate expenses of salaries, legal, IT, and rent from the directional drilling division to the drilling rig division.
- The overall effect of the increase in revenue and the decrease in direct operating costs and general and administrative expenses resulted in Adjusted EBITDA of $529 in the first quarter of 2019, an increase of $944 (227%) from an Adjusted EBITDA loss of $415 in the first quarter of 2018.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Corporation's quarterly results for each of the last eight quarters:

	2019	2018				2017		
(000's CAD $)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Continuing operations								
Revenue	7,763	6,025	3,068	1,447	5,488	1,453	-	-
Gross margin [1]	3,360	2,454	869	443	1,920	482	-	-
Net income (loss)	1,211	424	(623)	(684)	795	(372)	-	-
Basic and diluted per share	0.01	0.00	0.00	(0.01)	0.01	(0.01)	-	-
Adjusted EBITDA [1]	2,499	1,422	150	(80)	1,567	269	-	-
Discontinued operations								
Revenue	1,835	541	1,717	600	1,987	3,531	1,933	1,061
Gross margin [1]	907	17	378	21	328	881	582	273
Net income (loss)	830	(2,423)	(281)	(737)	(595)	(4,092)	(743)	(976)
Basic and diluted per share	0.01	(0.02)	(0.01)	0.00	(0.01)	(0.05)	(0.02)	(0.03)
Adjusted EBITDA [1]	529	(337)	8	(539)	(415)	86	(135)	(353)
Combined operations								
Revenue	9,598	6,566	4,785	2,047	7,475	4,984	1,933	1,061
Gross margin [1]	4,267	2,471	1,247	464	2,248	1,363	582	273
Net income (loss)	2,041	(1,999)	(904)	(1,421)	200	(4,464)	(743)	(976)
Basic and diluted per share	0.02	(0.02)	(0.01)	(0.01)	0.00	(0.06)	(0.02)	(0.03)
Adjusted EBITDA [1]	3,028	1,085	158	(619)	1,152	355	(135)	(353)
Working capital [2]	1,304	(2,056)	4,611	6,291	18,751	17,823	4,841	3,756
Total assets [3]	51,989	46,435	43,096	43,411	45,130	42,525	13,455	13,034

[1] Refer to "Non-GAAP measures" for further information.

[2] Working capital includes assets held for sale and liabilities related to assets held for sale.

[3] Total assets include assets held for sale.

Comparative period information reflects the results of the continuing operations separately from the discontinued operations (see note 4 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019).

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 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.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary liquidity and capital resource needs are to fund ongoing capital expenditures and growth opportunities, to service its debt, including interest payments, and finance working capital needs. The Company's short-term and long-term liquidity needs are met through cash flow from operations, the Operating Loan, and debt and equity financings.

As at March 31, 2019, the Corporation had a positive working capital position of $1,304 with an available cash balance of $1,074, and the ability to utilize borrowings under the Operating Loan. In addition, any net proceeds from the sale of the directional drilling assets (comprised of assets held for sale and liabilities related to assets held for sale) are expected to be used to reduce debt. While the Corporation remains confident in its ability to execute on the sale of these assets, there are no assurances that the timing and/or the amount of proceeds from the sale will occur as planned, or at all. Please refer to the Corporation's disclosure under "Forward-Looking Information" included at the end of this MD&A.

Cash Flows from Operating Activities and Working Capital

(000's CAD $)	Three months ended March 31, 2019	2018	% Change
Funds flow	2,297	1,225	88%
Changes in non-cash working capital balances	(2,317)	(1,366)	70%
Cash flows from operating activities - continuing operations	(20)	(141)	(86%)

Cash outflows from operating activities for the first quarter of 2019 were $20, a decrease of $121 (86%) from outflows of $141 in the first quarter of 2018. The decrease was as a result of the increase in net income offset by increases in accounts receivable and payments on accounts payable.

Cash Flows from Investing Activities

(000's CAD $)	Three months ended March 31, 2019	2018	% Change
Additions to property and equipment	(255)	(313)	(19%)
Cash paid for D2 acquisition	-	(523)	(100%)
Proceeds from equipment lost in hole	194	-	nm
Changes in non-cash working capital balances	(1,619)	-	nm
Cash flows from investing activities - continuing operations	(1,680)	(836)	101%

nm - not meaningful

During the first three months of 2019, the Corporation purchased $255 in property and equipment compared to $313 in the first three months of 2018. Purchases of property and equipment in 2019 were related to drilling rig recertifications.

During the quarter ended March 31, 2019, the Corporation received $194 related to proceeds from equipment lost in hole.

Changes in non-cash working capital balances relating to investing activities in the first quarter of 2019 were $1,619 and were payments on accounts payable relating to capital expenditures in the fourth quarter of 2018.

Cash Flows from Financing Activities

(000's CAD $)	Three months ended March 31, 2019	2018	% Change
Proceeds from operating loan	3,224	-	nm
Stock options exercised	-	2	(100%)
Finance lease payments	(99)	-	nm
Cash flows from financing activities - continuing operations	3,125	2	nm

nm - not meaningful

During the first quarter of 2019, the Corporation drew $3,224 on the Operating Loan in order to fund changes in non-cash working capital balances, compared to $nil in the first quarter of 2018.

Payments on finance leases were $99 in the first three months of 2019, compared to $nil in the first three months of 2018, a result of the adoption of IFRS 16 on January 1, 2019. Please refer to the heading *Adoption of New IFRS* below for more information on the Corporation's adoption of IFRS 16.

Operating Loan Facility

On December 20, 2018, the Corporation established a new demand operating revolving loan facility (the "Operating Loan") with a Canadian chartered bank (the "Bank"). The Operating Loan is subject to a maximum of $10,000 until the Corporation delivers a certificate of compliance for the first quarter of 2019 evidencing compliance with its financial covenants under the Operating Loan, at which time the total credit capacity will be up to, but not exceeding, a maximum of $15,000. The Operating Loan is comprised of the following margin requirements:

(i) 75% of acceptable receivables from non-investment grade customers; plus
(ii) 85% of acceptable receivables from investment grade customers and major customers; plus
(iii) 50% of the net orderly liquidation value of capital assets and equipment; less
(iv) Potential prior ranking claims; less accounts receivables of the Corporation that have been sold or factored, whether to the bank or another third party.

The Operating Loan bears interest at the Bank's prime rate plus 85 basis points and is secured by a general first ranking security interest in all present and after-acquired assets, personal property, and undertakings of the Corporation.

The Operating Loan is subject to the following financial covenants:

	Covenant	March 31, 2019
Interest Coverage Ratio (1)	3.00:1.00 or more	23.27:1.00
Net Funded Debt to EBITDA Ratio (2)	3.00:1.00 or less	0.70:1.00

(1) Interest Coverage is calculated as the ratio of EBITDA as at such date to interest expense for the 12 months ending as at such date.
(2) Net Funded Debt to EBITDA is calculated as total interest-bearing indebtedness on a consolidated basis excluding cash and cash equivalents held by the Bank and loans which have been subordinated and postponed in favour of the Bank to EBITDA.

For the purposes of the Operating Loan, EBITDA is calculated as net income plus interest expense, income taxes, depreciation and amortization, other non-cash charges, transaction costs not to exceed $1,500, cash dividends, and losses attributable to minority equity investments, less EBITDA attributable to the directional drilling division assets disposed of during the discontinuation of that division, non-cash gains, and income attributable to minority equity investments.

EBITDA shall be calculated on a trailing twelve-month basis except as follows:

- for the first fiscal quarter ending March 31, 2019, EBITDA shall be calculated for the fiscal quarter and the immediately preceding fiscal quarter times two; and
- for the second fiscal quarter ending June 30, 2019, EBITDA shall be calculated for the fiscal quarter and the two immediately preceding fiscal quarters divided by 0.75.

As at March 31, 2019, $6,716 was drawn on the Operating Loan and the Corporation is in compliance with all covenants related thereto.

COMMITMENTS

In the normal course of operations, the Corporation enters into various commitments that will have an impact on future operations.

The following table reflects the Corporation's commitments as of March 31, 2019:

(000's CAD $)	2019	2020	2021	2022	2023	2024
Operating loan	6,716	-	-	-	-	-
Lease obligations [(1)]	325	420	276	237	139	121
Trade and other payables	1,982	-	-	-	-	-
Total	9,023	420	276	237	139	121

(1) Lease obligations include $27 related to a short-term lease which will be recognized on a straight-line basis as an expense.

As of the date of this MD&A, the Corporation has committed $775 related to rig upgrades.

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 division.

Credit risk arises from the potential that one or more counterparties fails 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 creditworthiness 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.

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

During the quarter ended March 31, 2019, MATRRIX had three customers that comprised 17%, 22% and 35% of total revenue, compared to two customers that comprised 22% and 64% of total revenue in the first quarter of 2018. For the accounts receivable balances outstanding at March 31, 2019, MATTRIX has three customers that comprised 11%, 11% and 52% of the total balance compared to two customers that comprised 20% and 64% of the total balance at March 31, 2018.

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

	March 31, 2019	December 31, 2018
Within 30 days	2,577	2,333
31 to 60 days	4,657	1,977
61 to 90 days	418	1,005
Allowance for doubtful accounts	(130)	(81)
Accounts receivable	7,522	5,234

As at the date of this MD&A, MATRRIX has collected 76% of the March 31, 2019 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 2019 working capital requirements. As at March 31, 2019, the Corporation had working capital (which includes assets held for sale and liabilities related to assets held for sale) of $1,304 (December 31, 2018 – negative working capital of $2,056).

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 is exposed to interest rate fluctuations on its operating loan facility, which bears interest at floating market rates. For the quarter ended March 31, 2019, if the prime interest rate increased/decreased by 1%, with all other variables held constant, the Corporation's net loss would have increased/decreased $16. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

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 March 31, 2019, 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, 2019, based on the purchase price of $1 per debenture.

NEW IFRS STANDARD ADOPTED

On January 1, 2019, Matrrix adopted IFRS 16, Leases, using the modified retrospective method. Please see the unaudited March 31, 2019 Interim Condensed Consolidated Financial Statements and related notes for further information on the adoption of the new standard.

Impact of IFRS on Adjusted EBITDA

Effective January 1, 2019, Matrrix adopted IFRS 16 using the modified retrospective approach and comparative information was not restated. As a result, the comparability of Adjusted EBITDA after January 1, 2019 to periods prior to that date is impacted.

Under IFRS 16, finance leases are recognized on the statement of financial position as right-of-use assets and corresponding lease obligations. Right-of-use assets are depreciated on a straight-line basis over the estimated useful life of the assets or the lease terms, whichever is shorter. The lease obligation is measured at amortized cost using the effective interest method. As lease payments are made, the lease obligation is reduced.

Prior to the adoption of IFRS 16, operating lease expenses were recognized at the time of payment in general and administrative expenses. Under IFRS 16, lease costs are reflected on the statement of comprehensive income (loss) through depreciation and interest expense, resulting in an increase to Adjusted EBITDA.

The Corporation recorded right-of-use assets and corresponding lease obligations of $1,589 at January 1, 2019. For the quarter ended March 31, 2019, the Corporation made lease payments of $117, recorded depreciation on right-of-use assets of $108 and interest on lease liabilities of $19. As a result of the new lease standard, Adjusted EBITDA (including the results of discontinued operations) was positively impacted by $75 and net income was negatively impacted by $8.

RISKS AND UNCERTAINTIES

A discussion of the Corporation's business and operational risks is set out in the Corporation's most recent AIF under the heading "Risk Factors" a copy of which can be found under the Corporation's profile at www.sedar.com. Additionally, see "Financial Instruments" and "Forward-Looking Information" in this MD&A for additional information regarding the risks to which MATRRIX and its business and operations are subject. If any of such risks or uncertainties actually occur, the Corporation's business, financial condition or operating results could be harmed substantially and could differ materially from the plans and other forward-looking information discussed in this MD&A.

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 expectation that the Corporation's current drilling rig utilization will continue for the remainder of 2019; the expectation that there will not be a significant recovery in industry activity in 2019 from 2018 levels; the view that the Corporation has a strong balance sheet and its expectation of having full access to its operating loan facility and the flexibility that provides; the expectation of increased forecasted activity with the new Government of Alberta; and the expectation regarding the sale of the Corporation's directional drilling assets and use of any net proceeds 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.