MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS OCTOBER 28, 2017 2ND QUARTER OF FISCAL 2018

Sigma Industries Inc. (TSX-V: SSG), a manufacturing company specializing in the production of composite components, has two operating subsidiaries and employs 275 people. The Company is active in the heavy-duty truck, coach, transit, machinery and wind energy markets. Sigma sells its products to original equipment manufacturers and distributors in the United States, Canada and Europe. The common shares of the Company trade on the TSX Venture Exchange under ticker symbol SSG.

MESSAGE TO SHAREHOLDERS

Sigma Industries Inc. recorded another solid financial and operating performance in the second quarter of its 2018 fiscal year. Revenues increased 12.7% as compared to the previous year and we registered higher year-over-year sales in all our principal markets. The progress was more significant in the bus and industrial markets where customer demand for our high-quality products remains strong, while business activity in the heavy-duty truck industry continues to gradually improve.

More importantly, operating profitability remained solid, as our constant efforts to enhance productivity more than offset higher labour costs due to a workforce shortage and unfavourable currency movements. EBITDA reached $976,000, or 6.9% of sales, while net income totalled $377,000, or $0.03 per basic share, up from $150,000 or $0.01 per share last year.

As mentioned at the end of the first quarter, Sigma Industries stepped up the pace of its capital investments as part of a modernization program of its facilities and equipment. During the second quarter, we invested approximately $1.0 million, mainly in equipment aimed at increasing the automation of our operating activities.

We believe these investments, combined with our proven reputation for innovation and high-quality solutions, will further enhance our momentum and allow Sigma Industries to remain at the forefront of business opportunities that may arise. We are satisfied with the progress accomplished to this day and we will proactively seek additional initiatives to improve our efficiency.

In parallel, we continue to carefully study the U.S. market as part of our participation in the Québec government's Accelerated Growth Center program. We are in the process of finding an optimal location to set up a manufacturing facility in the United States in order to benefit from a closer proximity with our U.S.-based clients and better labour availability. We are confident that this initiative will contribute to further increase our reach south of the border and provide Sigma Industries with several growth opportunities, as we align our business strategy with the evolution of the American market.

Looking ahead, market conditions should remain healthy in the majority of our market niches. Given this mostly favourable backdrop, Sigma Industries is well positioned to make further progress as it remains focused on generating additional sales by diversifying its product offering and stepping up penetration of existing customers.

Our drive to optimize overall efficiency will leverage our proven reputation as an innovative provider of value-added composite products and systems. By building on its core strength, Sigma Industries is committed to create lasting value for its shareholders.

Denis Bertrand
Chairman and Chief Executive Officer
Sigma Industries Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Scope of Management's Discussion and Analysis

In this Management's Discussion and Analysis ("MD&A"), the "Company", "we", "us", and "our" refer to Sigma Industries Inc. and its subsidiaries.

The following analysis provides a review of the Company's results of operations and cash flows for the three-month and six-month periods ended October 28, 2017 compared with the three-month and six-month periods ended October 29, 2016 and its financial position as at October 28, 2017 compared to April 29, 2017. This document should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes for the three-month and six-month periods ended October 28, 2017 and October 29, 2016 as well as the Company's 2017 Annual Report. Additional information concerning Sigma Industries Inc. may be found on the SEDAR web site, at www.sedar.com.

The following information takes into account all material events that took place until December 13, 2017, the date on which the Company's Board of Directors approved this MD&A.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars unless otherwise noted.

Non-IFRS Financial Measures

This MD&A contains certain information that are not financial measures prescribed under IFRS. For example, the Company uses earnings before interest, taxes, depreciation and amortization ("EBITDA") and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). EBITDA is obtained by adding net income plus income taxes expenses, financial expenses, as well as depreciation and amortization. Adjusted EBITDA consists of EBITDA plus (minus) items not related to current operations, such as the net loss (gain) in the fair value of foreign exchange derivatives. These measures allow management to evaluate the operational performance of the Company and the performance of its assets.

EBITDA and adjusted EBITDA do not have any meaning prescribed by IFRS. These are not designed to replace other measures of financial performance or the statement of cash flows as an indicator of liquid assets. These measures do not represent the funds available for the repayment of debt, the payment of dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other measures of performance calculated according to IFRS.

These measures are used by the Company because management believes they provide useful information regarding performance. They are tools frequently used in the business world to analyze and compare the performance of businesses in the sectors in which the Company and its subsidiaries operate. The definition of the measures adopted may differ from those of other businesses. This MD&A provides accounts and analysis of EBITDA in the "Consolidated Results of Operations" section.

Reconciliation of EBITDA, adjusted EBITDA and Net income				
	Three-months ended		**Six-months ended**	
(in thousands of Canadian dollars)	**Oct. 28, 2017** $	**Oct. 29, 2016** $	**Oct. 28, 2017** $	**Oct. 29, 2016** $
Net income	377	150	1,821	436
PLUS (minus):				
Income tax expense	150	-	300	-
Depreciation and amortization	218	299	597	713
Write-off of financial expenses and fees	-	192	-	192
Financial expenses	231	229	464	519
EBITDA	**976**	**870**	**3,182**	**1,860**
Plus (minus):				
Net loss (gain) in fair value of foreign exchange derivatives	338	332	(1,028)	545
Adjusted EBITDA	**1,314**	**1,202**	**2,154**	**2,405**

Company Overview

Who are we?

As at October 28, 2017, the Company had the following wholly-owned operating subsidiaries:

- René Composites Materials Ltd. ("René"), located in Saint-Éphrem-de-Beauce, Quebec, and in Sainte-Clotilde, Quebec, specializes in the manufacturing of composite parts for the road transport and public transit industries, such as parts for Class 7 and 8 trucks and composite bus flooring. In the last 30 years, René has developed strong relationships with its customers and its suppliers to become the leader in its field of expertise. Innovation, creativity and research into new production technologies allowed René to gain worldwide recognition from the major manufacturers in the heavy trucking industry.

- Faroex Ltd. ("Faroex"), located in Gimli, Manitoba, specializes in the manufacturing of composite components for the road transportation, agriculture and wind energy industries.

The Company's consolidated financial statements for the three- and six-month periods ended October 28, 2017 and October 29, 2016 include the financial statements of the following significant companies:

- Faroex, Sigma and René for the period starting on April 30, 2017 and ending on October 28, 2017, or a six-month period.
- Faroex, Sigma and René for the period starting on May 1, 2016 and ending on October 29, 2016, or a six-month period.

Second Quarter Summary:

- Revenues for the second quarter of fiscal 2018 amounted to $14.2 million, compared with $12.6 million in the second quarter of fiscal 2017. This increase of $1.6 million, or 12.7%, essentially reflects higher sales to the bus and industrial markets due to higher customer orders, as well as higher revenues from the heavy-duty truck industry resulting from improving market conditions.

- EBITDA reached $975,812, representing 6.9% of revenues, in the second quarter of fiscal 2018, up from $870,183, or 6.9% of revenues, a year earlier. The increase in dollars is attributable to greater business activity and better productivity, partially offset by higher labour costs and year-over-year currency fluctuations.

- Sigma Industries concluded the second quarter of fiscal 2018 with net income of $376,696, or $0.03 per basic share ($0.01 per diluted share), compared with net income of $149,746, or $0.01 per basic share ($0.01 per diluted share) in the second quarter of fiscal 2017.

Growth Objectives

For fiscal 2018, the Company's development strategy consists of:

- Increasing sales by diversifying the product offering and stepping up penetration of existing customers;
- Further optimizing the work flow to reduce unit costs and improve operating efficiency.

Heavy-Duty Truck (Class 8) Industry Overview

Over the past decade, sales of heavy-duty trucks (Class 8) have mostly fluctuated in response to changes in global economic conditions and in the US Environmental Protection Agency (EPA) regulations. The last significant change in EPA regulations changes became effective in January 2010 and resulted in an increase of new vehicle orders in the late stages of 2009 and in a decrease at the beginning of 2010. This was followed by a period of higher heavy-duty truck sales between mid-2010 and mid-2012 resulting from the global economic recovery. After declining slightly for several quarters due to political, economic and fiscal uncertainty in the United States, sales picked-up on a year-over-year basis between mid-2013 and mid-2015, reflecting a strong US economy. Finally, following several quarters of declining sales related to a slowdown in global economic growth, market activity has picked up in the early stages of the Company's 2018 fiscal year.

Table 1 shows monthly Class 8 (33,001 lbs +) truck sales per manufacturer for the three-month period ended October 28, 2017:

TABLE 1

Retail Sales of Class 8 Trucks - Months from August 2017 to October 2017

	August 2017		September 2017		October 2017		2nd Quarter 2018		2nd Quarter 2017	
Manufacturer	Units	Month-over-month %	Units	Month-over-month %	Units	Month-over-month %	Units	Quarter-over-quarter change %	Units	Quarter-over-quarter change %
Freightliner	5,848	(4.6%)	7,252	41.3%	6,334	44.9%	19,434	24.3%	15,629	(35.8%)
International	2,751	39.9%	1,995	24.1%	2,801	28.0%	7,547	31.0%	5,763	(15.9%)
Kenworth	2,427	(3.5%)	2,689	(3.7%)	2,769	31.4%	7,885	6.3%	7,415	(25.1%)
Mack	1,372	6.2%	1,312	(4.4%)	1,063	(6.9%)	3,747	(1.6%)	3,806	(20.6%)
Peterbilt	2,761	22.2%	2,604	21.0%	3,076	48.7%	8,441	30.2%	6,481	(19.6%)
Volvo	1,513	(10.8%)	1,384	(11.1%)	1,500	6.1%	4,397	(5.8%)	4,667	(34.2%)
Other	524	27.2%	442	21.8%	403	20.3%	1,369	23.3%	1,110	(8.5%)
Total	17,196	5.7%	17,678	18.1%	17,946	31.7%	52,820	17.7%	44,871	(27.9%)

Source: Automotive News Data Center

Table 2 shows quarterly Class 8 (33,001 lbs +) truck sales for the years 2009 to 2018 harmonized with the Company's fiscal quarters:

TABLE 2

Retail Sales of Class 8 Trucks - Per quarter harmonized with the fiscal quarters of the Company

	First quarter		Second quarter		Third quarter		Fourth quarter		Total	
Year	Units	Quarter-over-quarter change %	Units	Quarter-over-quarter change %	Units	Quarter-over-quarter change %	Units	Quarter-over-quarter change %	Units	Year-over-year change %
2018	48,901	22.7%	52,820	8.0%						
2017	49,779	(5.3%)	44,871	(9.9%)	40,967	(8.7%)	39,862	(2.7%)	175,479	(27.2%)
2016	70,275	19.2%	62,238	(11.4%)	55,971	(10.1%)	52,581	(6.1%)	241,065	2.8%
2015	56,193	16.6%	61,772	9.9%	57,486	(6.9%)	58,967	2.6%	234,418	21.6%
2014	46,750	13.1%	49,439	5.8%	48,399	(2.1%)	48,193	(0.4%)	192,781	3.8%
2013	51,917	4.6%	46,741	(10.0%)	45,784	(2.0%)	41,319	(9.8%)	185,761	(2.8%)
2012	40,822	16.9%	48,446	18.7%	52,125	7,6%	49,631	(4.8%)	191,024	60.7%
2011	26,380	5.2%	26,950	2.2%	30,601	13.5%	34,906	14.1%	118,837	20.3%
2010	22,464	6.4%	23,420	4.3%	27,785	18.6%	25,079	(9.7%)	98,748	(17.5%)
2009	34,211	4.8%	33,686	(1.5%)	30,719	(8.8%)	21,122	(31.2%)	119,738	(7.0%)

Source: Automotive News Data Center

Table 3 shows annualized Class 8 (33,001 lbs +) truck sales per manufacturer for the years 2013 to 2017 harmonized with the Company's fiscal years:

TABLE 3

Retail Sales of Class 8 trucks - Annualized from May to April

	2013		2014		2015		2016		2017	
Manufacturer	Units	Year-over-year change %	Units	Year-over-year change %	Units	Year-over-year change %	Units	Year-over-year change %	Units	Year-over-year change %
Freightliner	65,758	14.8%	67,605	2.8%	84,350	24.8%	95,460	13.2%	62,865	(34.2%)
International	30,387	(22.8%)	28,444	(6.4%)	30,885	8.6%	27,475	(11.0%)	18,575	(32.4%)
Kenworth	25,155	(6.0%)	27,456	9.2%	34,020	23.9%	35,325	3.8%	27,074	(23.4%)
Mack	16,334	12.2%	17,034	4.3%	20,535	20.6%	19,673	(4.2%)	16,500	(16.1%)
Peterbilt	25,435	(9.8%)	25,850	1.6%	31,961	23.6%	30,192	(5.5%)	26,470	(12.3%)
Volvo	19,417	(13.7%)	23,325	20.1%	28,310	21.4%	27,675	(2.2%)	19,366	(30.0%)
Others	3,275	38.4%	3,067	(6.4%)	4,357	42.1%	5,265	20.8%	4,629	(12.1%)
Total	185,761	(2.8%)	192,781	3.8%	234,418	21.6%	241,065	2.8%	175,479	(27.2%)

Source: Automotive News Data Center

Consolidated Results of Operations

Summary of quarterly consolidated results data
(unaudited, in thousands of Canadian dollars, except per share amounts)

Fiscal 2018 quarters ended	July 29, 2017 $	October 28, 2017 $			
Revenues	15,382	14,228			
EBITDA*	2,207	976			
Net income	1,445	377			
Per share (basic)	0.12	0.03			
Per share (diluted)	0.05	0.01			

Fiscal 2017 quarters ended	July 30, 2016 $	October 29, 2016 $	January 28, 2017 $	April 29, 2017 $	Total $
Revenues	13,411	12,621	13,078	15,505	54,615
EBITDA*	990	870	1,310	485	3,655
Net income	287	150	733	646	1,815
Per share (basic)	0.02	0.01	0.06	0.05	0.15
Per share (diluted)	0.01	0.01	0.03	0.02	0.07

Fiscal 2016 quarters ended	August 1, 2015 $	October 31, 2015 $	January 30, 2016 $	April 30, 2016 $	Total $
Revenues	16,489	17,951	15,053	15,430	64,923
EBITDA*	1,035	1,462	900	1,344	4,741
Net income	287	718	210	652	1,867
Per share (basic and diluted)	0.02	0.06	0.03	0.05	0.16

***** EBITDA is a non-IFRS financial measure obtained by adding net income plus income taxes expense, financial expenses, as well as depreciation and amortization.

Revenues

Consolidated revenues reached $14.2 million in the second quarter of fiscal 2018 compared with $12.6 million in the second quarter of fiscal 2017. This increase of $1.6 million, or 12.7%, essentially reflects higher sales to the bus and industrial markets due to higher customer orders, as well as higher revenues from the heavy-duty truck industry resulting from improving market conditions.

For the six-month period ended October 28, 2017, consolidated revenues amounted to $29.6 million, up 13.7% from $26.0 million in the six-month period ended October 29, 2016. This increase is essentially attributable to the aforementioned factors.

Segmented Information

Revenues by product line (in thousands of Canadian dollars)

	Three-month periods ended				Six-month periods ended			
	October 28, 2017		October 29, 2016		October 28, 2017		October 29, 2016	
	$	%	$	%	$	%	$	%
Heavy-duty truck - Class 8	7,452	52.4%	7,137	56.6%	15,555	52.5%	14,686	56.4%
Bus	4,124	29.0%	3,536	28.0%	8,271	27.9%	7,013	26.9%
Agriculture	425	3.0%	415	3.3%	1,044	3.5%	1,080	4.2%
Wind energy	1,119	7.9%	1,053	8.3%	2,418	8.2%	2,063	7.9%
Industrial	1,108	7.8%	480	3.8%	2,322	7.8%	1,190	4.6%
	14,228	100.0%	12,621	100.0%	29,610	100.0%	26,032	100.0%

Revenues by geographic region (in thousands of Canadian dollars)

	Three-month periods ended				Six-month periods ended			
	October 28, 2017		October 29, 2016		October 28, 2017		October 29, 2016	
	$	%	$	%	$	%	$	%
United States	7,743	54.4%	8,085	64.1%	15,959	53.9%	15,974	61.4%
Canada	6,327	44.5%	4,064	32.2%	12,987	43.9%	9,131	35.1%
Others	158	1.1%	472	3.7%	664	2.2%	927	3.5%
	14,228	100.0%	12,621	100.0%	29,610	100.0%	26,032	100.0%

Note: due to rounding, the sum of results for the quarters may slightly differ from total revenues by product line or by geographic region.

Revenues from the United States totalled $7.7 million, or 54.4% of revenues, in the second quarter of fiscal 2018 compared with $8.1 million, or 64.1% of revenues, in the second quarter of fiscal 2017. This variation reflects a lower year-over-year average conversion rate applied to U.S. dollar denominated sales, partially offset by higher sales to the industrial market. For the first half of fiscal 2018, revenues from the United States remained stable at $16.0 million.

Revenues from Canada reached $6.3 million, or 44.5% of revenues, in the second quarter of fiscal 2018 compared with $4.1 million, or 32.2% of revenues, in the second quarter of fiscal 2017. The increase is due to higher sales to the bus and heavy-duty truck markets. For the first half of fiscal 2018, revenues from Canada amounted to $13.0 million, up from $9.1 million a year earlier.

Revenues from five major customers accounted for 84.3% of the Company's total revenues in the first half of fiscal 2018, versus 83.6% in the first half of fiscal 2017. Three of these customers accounted for more than 10% of the Company's total revenues in the first six months of fiscal 2018 and fiscal 2017. In the first half of fiscal 2018, the Company's largest customer accounted for revenues more than 2.0 times (2.0 times in the first half of fiscal 2017) higher than those of the Company's second largest customer.

Generally speaking, the Company's revenues are not subject to seasonal factors.

Cost of sales and operating expenses

Cost of sales and operating expenses reached $13.2 million, or 92.6% of the Company's revenues in the second quarter of fiscal 2018, compared with $11.5 million, or 90.8% of revenues in the second quarter of fiscal 2017.

For the six-month period ended October 28, 2017, cost of sales and operating expenses totalled $27.3 million, or 92.4% of revenues, versus $23.9 million, or 91.6% of revenues in the six-month period ended October 28, 2016.

The increase in dollars reflects higher sales for the three- and six-month periods ended October 28, 2017, compared to the three- and six-month periods ended October 29, 2016. The increase as a percentage of revenues mainly reflects higher labour costs due to a labour shortage in the Beauce region and unfavourable year-over-year currency fluctuations. These factors were partially offset by constant efforts to improve productivity.

Foreign exchange loss (gain)

The Company recorded a foreign exchange loss of $81,711 in the second quarter of fiscal 2018, versus a loss of $295,043 in the second quarter of fiscal 2017. The fiscal 2018 loss includes a $338,286 loss related to variations in the fair value of foreign exchange derivatives, partially offset by a $256,575 gain on balance sheet items labelled in foreign currency. The fiscal 2017 loss included a $331,999 loss related to variations in the fair value of foreign exchange derivatives, partially offset by a $36,956 gain on balance sheet items labelled in foreign currency.

During the second quarter of fiscal 2018, the Canadian dollar moved from a closing rate of 1.2447 on July 29, 2017 to a rate of 1.2874 on October 28, 2017, but fluctuated between 1.2128 and 1.2874 during the period as compared to a closing rate of 1.3056 as at July 30, 2016 and to a rate of 1.3384 as at October 29, 2016. To reduce the impact of future foreign exchange gains or losses, the Company can conclude contracts to buy or sell foreign currencies at various forward rates. Please refer to section Currency risk for more details.

All foreign exchange derivatives are booked at market value and any fluctuations are reflected directly within the Statement of income. Therefore, the loss related to variations in the fair value of foreign exchange derivatives in the second quarter of fiscal 2018 is mainly attributable to the mark-to-market effect due to exchange rate fluctuations.

For the first six months of fiscal 2018, Sigma Industries recorded a foreign exchange gain of $924,201, including a $1.0 million gain related to variations in the fair value of foreign exchange derivatives, partially offset by a $104,253 loss on balance sheet items labelled in foreign currency. This compares with a loss of $321,535 last year, including a $545,466 loss on the fair value of derivatives, partially offset by a $223,931 gain on other items.

Write-off of financial expenses and fees related to new financing

During the second quarter of fiscal 2017, the Company recorded a charge of $191,925 related to a new financing agreement. This charge included the write-off of financial expenses of $156,398 and early-repayment fees of $35,527.

EBITDA

EBITDA is a financial measure not prescribed under IFRS. For further details, refer to the "Non-IFRS Financial Measures" section, beginning on page 3.

The Company recorded EBITDA of $975,812, representing 6.9% of revenues, in the second quarter of fiscal 2018, versus $870,183, or 6.9% of revenues, a year earlier. The improvement in dollars reflects the aforementioned factors that affected the cost of sales and operating expenses, as well as the lower foreign exchange loss recorded in the second quarter of fiscal 2018.

For the six-month period ended October 28, 2017, EBITDA stood at $3.2 million, or 10.8% of revenues, up from $1.9 million, or 7.1% of revenues in the six-month period ended October 29, 2016.

Financial expenses

Financial expenses held relatively steady, amounting to $231,355 in the second quarter of fiscal 2018, versus $229,605 in the second quarter of fiscal 2017. For the first six months of fiscal 2018, financial expenses were $464,203, down from $519,435 in the first six months of fiscal 2017. This decrease reflects a lower year-over-year outstanding balance on the bank loan in the first half of fiscal 2018, as well as a lower average interest rate on the bank loan in fiscal 2018, when compared to the previous year.

Depreciation and amortization

Depreciation and amortization for the three- and six-month periods ended October 28, 2017 reached $217,761 and $597,383, respectively, versus $298,907 and $712,637, respectively, in the three- and six-month periods ended October 29, 2016. These variations mainly reflect the end of the amortization period for certain capital equipment.

Income before income taxes and income tax expense

For the three- and six-month periods ended October 28, 2017, Sigma Industries recorded income before income taxes of $526,696 and $2.1 million, respectively, up from $149,746 and $436,240, respectively, in the three- and six-month periods ended October 29, 2016. These year-over-year increases are explained by the aforementioned factors.

For the three- and six-month periods ended October 28, 2017, the Company recorded income tax expenses of $150,000 and $300,000, respectively, while it did not record any income tax expense in the three- and six-month periods ended October 29, 2016.

Net income

The Company's net income for the three-month period ended October 28, 2017 amounted to $376,696, or $0.03 per basic share ($0.01 per diluted share), compared with net income of $149,746, or $0.01 per basic share ($0.01 per diluted share), in the three-month period ended October 29, 2016. For the first half of fiscal 2018, net income reached $1.8 million, or $0.16 per basic share ($0.06 per diluted share), up from $436,240, or $0.04 per basic share ($0.02 per diluted share) in the first half of fiscal 2017. These year-over-year increases are explained by the aforementioned factors.

Financial position

Summary of Consolidated financial position data

(in thousands of Canadian dollars)	As at October 28, 2017 $	 April 29, 2017 $	 April 30, 2016 $
Current assets	15,576	14,702	15,250
Total assets	26,252	24,839	24,896
Current liabilities	11,267	11,385	17,332
Long-term debt (including current portion)	7,888	8,215	5,184
Convertible loans and debentures (incl. current portion)	1,107	1,088	2,640
Total liabilities	19,138	19,553	21,197
Shareholders' Equity	7,114	5,286	3,699

Assets

Total assets reached $26.3 million as at October 28, 2017, up from $24.8 million as at April 29, 2017. This variation mainly reflects an increase in the value of current assets, and of property, plant and equipment, as detailed below.

The value of current assets was $15.6 million as at October 28, 2017, versus $14.7 million as at April 29, 2017. This variation is mainly attributable to an increase of $647,373 in the Company's cash balance due to a solid cash flow generation. In addition, the value of accounts receivable rose $465,464 mainly as a result of a rise in fair value of derivative foreign currency forward contracts in the first half of fiscal 2018.

With regards to long-term assets, the value of property, plant and equipment stood at $9.1 million as at October 28, 2017, versus $8.1 million as at April 29, 2017. The variation reflects additions to property plant and equipment of $1.4 million in excess of a depreciation charge of $463,474 during the six-month period ended October 28, 2017.

The value of intangible assets reached $855,074 as at October 28, 2017, down from $954,865 as at April 29, 2017. This decline is essentially due to an amortization charge of $133,909 in excess of additions of $34,118 to intangible assets during the six-month period ended October 28, 2017.

Liabilities

As at October 28, 2017, the Company's total liabilities were $19.1 million, down from $19.6 million as at April 29, 2017.

The value of current liabilities was $11.3 million as at October 28, 2017, versus $11.4 million as at April 29, 2017. This variation mainly reflects a $948,144 decrease in trade and other payables due to the rise in fair value of derivative foreign currency forward contracts in the first half of fiscal 2018, partially offset by an increase of $641,183 in deferred revenues.

As at October 28, 2017, the Company was using an amount of $2.1 million from an authorized bank line of credit of $8.5 million, bearing interest at prime rate plus 0.55%. A moveable hypothec on accounts receivable, inventories and all present and future, tangible and intangible assets has been given as security. This credit facility matures in August 2018.

Long-term debt, including the current portion, stood at $7.9 million as at October 29, 2017, down from $8.2 million as at April 29, 2017. This reduction is essentially attributable to payments on long-term debt amounting to $345,007 during the first half of fiscal 2018. As at October 28, 2017, approximately 26% of the Company's long-term debt was at a variable rate.

As at October 28, 2017, the value of the Company’s convertible loan and subordinated debentures was $1.1 million, stable in comparison with the value as at April 29, 2017. Some of the convertible subordinated debentures are payable to certain directors of the Company. The interest expenses for the three- and six-month periods ended October 28, 2017 relating to these debentures are $37,894 and $75,788, respectively ($44,117 and $62,468 in fiscal 2017, respectively).

The fair value of the conversion option attached to the convertible debentures is recorded under the caption “Debenture conversion options” in the “Equity” section of the consolidated statement of financial position. The equity component corresponds to the fair value of the convertible debentures issued less the fair value of the financial liability at the time of issuance.

Financial ratios

As at October 28, 2017 and April 29, 2017, the Company has agreed to respect certain conditions and financial ratios on its bank line of credit and its long-term debt. As at October 28, 2017 and April 29, 2017, all conditions and financial ratios were met.

Equity

As at October 28, 2017, the Company’s equity stood at $7.1 million, versus $5.3 million as at April 29, 2017. This increase mainly reflects net income of $1.8 million for the six-month period ended October 28, 2017.

Liquidity, Cash Flows and Capital Resources

The following table sets forth summarized cash flow components for the periods indicated.

Summary of cash flows data	**Six months ended**	
(in thousands of Canadian dollars)	**October 28, 2017**	**October 29, 2016**
	$	$
Operating activities	2,530	3,417
Investing activities	(1,436)	(503)
Financing activities	(452)	(2,502)
Effect of foreign exchange rate changes on cash	6	(3)
Net change in cash	647	409
Cash – Beginning of period	405	339
Cash – End of period	1,052	748

In the six-month period ended October 28, 2017, operating activities provided funds to finance investing activities, mostly additions to property, plant and equipment. Sigma Industries’ net increase in cash for the six-month period ended October 28, 2017 amounted to $647,373.

Given an authorized bank line of credit of $8.5 million and a cash balance of $1.1 million, the Company does not expect any significant liquidity risk for the remainder of the current fiscal year, despite higher capital investments in property, plant and equipment.

Operating Activities

For the first six months of fiscal 2018, cash flows provided by operating activities, before changes in items of working capital, increased liquidity by $2.0 million, versus a liquidity increase of $2.2 million in the first six months of fiscal 2017. The variation reflects the year-over-year effect of the non-cash net change in fair value of foreign exchange derivatives, whereas the Company recorded a gain of $1.0 million in the first six months of fiscal 2018, as opposed to a loss of $545,466 in the first six months of fiscal 2017. This factor was partially offset by an increase of $1.4 million in net income between the two periods compared.

Changes in items of working capital items increased liquidity by $495,128 in the first half of fiscal 2018. The main elements explaining this variation consist of an increase of $857,393 in deferred revenues and an inventory reduction of $231,896. These factors were partially offset by a decrease of $383,379 in trade and other payables and an increase of $186,004 in prepaid expenses. Changes in items of working capital had provided liquidity of $1.2 million in the first half of fiscal 2017.

As a result, cash flows provided by operating activities increased liquidity by $2.5 million in the six-month period ended October 28, 2017, versus a liquidity increase of $3.4 million last year.

Investing Activities

Cash flows used in investing activities amounted to $1.4 million in the first half of fiscal 2018 reflecting additions to property, plant and equipment of $1.4 million, as the Company continues to invest in state-of-the-art equipment in order to improve overall productivity and efficiency. In the first half of fiscal 2017, cash flows used in investing activities were $503,243.

Financing Activities

Cash flows used by financing activities were $452,375 in the six-month period ended October 28, 2017 reflecting payments and interest on long-term debt of $345,007 and $307,368, respectively, partially offset by a $200,000 increase in bank loan. During the six-month period ended October 29, 2016, cash flows used in financing activities had reduced liquidities by $2.5 million.

SHAREHOLDERS' EQUITY

Share Capital

There have been no changes in the Company's share capital between October 28, 2017 and the date of this MD&A.

Stock Options for Directors, Officers, Employees and Consultants

As at the date of this MD&A, there are no stock options outstanding.

Warrants

As at the date of this MD&A, there are 7,450,000 warrants outstanding related to convertible debentures. Each warrant is for the purchase of one common share of the Company. There are 3,450,000 warrants that can be exercise at a price of $0.12 per common share and 4,000,000 warrants that can be exercise at a price of $0.10. The warrants are valid for exercise no later than the maturity date of the debentures on December 4, 2018 and November 10, 2020, respectively.

Conversion privilege of certain debt instruments

As at the date of this MD&A, 19,650,000 common shares of the Company could be issued upon the exercise of the conversion privilege attached to certain debt instruments.

- 12,200,000 common shares related to convertible debentures at an exercise price of $0.10;
- 4,000,000 common shares related to warrants attached to convertible debentures at an exercise price of $0.10;
- 3,450,000 common shares related to warrants attached to convertible debentures at an exercise price of $0.12.

BASIS OF PREPARATION AND ADOPTION OF IFRS

The Company prepares its financial statements in accordance with IFRS, as defined in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook).

SIGNIFICANT ACCOUNTING POLICIES

The Company presents a summary of significant accounting policies in note 3 to the annual audited consolidated financial statements.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS 9 Financial instruments

The final version of IFRS 9, Financial Instruments ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018 and is available for early adoption. In addition, an entity's own credit risk changes can be applied early in isolation without otherwise changing the accounting for financial instruments. There are amendments to IFRS 7 which require additional disclosures on transition from IAS 39 to IFRS 9. These amendments are effective upon adoption of IFRS 9. The Company is currently assessing the impact, if any, that these new standards may have on the Company's consolidated financial statements.

IFRS 15 Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The objective of this new standard is to provide a single, comprehensive revenue recognition framework for all contracts with customers to improve comparability of financial statements of companies globally. This new standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to receive in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact, if any, that this new standard may have on the Company's consolidated financial statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases (IFRS16). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will supersede IAS 17, Leases, and related Interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company has not yet assessed the impacts of this new standard or determined if it will adopt it early.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the consolidated financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Significant estimates include the fair value of property, plant and equipment and intangible assets, the allowance for doubtful accounts, the provision for obsolete inventory, the valuation allowance against future income tax assets, the useful lives of property, plant and equipment and intangible assets and certain accrued liabilities. Management believes its estimates to be appropriate; however, actual results could differ from those estimates.

Income tax

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on deductible or taxable temporary timing differences between the carrying amounts and tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using substantively enacted and enacted tax rates expected to apply in the years in which the temporary differences are expected to reverse. If the estimates and assumptions are modified in the future, the Company may be required to reduce or increase the value of deferred tax assets or liabilities resulting in, where applicable, a tax expense or income. The Company regularly evaluates deferred tax assets and liabilities. Management has made reasonable estimated and assumptions to determine the amount of deferred tax assets that can be recognized in the consolidated financial statements, based upon likely timing and level of anticipated future taxable income together with tax planning strategies. The ultimate realization of the Company's deferred income tax assets is dependent upon the generation of sufficient future taxable income during the periods in which those assets are expected to be realized.

Useful lives of property, plant and equipment and intangible assets

Management reviews the useful lives and residual values of depreciable/amortizable assets on an annual basis. Management considers the useful lives of assets to be the period of time over which these assets are expected to be used by the Company. Actual useful lives could differ from estimates.

Property, plant and equipment and intangible assets impairment test

An impairment loss is recognized for the amount by which the asset or CGU exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets during the next fiscal years. In most cases, the determination of the discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

FINANCIAL INSTRUMENTS

Fair value

Cash, bank loan, accounts receivable, trade and others payables and long-term debt and convertible loan and subordinated debentures are financial instruments whose carrying value approximates their fair value due to their nature, to their short-term maturity or current market rates for most of the loans included in long-term debt.

Hierarchy of fair value measurement

The company classifies its financial assets and liabilities measured at fair value into three levels according to the observability of the inputs used in their measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that the company can access on the measurement date.

Level 2: This level includes measurements based on directly or indirectly observable inputs other than quoted prices included in Level 1. Financial instruments in this category are measured using valuation models or other standard valuation techniques that rely on observable market inputs.

Level 3: The measurements used in this level rest on inputs that are unobservable, unavailable, or whose observable inputs do not justify the largest part of the fair value of instruments.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements as at October 28, 2017.

CONTRACTUAL OBLIGATIONS

The table below summarizes the Company's contractual obligations for operating leases and long-term debt as at October 28, 2017.

Year	Operating leases	Long-term debt and convertible loan and subordinate debentures	Total
	$	$	$
2018	460,002	1,159,698	1,619,700
2019	375,525	1,238,288	1,613,813
2020	125,672	1,572,691	1,698,363
2021	59,410	5,163,022	5,222,432
2022	26,764	-	26,764
Thereafter	-	-	-
	1,047,373	9,133,699	10,181,072

Certain leases have a renewal option.

RISKS AND UNCERTAINTIES

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

The following is a summary of the main risks that could affect the Company's operations:

Current economic conditions

The Company's operations are, to a certain extent, dependent on economic conditions. For instance, the heavy-duty truck and industrial products markets are, generally speaking, more sensitive to a reduction in economic activity. In addition, the heavy-duty truck, bus, agricultural products and wind energy markets are susceptible to tighter credit market conditions owing to the significant need to finance underlying vehicle or equipment purchases.

Liquidity risk

Liquidity risk is the risk that the Company will encounter in raising funds to meet its commitments at maturity.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	As at October 28, 2017				
	Carrying amount $	Contractual cash flows $	0 to 12 months $	12 to 24 months $	After 24 months $
Bank loan	2,063,003	2,063,003	2,063,003	-	-
Trade and other payables	7,439,012	7,439,012	7,439,012	-	-
Long-term debt including current portion	7,888,096	8,027,117	1,159,698	1,238,288	5,629,131
Convertible loan and subordinated debentures	1,106,582	17,529,132	10,661,713	1,238,288	5,629,131

The Company believes that future cash flows from operations, combined with availability under existing credit facilities and debt renewals, will be adequate to discharge its financial liabilities.

Currency risk

The Company operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the US dollar. Currency risk arises on recognized assets and liabilities, principally accounts receivable and trade and other payables, and investments in foreign operations.

Currency risk arises when future recognized assets or liabilities are denominated in a foreign currency that is not the entity's functional currency. Management has set up a policy that requires the Company to manage its foreign exchange risk and imposes strict limits on the maximum exposures that can be entered into.

Sales denominated in US dollars accounted for about 67% of the Company's total sales for the six-month period ended October 28, 2017 (71% for the six-month period ended October 29, 2016). Consequently, the Canadian dollar’s trends in relation to the US dollar add an element of risk and uncertainty for the Company. These risks are partially offset by the raw material purchases denominated in US dollars. The Company's policy is not to use such derivative financial instruments for trading or speculative purposes, but only for hedging some risk related to the US dollar.

The Company set up a credit facility of up to US$25.0 million allowing it to enter into forward foreign exchange contract transactions. This amount partially covers the Company’s potential requirements over the next 24 months. The Company will proactively monitor the need to use this facility based on market conditions.

As at October 28, 2017, the Company held options for a minimum of US$11.5 million depending of the exchange rate (US$7.4 million as at October 29, 2016) of such derivatives contracts. Minimum rates vary from 1.2400 to up to 1.3535 and the Company may potentially participate to some depreciation of the Canadian dollar versus the U.S. dollar of approximately 3 cents on average. The contracts are valid until September 2019.

As at October 28, 2017 and April 29, 2017, balances denominated in foreign currencies are as follows:

	$US converted into $CAN	
	October 28, 2017 $	April 29, 2017 $
Cash	1,158,557	466,608
Accounts receivable	4,440,653	4,827,322
Trade and other payables	2,681,540	2,423,465

As at October 28, 2017, if the Canadian dollar had strengthened by 1% compared to the US dollar, with all other variables held constant, the Company's income before income taxes for the six-month period ended October 28, 2017 would have been lower by $15,000 ($23,000 in fiscal 2017).

The Company may be affected by exchange rate fluctuations but will still be able to meet its financial obligations denominated in US dollars.

Concentration of customers

For the six-month period ended October 28, 2017, the Company’s five largest customers represented 84.3% (83.6% in fiscal 2017) of the Company’s sales. Should certain customers cease doing business with the Company or reduce their purchases due to financial difficulties or other causes, this would have a significant impact on the Company’s sales, financial position and results of operations. Orders for a component in the heavy-duty truck and public transit industry are awarded depending on the length of the model’s market presence by original equipment manufacturer (OEM). The duration on the market is an average of five to ten years depending on the manufacturer. There can be no assurance that the Company will be able to obtain new contracts, which might have an unfavourable effect on the Company’s operations.

Interest rate risk

The Company is exposed to any upward interest rate fluctuations since the bank indebtedness, bank loan and a large portion of long-term debt have interest rates varying according to the prime rate. The Company is not currently using any financial instrument to mitigate these risks. As at October 28, 2017, approximately 26% (28% in fiscal 2017) of the long-term debt and convertible loan and subordinated debentures, representing $2.5 million ($2.5 million in fiscal 2017) out of a total long-term debt and convertible loan and subordinated debentures of $9.1 million ($9.1 million in fiscal 2017) (including the current portion, but excluding deferred financing expenses), bears interest at a floating rate.

For the first half of fiscal 2018, a ±1% change in interest rates on the debt would have had an impact of $12,500 ($12,500 in fiscal 2017) on the Company's income before income taxes.

Market development and sustained growth

Failure to further develop the Company’s key markets and existing geographic markets or to successfully expand its business into new markets could have an adverse impact on sales growth and operating results. The Company’s ability to further penetrate its key markets and the existing geographic markets in which it competes, and successfully expand its business into other countries in Europe, South America or elsewhere, is subject to numerous factors, many of which are beyond its control. There can be no assurance that efforts to increase market penetration in the Company’s key markets and existing geographic markets will be successful. Failure to achieve these goals may have an adverse effect on the Company’s operating results.

Exclusive intellectual property rights

The Company uses technologies for which it holds certain intellectual property rights. Other businesses may develop similar products independently, thus decreasing the life cycle of the products manufactured by the Company.

Dependency on key personnel and labour relations

The Company's success depends on its ability to attract and keep highly qualified manpower. Failure to retain the services of qualified personnel and the loss of key employees could compromise the Company's rate of development and its efforts to achieve growth.

Cybersecurity

The Company is aware of risks related to cybersecurity. However, the Company believes it is less at risk since it does not deal directly with the general public. While e-commerce transactions are carried out with certain customers and suppliers, such transactions are done through specific secured platforms. The Company thus believes its cybersecurity controls are efficient.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Company. Such forward-looking statements are dependent upon a certain number of factors and are subject to risks and uncertainties. Actual results may differ from those expected. We consider the assumptions on which these forward-looking statements are based to be reasonable, but we advise the reader that these assumptions with regard to future events, many of which are beyond our control, could prove incorrect as they are subject to risks and uncertainties inherent in our activities. The information contained in this MD&A is dated December 13, 2017, the date on which the Board of Directors approved the consolidated financial statements and the MD&A. Management does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information of future events, except when required by the regulatory authorities.

The Company is a reporting issuer under the securities legislation in Quebec, Alberta and British Columbia and is therefore required to file continuous disclosure documents such as interim and annual financial statements, proxy circulars, information circulars, material change reports and press releases with such securities regulatory authorities. Copies of these documents may be obtained free of charge on request from the office of the Chief Financial Officer of the Company or through our Internet site at the following address: http://www.sigmaindustries.ca or on the following Internet site: http://www.sedar.com.

(S) Denis Bertrand

Per: ___________________

Denis Bertrand
President and Chief Executive Officer

(S) Pierre Massicotte

Per: ___________________

Pierre Massicotte, CPA, CA, CFA, FCSI
Vice President and Chief Financial Officer

December 13, 2017