March 29, 2016

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission

Re: MATRRIX Energy Technologies Inc. (the "Corporation")
Amended Annual Financial Statements

Please be advised that the Corporation has filed amended Annual Financial Statements for the year ended December 31, 2015 (the "**Amended Financial Statements**"). The Amended Financial Statements replace and supersede the original Annual Financial Statements for the year ended December 31, 2015, which original should be disregarded from the date of this notice.

The Corporation confirms that the previously reported financial results have not been restated and remain as reported. The Amended Financial Statements differ from the original version filed on March 24, 2016 solely by the addition of the Management's Report which was inadvertently not included in the original version.

Yours truly,

(signed) "*Jeff Schab*"
Jeff Schab
Chief Financial Officer

Audited Consolidated Financial Statements of

MATRRIX Energy Technologies Inc.

As at December 31, 2015 and 2014 and

For the Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

March 24, 2016

Independent Auditor's Report

To the Shareholders of
MATRRIX Energy Technologies Inc.

We have audited the accompanying consolidated financial statements of MATRRIX Energy Technologies Inc. and its subsidiaries (together "MATRRIX" or the "Company"), which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of comprehensive income (loss), consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
111 – 5th Avenue SW, Suite 3100, Calgary, Alberta, Canada, T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MATRRIX Energy Technologies Inc. and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of MATRRIX Energy Technologies Inc. (the "Corporation") and all other financial and operating information contained in the Report are the responsibility of management. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes to the consolidated financial statements and in accordance with International Financial Reporting Standards.

Management is also responsible for establishing and maintaining adequate internal controls over the Corporation's financial reporting. The Corporation's internal control system has been designed and maintained to provide reasonable assurance that assets are properly safeguarded and that the financial records are sufficiently and well maintained to provide relevant, timely and reliable information to management.

External auditors, appointed by the shareholders, have independently examined the consolidated financial statements. They have performed such tests they deem necessary to enable them to express an opinion on these consolidated financial statements.

The Audit Committee of the Board of Directors has discussed the consolidated financial statements, including the notes thereto, with management and the external auditors. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

Signed "Richard Ryan"

President and Chief Executive Officer
March 24, 2016

Signed "Jeff Schab"

Chief Financial Officer
March 24, 2016

MATRRIX Energy Technologies Inc.

Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)	Note	December 31 2015	December 31, 2014
		$	$
ASSETS			
Current assets:			
Cash and cash equivalents	4	5,058	2,525
Trade and other receivables	10	718	9,060
Inventory	6	416	923
Prepaid expenses and deposits		125	172
		6,317	12,680
Property and equipment	7	12,144	19,021
Total assets		18,461	31,701
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	12	469	4,913
Deferred tax liabilities	13	-	31
Total liabilities		469	4,944
SHAREHOLDERS' EQUITY			
Share capital		29,789	29,789
Employee benefit reserve		2,060	1,778
Foreign currency translation reserve		875	430
Deficit		(14,732)	(5,240)
Total equity	8	17,992	26,757
Total liabilities and equity		18,461	31,701

Commitments (Note 15)

See accompanying notes to these consolidated financial statements

Signed "Elson J. McDougald"
Director

Signed "Rodger Hawkins"
Director

MATRRIX Energy Technologies Inc.

Consolidated Statements of Comprehensive Income (Loss)

(Stated in thousands of Canadian dollars except per share amounts)	Note		Year ended December 31, 2015	2014
			$	$
Revenue			4,381	34,844
Cost of sales:				
Direct operating expenses			3,825	25,741
Depreciation	7		3,010	2,703
			6,835	28,444
Gross profit (loss)			(2,454)	6,400
Expenses				
General and administration	10		1,603	2,204
Salaries and benefits			1,525	2,370
Share based payments	9		282	356
Depreciation	7		83	96
Foreign exchange (gain) loss			(71)	107
Impairment of assets	7		3,679	-
			7,101	5,133
Net Income (Loss) before interest and other income (loss)			(9,555)	1,267
Loss from disposition of property and equipment			(117)	(194)
Gain from equipment lost in hole			142	392
Interest and other income			23	21
Net Income (Loss) before income taxes			(9,507)	1,486
Current tax expense	13		16	13
Deferred tax expense (recovery)	13		(31)	31
Net Income (loss)			(9,492)	1,442
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or (loss):				
Foreign currency translation adjustment			445	370
Total comprehensive Income (loss)			(9,047)	1,812
Basic Income (loss) per common share	5	$	(0.29)	$0.04
Diluted Income (loss) per common share	5	$	(0.29)	$0.04

See accompanying notes to these consolidated financial statements

MATRRIX Energy Technologies Inc.
Consolidated Statements of Cash Flows

(Stated in thousands of Canadian dollars)	Note	Year Ended December 31, 2015	2014
		$	$
Cash flows from the following activities:			
Operating activities			
Net Income (loss)		(9,492)	1,442
Items not involving cash:			
Share based payments		282	356
Depreciation	7	3,093	2,799
Loss on disposition of property and equipment		117	194
Gain on equipment lost in hole		(142)	(392)
Unrealized foreign exchange (gain)		50	(4)
Deferred tax expense (recovery)		(31)	31
Impairment of assets		3,679	-
Funds flow from operations		(2,444)	4,426
Changes in non-cash working capital items:			
Trade and other receivables		8,317	267
Inventory		249	(623)
Prepaid expenses and deposits		45	48
Accounts payable and accrued liabilities		(3,054)	(1,589)
Cash flows from operating activities		3,113	2,529
Investing activities			
Purchase of property and equipment	7	(251)	(5,752)
Proceeds from the disposition of property and equipment		-	130
Proceeds from equipment lost in hole		350	767
Changes in non-cash working capital balances		(696)	555
Cash flows used in investing activities		(597)	(4,300)
Change in cash and cash equivalents		2,516	(1,771)
Effect of foreign exchange rate changes on cash		17	53
Cash and cash equivalents, beginning of year		2,525	4,243
Cash and cash equivalents, end of year		5,058	2,525
Supplementary cash flow disclosure information:			
Taxes paid		-	13
Interest paid during the year		-	-
Interest received during the year		17	9

See accompanying notes to these consolidated financial statements

MATRRIX Energy Technologies Inc.
Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian dollars)

	Share Capital (Note 9)		Employee Benefit Reserve	Foreign Currency Translation Reserve	Deficit	Total Equity
	Shares	Amount $	$	$	$	$
Balance as at January 1, 2014	32,185	29,789	1,422	60	(6,682)	24,589
Issuance of Director and employee stock options	-	-	356	-	-	356
Comprehensive income for the period	-	-	-	370	1,442	1,812
Balance as at December 31, 2014	32,185	29,789	1,778	430	(5,240)	26,757
Balance as at January 1, 2015	32,185	29,789	1,778	430	(5,240)	26,757
Issuance of Director and employee stock options	-	-	282	-	-	282
Comprehensive loss for the year	-	-	-	445	(9,492)	(9,047)
Balance as at December 31, 2015	32,185	29,789	2,060	875	(14,732)	17,992

See accompanying notes to these consolidated financial statements

1. REPORTING ENTITY

MATRRIX Energy Technologies Inc. (the "Corporation") was incorporated pursuant to the provisions of the Canada Business Corporations Act on January 7, 2011 and maintains its head office at Suite 350, 808 4th Ave SW, Calgary, AB T2P 3E8. The Corporation is a publicly-traded company listed on the TSX Venture Exchange under the symbol "MXX". The Corporation is engaged in the supply of down hole drilling technologies and efficiency for the oil and gas industry in North America. On September 1, 2011 the Corporation completed a vertical amalgamation with its wholly owned subsidiary Oilfield Guidance Inc. On September 15, 2011, the Corporation completed an amalgamation with a public capital pool company, Elson Energy Enterprises Ltd. ("Elson Energy"), to form the amalgamated company named MATRRIX Energy Technologies Inc.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on the historical cost basis, except as disclosed in the significant accounting policies in Note 3, and are presented in Canadian dollars, which is the Corporation's functional and reporting currency. The Corporation's US subsidiary uses US dollars as its functional currency.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on March 24, 2016 and are in compliance with IFRS.

(b) Critical accounting estimates and judgments

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

2. BASIS OF PREPARATION (continued)

Property and equipment

The Corporation allocates amounts initially recognized as property and equipment to significant component parts. Significant component parts are depreciated based on estimates of useful lives and residual value. Useful lives and residual values can change as a result of actual usage experience. A change in the useful life or residual value may have an impact on the related depreciation expense. The Corporation reviews the useful lives and estimated residual values of property and equipment at the end of each reporting period.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before the deductions expire. The assessment is based upon existing tax laws and estimates of future taxable income. Further, there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Impairments

The Corporation performs impairment tests on property and equipment when impairment indicators exist. Application of judgment is required in determining whether an impairment test is warranted. The determination of recoverable amounts of any given asset is subject to significant estimates regarding such issues as timing and magnitude of cash flows and appropriate discount rates.

Share based payments

Share based payments are subject to fair value estimates using the Black-Scholes model. This model uses significant assumptions such as volatility, interest rates and the expected life.

Determination of Cash Generating Units ("CGUs")

Significant judgement is involved in determining the smallest group of assets that generates independent cash flows. Management has determined the Corporation currently operates one CGU which is the service of horizontal and directional drilling that includes the interchangeable performance motor drilling assets.

Depreciation

Depreciation of property and equipment incorporates estimates of useful lives and residual values. These estimates may change as the Corporation establishes long operating history or as general market conditions change.

2. BASIS OF PREPARATION (continued)

Accounts Receivable

The Corporation is subject to credit risk on accounts receivable balances and assesses the recoverability of accounts receivable on an ongoing basis. Assessing accounts receivable for impairment involves significant judgement and uncertainty, including estimates of future events.

Changes in circumstances underlying these estimates may result in the Corporation recognizing an additional allowance against accounts receivable.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents are comprised of deposits held in a bank and highly liquid investments having original terms to maturity of 90 days or less when acquired.

(b) Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through income or loss

Upon initial recognition transaction costs are recognized in income or loss as incurred. Financial assets at fair value through income or loss are measured at fair value, and changes therein are recognized in income or loss. The Corporation does not currently have any financial assets at fair value through income or loss.

Loans and receivables

Trade and other receivables, interest receivable and cash and cash equivalents have been classified as loans and receivables. They are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, if significant, less any impairment losses.

Non-derivative financial liabilities

Accounts payable and accrued liabilities are classified as “other financial liabilities”. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(c) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(d) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) Share based payment transactions

The Corporation has an employee stock option plan that provides all option holders the right to common shares for the options exercised. The Corporation follows the fair value method for accounting, using the Black-Scholes option pricing model, whereby compensation expense is recognized for the stock options on the date of grant, and amortized over the option's vesting

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

period. Share based payment arrangements in which the Corporation receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Corporation.

(f) Earnings per share

The Corporation presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the income or loss attributable to ordinary shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock method by adjusting the income or loss attributable to ordinary shareholders and the weighted average number of common shares outstanding based on the assumption that any proceeds obtained on exercise of stock options and warrants would be used to purchase common shares at the average market price during the period.

(g) Basis of consolidation

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Corporation, liabilities incurred by the Corporation to the former owners of the acquiree and the equity interests issued by the Corporation in exchange for control of the acquiree. Acquisition-related costs other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are recognized in profit or loss as incurred.

The Corporation measures goodwill as the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree, less the net recognized fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income or loss.

Foreign currency translation

The financial statements for the Corporation's subsidiary, is prepared using its functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

market rates ruling at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income. Foreign currency transactions are translated in the functional currency using exchange rates prevailing at the transaction date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of net loss and comprehensive loss.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Corporation has control.

The Corporation controls an entity when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are deconsolidated from the date on which control ceases. Intercompany transactions, balances and unrealized gains on transactions between companies are eliminated.

(h) Property and equipment

Recognition and measurement

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment.

Depreciation

Depreciation is calculated based on the cost of an asset less its residual value.

Depreciation is recognized in income or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term. Land is not depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The estimated useful lives are as follows:

	Expected life	Salvage value	Basis of depreciation
Directional drilling equipment	1-10 years	20%	straight-line
Machinery and other equipment	5 years	0% – 20%	straight-line
Vehicles	5 years	20%	straight-line
Office and computer equipment	3 years	0%	straight-line

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(i) Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is based on the average cost of the item, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventory and work in progress, cost includes direct production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventory spares and consumables are charged to operating expenditures as items are sold or consumed at the average cost of the item.

Equipment purchased or constructed for resale includes the portion of direct manufacturing costs related to the construction of the equipment for resale and is recorded in income and loss when the equipment is completed and the substantial risks and rewards of ownership have been transferred to the customer and collection is reasonably certain.

(j) Revenue recognition

The Corporation's services are generally sold based upon service orders or contracts that include fixed or determinable prices based upon daily, hourly or job rates. The Corporation also generates revenue from the purchase and sale of oil and gas service related equipment to third parties. Revenue is recognized when there is persuasive evidence that it is probable that the economic benefits associated with a service provided or equipment is sold with the transaction will flow to the entity, the amount of revenue can be measured reliably, collection is reasonably assured and the costs incurred and costs to complete the transaction can be measured reliably. The customer contract terms do not include a provision for significant post-delivery obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairments

Financial assets

A financial asset not carried at fair value through income or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. In assessing collective impairment the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income or loss.

Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is calculated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in income or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Interest income and interest costs

Interest income comprises interest income on funds invested. Interest income is recognized as it accrues in income or loss, using the effective interest method.

Interest costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in income or loss using the effective interest method.

(m) Segment Reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation’s other components. All operating segments’ operating results are reviewed regularly by the key management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the key management include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Corporation’s head office), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

(n) Recent pronouncements and application of new and revised International Financial Reporting Standards (“IFRSs”)

Certain new standards, interpretations, amendments and improvements to existing standards are effective for accounting periods beginning after January 1, 2016. These standards have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New and revised IFRS that has been issued but is not yet effective:

i) IFRS 9 Financial Instruments contains three phases, of which phase one, relating to accounting for financial assets and financial liabilities, and phase two, relating to hedge accounting, have been published. The third phase will address impairment of financial instruments. For financial assets, IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. IFRS 9 also introduces a simplified hedge accounting model, aligning hedge accounting more closely with risk management. The Corporation does not currently apply hedge accounting.

The standard is required to be applied for years beginning on, or after, January 1, 2018. The Corporation is currently assessing the impact of adopting this standard on the consolidated financial statements.

ii) IFRS 15 – Revenue from Contracts with Customers: IFRS 15 replaces the previous guidance on revenue recognition and provides a framework to record revenue from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRS standards. Under IFRS 15, revenue is to be recognized to depict the transfer of goods or services in an amount that reflects the consideration to which the entity expects to be entitled following five steps: 1. Identify the contract with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The new standard is effective for annual periods beginning on or after January 1, 2017, using either a full retrospective approach for all periods presented in the period or a modified retrospective approach. The Corporation is currently assessing the impact of adopting this standard on the consolidated financial statements.

iii) On January 13, 2016, the International Accounting Standards Board issued the final version of IFRS 16, Leases. IFRS 16 will replace the existing leases Standard, IAS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., the lessee and the lessor). IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of comprehensive

(In thousands of Canadian dollars except for per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

income. The Standard also contains enhanced disclosure requirements for lessees. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The effective date for adoption of IFRS 16 is annual periods beginning on or after January 1, 2019, though early adoption is permitted for companies applying IFRS 15 Revenue from Contracts with Customers.

The Corporation is currently assessing the impact of adopting this standard on the consolidated financial statements.

4. CASH

Cash and cash equivalents balance is made up of the following:

	For the year ended December 31, 2015	2014
Cash	1,058	2,525
Short-term investments	4,000	-
Total Cash and cash equivalents	5,058	2,525

5. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated based on the net income divided by the weighted average number of common shares outstanding for the years ended December 31, 2015 and 2014 based on the following data. The weighted average diluted number of common shares outstanding excludes 3,206 stock options for the year ended December 31, 2015 and 2,237 stock options for the year ended December 31, 2014 that were anti-dilutive.

	For the year ended December 31, 2015	2014
Net Income (Loss)	(9,492)	1,442
Weighted average common shares	32,185	32,185
Effect of stock options	-	-
Diluted balance, end of year	32,185	32,185
Basic Income (loss) per common share	$ (0.29)	$ 0.04
Diluted Income (loss) per common share	$ (0.29)	$ 0.04

6. INVENTORY

Inventory is mainly comprised of drilling and other equipment repair parts as well as parts for kit builds. For the year ended December 31, 2015, consumed repair parts included in direct costs amounted to $275 (2014 - $1,264).

(In thousands of Canadian dollars except for per share amounts)

7. PROPERTY AND EQUIPMENT

	Directional drilling and related equipment	Machinery and other equipment	Office furniture and equipment	Total
Cost				
Balance at December 31, 2013	19,490	324	40	19,854
Additions	5,620	100	32	5,752
Disposals	(798)	(18)	(3)	(819)
Effect of movements in exchange rates	441	44	5	490
Balance at December 31, 2014	24,753	450	74	25,277
Additions	241	10	-	251
Disposals	(937)	-	-	(937)
Effect of movements in exchange rates	779	-	-	779
Balance at December 31, 2015	24,836	460	74	25,370
Depreciation				
Balance at December 31, 2013	3,287	102	19	3,408
Depreciation for the year	2,689	97	14	2,800
Disposals	(118)	(3)	(1)	(122)
Effect of movements in exchange rates	153	15	2	170
Balance at December 31, 2014	6,011	211	34	6,256
Depreciation for the year	2,995	83	15	3,093
Disposals	(141)	-	(1)	(142)
Impairment of assets	3,679	-	-	3,679
Effect of movements in exchange rates	340	-	-	340
Balance at December 31, 2015	12,884	294	48	13,226
Balance at December 31, 2014	18,742	239	40	19,021
Balance at December 31, 2015	11,952	166	26	12,144

The Corporation reviews the carrying value of its assets at each reporting period for indicators of impairment. During the year ended December 31, 2015 the Corporation determined that continued low commodity prices and its impact on current and expected future industry activity levels was an indicator of impairment. The Corporation currently has one CGU which is the service of horizontal and directional drilling that includes the interchangeable performance motor drilling assets. At December 31, 2015, the Corporation completed its assessment and the recoverable value of the property and equipment amount exceeded the net book value resulting in no additional impairment recorded in the forth quarter of 2015, in addition to the September 30, 2015, impairment loss previously recorded on it’s property and equipment of $3,679.

7. PROPERTY AND EQUIPMENT (Continued)

The recoverable amount was based on a value in use calculation by estimating the future cash flows that would be generated from the continuing operations and utilizing the following key assumptions:

1. At September 30, 2015 a pre-tax discount rate of 16.8% which considered the industry average cost of capital, past experience, asset specific risk and anticipated debt to equity levels. At December 31, 2015 a pre-tax discount rate of 17.8% was used. The increase in the December 31, 2015 pre-tax discount rate was due to the increase in risk regarding future cash flows related to current forecasted industry conditions.

2. Five year forecasted cash flows, taking into consideration industry conditions, actual 2016 operating results and past experience. Management has reflected that the current downturn in the oilfield service industry will continue through 2016. Cash flow projections for 2017 to 2020 have assumed a gradual recovery to historical activity levels of 84% of the Corporations peak 2014 activity levels.

3. A terminal value was used assuming no annual growth rate for cash flows through the remainder of the segment's life.

A 5% decrease in the forecasted cash flows would decrease the recoverable amount of the property and equipment by $918 which would not cause an impairment as at December 31, 2015. A 1.0% change in the pre-tax discount rate would decrease the recoverable amount of the property and equipment by $1,425 which would not cause an impairment as at December 31, 2015.

8. CAPITAL MANAGEMENT

The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation defines capital as total equity which was $17,992 at December 31, 2015 (2014: $26,757).

9. SHARE CAPITAL

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series, none of which are issued or outstanding as of December 31, 2015.

Employee benefit reserve

Employee benefit reserve is the account that comprises solely of stock based compensation expense and stock option exercises.

9. SHARE CAPITAL (continued)

Foreign Currency Translation Reserve

Foreign Currency Translation Reserve is the cumulative translation account that comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Shares issued

There was no change in share capital for the year ended December 31, 2015.

Stock Options

The Corporation has adopted an incentive stock option plan, which provides that the Board of Directors of the Corporation may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the

Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares.

Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors. The options granted up to June 30, 2015 for directors, officers, employees and consultants have a vesting period of one third a year from the date of grant, another one third two years from the date of grant and the remaining third vesting three years from the date of grant. Once vested, the options can be exercised and have an expiration date a year from the vesting date. The options granted on December 3, 2015 carry a five year term and are subject to vesting as to one quarter on the day of the grant and one quarter on each of the first, second and third anniversaries of the date of the grant.

(In thousands of Canadian dollars except for per share amounts)

9. SHARE CAPITAL (continued)

A summary of the Corporations outstanding stock options as at December 31, 2015 and December 31, 2014 and the changes for the years ended, is as follows:

Stock Options	Outstanding	Weighted Average Exercise Price	
Outstanding at December 31, 2013	2,353	$	1.02
Options granted to employees and directors	1,182	$	0.67
Options exercised	-	$	-
Options expired	(590)	$	1.00
Options forfeited	(708)	$	0.92
Outstanding at December 31, 2014	2,237	$	0.85
Options granted to employees and directors	2,279	$	0.23
Options exercised	-	$	-
Options expired	(720)	$	0.99
Options forfeited	(590)	$	0.70
Outstanding at December 31, 2015	3,206	$	0.40

	Total Outstanding		
Range of Exercise Prices	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Employees and directors			
$0.12 to $0.69	2,757	$ 0.31	2.86
$0.70 to $0.99	99	$ 0.70	0.01
$1.00 to $1.25	350	$ 1.00	0.74
	3,206	$ 0.40	2.58

	Exercisable		
Range of Exercise Prices	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Employees and directors			
$0.12 to $0.69	405	$ 0.37	2.55
$0.70 to $0.99	37	$ 0.06	0.49
$1.00 to $1.25	175	$ 1.00	0.24
	617	$ 0.53	1.77

(In thousands of Canadian dollars except for per share amounts)

9. SHARE CAPITAL (continued)

Share Based Payments

For the year ended December 31, 2015, the Corporation recorded share based payment expense of $282 (2014 - $356). The following assumptions were used for the Black-Scholes valuation of stock options:

	2015	2014
Risk-free interest rate range	0.44 - 0.97%	1.00 -1.50%
Weighted average expected life of options	2.58 years	1.94 years
Annualized volatility	142.68%	84.04%
Dividend rate	0.00%	0.00%
Forfeiture rate	10.00%	10.00%
Average fair value per option granted	$0.17	$0.44

10. FINANCIAL INSTRUMENTS

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

Credit risk

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

The Corporation does not have any accounts receivable at December 31, 2015 that is believed uncollectible. Substantially all of the Corporation's cash and cash equivalents are held by high credit quality financial institutions. The Corporation incurred $194 of bad debt expense in 2015 (2014 - Nil) which has been included in general and administrative expenses.

During the year ended December 31, 2015, MATRRIX had six customers that comprised 26%, 13%, 12%, 10%, 10% and 10% of total revenue, respectively, as compared to three customers that comprised 31%, 17% and 10% of total revenue, respectively, in 2014. For the accounts receivable balances outstanding at December 31, 2015, MATTRIX had three customers that comprised 43%, 42% and 14% of the total balance as compared to four customers that comprised 34%, 19%, 12% and 10% of the total balance in 2014. The Corporation's trade and other receivables aging is as follows:

(In thousands of Canadian dollars except for per share amounts)

10. FINANCIAL INSTRUMENTS (continued)

	December 31, 2015	December 31, 2014
Within 30 days	148	3,770
31 to 60 days	220	2,497
61 to 90 days	-	814
Over 90 days	350	1,979
Allowance for doubtful accounts	-	-
Accounts receivable	718	9,060

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 2016 working capital requirements. As at December 31, 2015 the Corporation had current assets balance of $6,317 to settle current liabilities of $469.

Market Risk

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

a) Interest Rate Risk

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

b) Foreign Currency Risk

The Corporation is exposed to foreign currency fluctuations on its financial instruments in relation to its U.S. dollar denominated cash, accounts receivable and accounts payable. The Corporation monitors its foreign currency exposure and attempts to minimize the effect of fluctuations in the U.S. dollar by maintaining appropriate levels of cash and accounts receivable to offset corresponding U.S. dollar denominated accounts payable. The Corporation believes a fluctuation of the U.S. dollar relative to the Canadian dollar of 10% during the next 12 month reporting period would be reasonably possible.

(In thousands of Canadian dollars except for per share amounts)

10. FINANCIAL INSTRUMENTS (continued)

	December 31, 2015	December 31, 2014
Cash	61	364
Non-cash current financial assets	76	242
Non-cash current financial liabilities	(9)	(1,454)
Net US dollar exposure	128	(848)
Effect of plus (minus) 10% change in the US dollar to Canadian dollar exchange rate on income before tax	13	(85)

c) Fair Value

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

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

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

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

The carrying amount of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximates their fair value due to their short term nature. At December 31, 2015, the Corporation valued its cash and cash equivalents using Level 1 inputs. The Corporation does not have any Level 2 & 3 instruments.

11. COMPENSATION

The key management personnel of the Corporation are those persons having authority and responsibility for planning, directing and controlling the activities of the corporation, directly or indirectly. The key management compensation is as follows:

	For the year ended December,	
	2015	2014
Short-term employee benefits	803	704
Share based payments	183	158
Total executive management personnel compensation	986	862

(In thousands of Canadian dollars except for per share amounts)

11. COMPENSATION (continued)

The 2015 increase in key management compensation as compared to 2014 is due to the addition of the position of Vice President of sales in September 2014.

Total short-term employee benefits expense for the Corporation for the year ended December 31, 2015 is $2,814 of which $1,289 is included in cost of sales, and for the year ended December 31, 2014 was $5,251 of which $2,881 was included in cost of sales.

12. TRADE AND OTHER PAYABLES

	For the year ended December,	
	2015	2014
Trade payables	258	4,365
Accrued payables	211	548
	469	4,913

Depending on the credit terms of the trade payable, interest will be charged after a predetermined number of days from the date of the invoice. The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

13. INCOME TAXES

The provision for income taxes is as follows:

	For the year ended December 31,	
	2015	2014
Current income tax expense	16	13
Deferred tax expense (recovery)	(31)	31
Total income tax expense (recovery)	(15)	44

The income tax expense for the year can be reconciled to the accounting profit as follows:

	For the year ended December 31,	
	2015	2014
Net income (loss) before income tax	(9,507)	1,487
Canadian statutory rate	26%	25%
Expected income tax	(2,472)	372
Effect on taxes resulting from:		
Non taxable / deductible items	80	84
Statutory and other rate differences	(115)	(2)
Unrecognized deferred tax asset and other	2,492	(410)
	(15)	44

(In thousands of Canadian dollars except for per share amounts)

13. INCOME TAXES (continued)

The components of the net deferred income tax liability are as follows:

	As at December 31, 2014	Recognized in earnings or loss	Recognized through Balance Sheet	As at December 31, 2015
Deferred tax assets				
Share issuance costs	-	-	-	-
Non-capital losses	1,226	(993)	-	233
Other	41	(56)		(15)
Deferred tax liabilities	1,267	(1,049)	-	218
Property and equipment	(1,298)	1,080	-	(218)
Deferred tax liability	(31)	31	-	-

The components of unrecognized deferred tax assets are as follows:

	For the year ended December 31, 2015	2014
Deferred tax assets not Recognized		
Share issuance costs	-	-
Non-capital losses	3,640	413
CEC		
Other	-	155
PP+E		
Unrecognized deferred tax asset	3,640	568

The Canadian Non-Capital Losses of approximately $8,500 (2014 - $3,200) expire between 2031 and 2035. The US Non-Capital Losses of approximately $3,200 (2014 - $2,500) expire between 2031 and 2035.

14. OPERATING SEGMENTS

Management evaluates the Corporation's performance on a geographically segmented basis. The composition of the geographic segments and segment information reported in the consolidated financial statements are consistent with the internal management reporting provided to key management.

The Corporation has identified the following two reportable geographical segments: Canada and the United States. For both segments, the Corporation is engaged in providing the services and supply of oil and gas down hole drilling technologies and efficiency to customers. As of September 2015 the Corporation temporarily ceased operations in the United States and has focused its efforts in Canada.

(In thousands of Canadian dollars except for per share amounts)

14. OPERATING SEGMENTS (continued)

	As at and for the year ended December 31, 2015			2014		
	Canada	USA	Total	Canada	USA	Total
External Revenue	4,185	196	4,381	30,802	4,042	34,844
Net income (loss)	(8,548)	(944)	(9,492)	1,457	(15)	1,442
Depreciation	2,694	399	3,093	2,293	506	2,799
Impairment of assets	3,679	-	3,679	-	-	-
Assets	18,325	136	18,461	28,153	3,548	31,701
Liabilities	461	8	469	4,392	521	4,913
Property and equipment, net	12,144	-	12,144	15,849	3,172	19,021
Capital expenditures (net of lost in hole replacements)[(1)]	251	-	251	4,287	1,085	5,372
Proceeds from the equipment lost in hole	350	-	350	463	304	767
Proceeds from the disposition of property and equipment	-	-	-	130	-	130

(1) - For the year ended December 31, 2014 the Corporation had capital expeditures of $380 related to replacement of lost in hole equipment.

There are no material differences in the basis of accounting or the measurement of income, assets and liabilities between the Corporation and reported segment information, except that certain inter-company liabilities and equity are offset with the assets of the US segment.

15. COMMITMENTS

The Corporation has not committed to any material capital expenditures as at December 31, 2015.

In Q1 2016 the Corporation renewed its Calgary office lease and signed a new contract regarding its Leduc shop premise both with a 2 year term. The total lease commitment for 2016 is $122 and $119 in 2017.

16. LOANS & BORROWINGS

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