Management's Discussion & Analysis

MATRRIX Energy Technologies Inc.

For the Three Month Period and the Year Ended December 31, 2018

(Expressed in Canadian Dollars)

MATRRIX ENERGY TECHNOLOGIES INC.

(also referred to as "MATRRIX" or the "Corporation")

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTH PERIOD

AND YEAR ENDED DECEMBER 31, 2018

The following management's discussion and analysis ("MD&A") should be read in conjunction with the December 31, 2018 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), and the most recently filed annual information form ("AIF"). Additional information regarding MATRRIX, including the AIF, is available on SEDAR at www.sedar.com.

All amounts or dollar figures are denominated in thousands of Canadian dollars except for per share amounts, number of drilling rigs, directional drilling systems, and operating days, or unless otherwise noted.

This MD&A is dated April 3, 2019 and is in respect of the three month period and year ended December 31, 2018.

Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates. See "Forward-Looking Information" in this MD&A for additional details.

FINANCIAL SUMMARY

	Three Months Ended December 31,			Years Ended December 31,			
(000's CAD $)	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**	**2016**
Revenue	6,566	4,984	32%	20,873	9,528	119%	2,334
Net loss	(1,999)	(4,464)	(55%)	(4,124)	(6,875)	(40%)	(4,423)
Net loss per share							
Basic	(0.02)	(0.06)	(67%)	(0.03)	(0.16)	(81%)	(0.14)
Diluted	(0.02)	(0.06)	(67%)	(0.03)	(0.16)	(81%)	(0.14)
Adjusted EBITDA [1]	1,085	354	206%	1,776	(189)	(1,040%)	(1,618)
Adjusted EBITDA per share							
Basic	0.01	-	nm	0.01	-	nm	(0.05)
Diluted	0.01	-	nm	0.01	-	nm	(0.05)
Income (loss) from operations	1,376	564	144%	2,965	209	1,319%	(1,976)
Gross Margin [1]	2,471	1,364	81%	6,430	2,822	128%	603
Capital expenditures related to acquisitions	-	10,372	(100%)	8,807	10,372	(15%)	-
Capital expenditures	6,754	7,246	(7%)	16,599	7,323	127%	144
Weighted average common shares outstanding	131,600	73,847	78%	130,541	43,099	203%	32,185
Weighted average diluted common shares outstanding	131,600	73,847	78%	130,541	43,099	203%	32,185

nm - calculation is not meaningful

[1] - please refer to "Non-GAAP measures" for further information

As at December 31,	**2018**	**2017**	**Change**	**2016**
Current assets	5,636	21,334	(74%)	6,317
Total assets	46,435	42,431	9%	18,461
Total current liabilities	7,692	3,511	119%	469
Total non-current liabilities	2,422	2,297	5%	-

NON-GAAP MEASURES

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

(i) Adjusted EBITDA is defined as "income (loss) before interest income, interest expense, taxes, business acquisition transaction costs, depreciation and amortization, share-based compensation expense, gains on disposal of property and equipment, impairment expenses, interest and other income, foreign exchange, non-recurring restructuring charges, accretion of debentures and other income/expenses, and any other items that the Corporation considers appropriate to adjust given the irregular nature and relevance to comparable operations." Management believes that in addition to net and total comprehensive income (loss), Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed, how assets are depreciated, amortized and impaired, the impact of foreign exchange, or how the results are affected by the accounting standards associated with the Corporation's stock-based compensation plan. Investors should be cautioned, however, that Adjusted EBITDA should not be construed as an alternative to net income (loss) and comprehensive income (loss) determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's method of calculating Adjusted EBITDA may differ from that of other organizations and, accordingly, its Adjusted EBITDA may not be comparable to that of other companies.

	Three Months Ended December 31,			Years Ended December 31,		
(000's CAD $)	2018	2017	% Change	2018	2017	% Change
Net loss	(1,999)	(4,464)	(55%)	(4,124)	(6,875)	(40%)
Depreciation	1,097	801	37%	3,470	2,638	32%
Interest on operating loan	19	-	nm	19	-	nm
Interest on Convertible Debenture	66	53	25%	261	53	392%
(Gain)/loss from disposition of property and equipment	12	(140)	(109%)	(301)	(140)	115%
Gain from equipment lost in hole	-	(268)	(100%)	(635)	(310)	105%
Interest and other income	(16)	(2)	700%	(45)	(21)	114%
Share-based payments	47	99	(53%)	246	223	10%
Transaction costs	144	454	(68%)	683	454	50%
Foreign exchange (gain) loss	29	(12)	(342%)	88	(44)	(300%)
Accretion of debentures	27	-	nm	125	-	nm
Impairment of assets	1,955	3,833	(49%)	1,955	3,833	(49%)
Non recurring restructuring charges	-	-	nm	330	-	nm
Deferred tax recovery	(296)	-	nm	(296)	-	nm
Adjusted EBITDA	1,085	354	206%	1,776	(189)	(1,040%)

nm - not meaningful

(ii) Gross margin is defined as "gross profit from services revenue before stock-based compensation and depreciation". Gross margin is a measure that provides shareholders and potential investors additional information regarding the Corporation's cash generating and operating performance. Management utilizes this measure to assess the Corporation's operating performance.

	Three Months Ended December 31,			Years Ended December 31,		
(000's CAD $)	2018	2017	% Change	2018	2017	% Change
Income (loss) from operations	1,376	564	144%	2,965	209	1,319%
Depreciation	1,095	800	37%	3,465	2,613	33%
Gross margin	2,471	1,364	81%	6,430	2,822	128%
Gross margin %	38%	27%	41%	31%	30%	3%

nm - not meaningful

DESCRIPTION OF MATRRIX'S BUSINESS

Since inception, MATRRIX has been engaged in the provision of directional drilling services and technology for the oil and gas industry focused in the Western Canadian Sedimentary Basin ("WCSB"). During 2018, MATRRIX operated in Alberta, Saskatchewan and British Columbia.

Starting in the second quarter of 2017, to complement its existing directional drilling operations, the Corporation developed a strategic plan for its expansion into the drilling rig business.

On October 30, 2017, the Corporation completed its acquisition of assets from Vortex Drilling Ltd. ("Vortex") through Vortex's court-appointed receiver, Deloitte Restructuring Inc. Under the terms of an asset purchase agreement with the receiver, the Corporation purchased three complete heavy telescopic drilling rigs and related assets from Vortex for a purchase price of $6,100.

On November 21, 2017, the Corporation acquired all of the issued and outstanding shares of Stampede Drilling Ltd. ("Stampede") for total consideration of $9,258. As part of the acquisition, the Corporation acquired three heavy telescopic double drilling rigs in the Weyburn/Estevan area of southeast Saskatchewan. The Corporation also retained all key management personnel and field crews.

2018 OVERVIEW AND OUTLOOK

In Canada, the 2018 drilling activity tracked 2017 levels for much of the year. Continued volatile commodity prices for crude oil and natural gas as a result of record high oil price differentials due to ongoing pipeline constraints, continued to negatively impact the drilling industry, by decreasing producer confidence and corresponding capital budgets.

While the Corporation is cautiously optimistic for 2019, it does not anticipate a significant recovery in Canadian activity from 2018. The Corporation expects Canadian oil and gas producers will continue to be faced with the challenge of exporting their products due to a lack of pipeline infrastructure and continued customer spending constraints relative to historical levels.

Drilling Rig Division

2018 marked the Corporation's first full calendar year of operations for its drilling rig division. The drilling rig division continued its Q4 2017 positive momentum with an annual Adjusted 2018 EBITDA of $3,060 and Q4 2018 Adjusted EBITDA of $1,423. Rig utilization continued to improve from Q2 2018, as Rig #5 and Rig #6 were moved from Saskatchewan to Alberta, upgraded and redeployed in September (Rig #6) and December (Rig #5) of 2018. The Corporation continues to maintain a strong balance sheet. At December 31, 2018, the Corporation's total debt to EBITDA, as defined in the lending agreement, was 0.80 to 1. Management believes this provides the Corporation flexibility to execute on strategic acquisitions and opportunities that align with the Corporation's growth plan.

During 2018, the Corporation continued its growth plan with the following highlights:

On January 19, 2018, the Corporation acquired all of the issued and outstanding shares of D2 Drilling Inc., a private corporation which owned one heavy telescopic double drilling rig and additional drilling equipment in the Weyburn/Estevan area of southeast Saskatchewan. The Corporation issued 6,667 common shares of the Corporation at a deemed price of $0.45 per common share and a cash payment of $530 equal to D2's working capital at the time of closing, for total consideration of approximately $3,000.

On May 24, 2018, the Corporation completed the acquisition of substantially all of the assets of Red Dog Drilling Inc. ("Red Dog") used in connection with Red Dog's drilling rig operations consisting of two heavy telescopic double drilling rigs, one cantilever triple drilling rig and one cantilever double drilling rig. Pursuant to an asset purchase agreement dated May 10, 2018 between Red Dog and the Corporation, the Corporation acquired the Red Dog assets for a purchase price of $5,511, which was paid as follows: (i) the issuance of 1,573 common shares at a deemed price of $0.33 per common share, valued at $519; and (ii) $4,992 cash for vendor debt repayment.

On July 25, 2018, the Corporation announced it's U.S. subsidiary had entered into a management consulting contract with Randy Hawkings with the objective of Mr. Hawkings advising the Corporation regarding existing operations and growth strategies in the U.S. and internationally. Mr. Hawkings is a seasoned corporate executive with considerable

experience as CEO/President. Most recently, he was consulting for Trinidad Drilling Ltd. ("Trinidad") in the USA, and prior thereto he held the position of Executive Vice President, US Operations for Trinidad. Before the acquisition of CanElson Drilling Inc. ("CanElson") by Trinidad in 2015, Mr. Hawkings was a founder, President and CEO of CanElson.

The Corporation also made significant capital investments in 2018 to upgrade and relocate two rigs from Saskatchewan to Alberta. Both Alberta rigs have been highly utilized since relocation and are expected to have similar utilization in 2019. The Corporation intends to continue its strategic plan of geographical diversification of its business and purchasing high quality assets that have a capability to service a large portion of the anticipated drilling in the WCSB while providing and economics required by our customers and the equipment and resources required by our employees to operate safely and efficiently, and at the same time, providing an appropriate rate of return. Management believes the Corporation is well positioned to capture new customer demand while growing with its current customer base and continues to improve the Corporation's strong safety culture.

The Corporation now has 11 drilling rigs consisting of nine complementary heavy telescopic double drilling rigs, one cantilever triple drilling rig and one cantilever double drilling rig. The Corporation currently only markets its nine heavy telescopic double drilling rigs.

Directional Drilling Division

Early in 2018, with the appointment of Mr. Lyle Whitmarsh as President and Chief Executive Officer, management began a thorough analysis of the directional drilling division in an effort to improve its performance and profitability. As a result, the Corporation resized the directional drilling division in January 2018 by reducing its headcount and related expenses to align with forecasted activity in Western Canada for its directional drilling services. With further reduced capital budgets within its directional drilling customer base in 2018, the directional drilling division recorded an annual Adjusted EBITDA loss of $1,284 and a Q4 2018 Adjusted EBITDA loss of $337. The directional drilling division also recorded an impairment write-down of $1,955 in Q4 2018 (2017: $3,833).

Due to continued directional drilling losses since Q1 2015, and management's thorough review of the directional drilling division including the consideration of potential implications of all available options, management and the Board of Directors determined that both significant capital investment which could not be projected to meet the Corporation's investment criteria, and major macroeconomic changes, which the Corporation cannot project happening in the near future in Western Canada, would be required in order to see a path to profitability for the division. Therefore, the Board of Directors has approved discontinuing directional drilling operations starting in Q2 2019. In connection with the cessation of the directional drilling division, the Corporation announces the departure of Mr. Charlie Lloyd, Vice President, Sales. The Board of Directors thanks Mr. Lloyd for his valuable contribution to the Corporation and wishes him well in his future endeavors. In addition, Mr. Rob Van Bostelen, Vice President, Operations, has resigned from his position as an officer of the Corporation but is continuing as an employee assisting the Corporation in closing the directional division.

CAPITAL AVAILABILITY AND CAPITAL PROGRAM

As at December 31, 2018, the Corporation had $6,508 available on its operating loan facility, which it expects to utilize to fund its 2019 capital program and take advantage of further strategic opportunities which may arise. As of the date of this MD&A, the Corporation has committed $1,029 for rig upgrades as part of its 2019 recertification capital program.

Operating Segments

Management evaluates the Corporation's performance on a divisional segmented basis. The composition of the divisional segments and segment information reported in the consolidated financial statements is consistent with the internal management reporting provided to key management. The Corporation has identified two reportable divisional segments being the drilling rig division and the directional drilling division. The drilling rig division operates land-based contract drilling rigs for oil and gas exploration and development companies. The directional drilling division is engaged in providing the services and supply of oil and gas down-hole drilling technologies and efficiency to customers. The details related to each operating division's results are discussed throughout this MD&A.

2018 RESULTS OF OPERATIONS

Consolidated Operations

(000's CAD $ except per day amounts)	Years Ended December 31, 2018	2017	% Change
Drilling rig revenue	16,028	1,453	1,003%
Directional drilling revenue	4,845	8,075	(40%)
Consolidated revenue	20,873	9,528	119%
Direct operating expenses	14,443	6,706	115%
Gross margin [1]	6,430	2,822	128%
Gross margin %	31%	30%	3%
Consolidated net loss	(4,124)	(6,875)	(40%)
General and administrative expenses	6,860	7,092	(3%)
G&A expenses as a % of revenue	33%	74%	(55%)
Adjusted EBITDA [1]	1,776	(189)	(1,040%)
Adjusted EBITDA %	9%	(2%)	550%
Drilling rigs operating days	859	80	974%
Drilling rigs revenue per day	18.7	18.2	3%
Directional drilling operating days [2]	572	946	(40%)
Directional drilling revenue per day	8.4	8.3	1%

(1) - please refer to "Non-GAAP measures" for further information

(2) MATRRIX calculates a stand-by day as 0.5 day of an operating day.

- In 2018, revenue was $20,873, an increase of $11,345 (119%) compared to $9,528 in 2017, as a result of the first full calendar year of revenue associated with the new drilling rig division, as well as increases in revenue per day in both divisions, partially offset by decreases in operating activity in the Corporation's directional drilling division.
- In 2018, gross margin was $6,430, an increase of $3,608 (128%) compared to $2,822 in 2017. As a percentage of revenue, gross margin was 31% in 2018 an increase of 3% from a gross margin of 30% in 2017. The increase in gross margin was a direct result of the profitability of the drilling rig division.
- General and administrative ("G&A") expenses in 2018 were $6,860 a decrease of $232 (3%) compared to G&A expenses of $7,092 in 2017. G&A expenses for the year ended December 31, 2018 includes an impairment expense of $1,955 compared to $3,833 for the corresponding 2017 period related to the directional drilling division. Overall, consolidated G&A expenses increased in 2018 due to the first full calendar year of operations for the drilling rig division related to an increase in overall employee headcount and corresponding expenses.
- Adjusted EBITDA in 2018 was $1,776, an increase of $1,965 (1,040%) compared to Adjusted EBITDA of ($189) in 2017. The increase in Adjusted EBITDA was related to the profitability of the new drilling rig division.

Directional Drilling Operations

(000's CAD $ except per day amounts)	Years Ended December 31, 2018	2017	% Change
Directional drilling revenue	4,845	8,075	(40%)
Direct operating expenses	4,062	5,735	(29%)
Gross margin [1]	783	2,340	(67%)
Gross margin %	16%	29%	(45%)
Directional drilling net loss	(4,036)	(6,503)	(38%)
G&A expenses	4,197	6,879	(39%)
G&A expenses as a % of revenue	87%	85%	2%
Adjusted EBITDA [1]	(1,283)	(458)	180%
Adjusted EBITDA %	(26%)	(6%)	(333%)
Directional drilling operating days [2]	572	946	(40%)
Directional drilling revenue per day	8.4	8.3	1%

[1] - please refer to "Non-GAAP measures" for further information

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

- In 2018, revenue for the directional drilling division was $4,845, a decrease of $3,230 (40%) compared to revenue of $8,075 in 2017. As revenue per day remained relatively flat in 2018 compared to the corresponding 2017 period, the overall decrease in revenue was primarily related to the decrease in operating activity from the Corporation's customer base.
- Direct operating expenses are primarily comprised of personnel, equipment operating and repair costs, shop expenses and direct G&A expenses in support of field operations. Direct operating expenses were $4,062 in 2018, a decrease of $1,673 (29%) compared to $5,735 in 2017, this decrease is directly related to the decrease in operating days in 2018 compared to 2017. On a per operating day basis, direct operating expenses increased $1.0 (16%) per day from $6.1 in 2017 to $7.1 in 2018. Gross margins as a percentage of revenue for 2018 were 16% in the division, down 45% from gross margins of 29% in 2017. The primary reason for the decrease in profitability was related to increased repair and maintenance costs from rental of third-party Measurement-While-Drilling ("MWD") equipment, increased deferred repairs and maintenance on MWD and motor equipment and increased day rates related to field personnel.
- G&A expenses were $4,197, a decrease of $2,682 (39%) compared to 2017. Directional drilling G&A expenses for the three months ended December 31, 2018 includes an asset impairment expense of $1,955 compared to $3,833 for the corresponding 2017 period.
- Overall there was a decrease in directional drilling G&A expenses for Q4 2018 compared to Q4 2017 related to a reduction in headcount in the division and the reallocation of corporate expenses of salaries, legal, IT, and rent between the directional drilling and drilling rig divisions. The decrease was partially offset by non-recurring restructuring expenses of $330 in the year.
- The overall effect of the decrease in revenues and the increase in direct operating expenses per day partially offset by the decrease in G&A expenses resulted in Adjusted EBITDA loss for the division of ($1,283) in 2018, a decrease of $825 (180%) from Adjusted EBITDA loss of ($458) in 2017.

Drilling Rig Operations

(000's CAD $ except per day amounts)	Years Ended December 31, 2018	2017	% Change
Drilling rig revenue	16,028	1,453	1,003%
Direct operating expenses	10,381	971	969%
Gross margin [1]	5,647	482	1,072%
Gross margin %	35%	33%	6%
Drilling rig net loss	(88)	(372)	(76%)
G&A expenses	2,663	213	1,150%
G&A expenses as a % of revenue	17%	15%	13%
Adjusted EBITDA [1]	3,059	269	1,037%
Adjusted EBITDA %	19%	19%	0%
Drilling rig operating days	859	80	974%
Drilling rig revenue per day	18.7	18.2	3%

[1] - please refer to "Non-GAAP measures" for further information

- Operations for the Corporation's drilling rig division commenced on November 21, 2017, therefore the 2017 figures include the results for the period from November 22, 2017 through December 31, 2017.
- The drilling rig division started 2018 with six heavy telescopic rigs operating in southeast Saskatchewan. On January 19, 2018, the drilling rig division added an additional heavy telescopic double drilling rig with the acquisition of D2. On May 24, 2018, the division added an additional four rigs (two heavy telescopic double drilling rigs, one cantilever triple drilling rig and one cantilever double drilling rig) through the business combination with Red Dog. Of the four rigs purchased from Red Dog, only the two heavy telescopic doubles have been activated for operations.
- In 2018, revenue in the drilling rig division was $16,028, an increase of $14,575 (1,003%) compared to revenue of $1,453 in 2017. The increase was a result of the first full year of operations, an increase in active rigs from six at the end of 2017 to nine active rigs at the end of 2018, and an increase in revenue per day of 3% from $18.2 in 2017 to $18.7 in 2018. The increase in revenue per day was related to the higher day rates in Alberta than in Saskatchewan as the Corporation relocated two rigs from Saskatchewan to Alberta during the second half of 2018.
- Operating days in the drilling rig division of 859 days in 2018 were up 973% from 80 operating days in 2017, a result of the first full calendar year of operations for the drilling rig division and the addition of three active rigs during 2018. The drilling rig utilization for 2018 was 29% which was on par with the CAODC industry average utilization rate of 29%.
- Direct operating expenses are primarily comprised of personnel, equipment operating and repair costs, and shop expenses. Direct operating expenses in 2018 were $10,381, up $9,410 (969%) from $971 in 2017, as a result of the increased operating activity from the first full year of operations. For the year ended December 31, 2018, gross margins as a percentage of revenue were 35% in the division, up 6% from gross margins of 33% in 2017. The increase is primarily as a result of the 3% increase in revenue per operating day while keeping costs per day in line with 2017.
- In 2018, Adjusted EBITDA in the drilling rig division was $3,059, a $2,790 (1,037%) increase from $269 in 2017, as result of the aforementioned first full year of operations and increase in active rig count over the year.

	Years Ended December 31, 2018	2017	% Change
Drilling rigs (activated rigs)			
Opening balance	6	-	na
Acquired	3	6	(50%)
Ending balance	9	6	50%
Operating days (spud to rig release)	859	80	974%
Utilization	29%	25%	14%

na - not applicable

Consolidated Analysis

General and Administrative Expenses

(000's CAD $)	Years Ended December 31, 2018	2017	% Change
Administrative expenses	2,032	1,360	49%
Salaries and benefits	2,622	1,651	59%
Share-based payments	246	223	10%
Depreciation	5	25	(80%)
Impairment of assets	1,955	3,833	(49%)
Total G&A	6,860	7,092	(3%)
Total G&A expenses as a % of revenue	33%	74%	(55%)

nm - not meaningful

Total G&A expenses for the year ended December 31, 2018, was $6,860, a decrease of $232 (3%) from $7,092 in 2017. The primary reason for the decrease in G&A was due to the lower impairment of assets in the Corporation's directional drilling division partially offset by increased costs associated with the Corporation's expansion into the drilling rig business which included additional administrative, salary, share-based payments, and legal expenses.

Depreciation Expense (Non-Administrative Assets)

(000's CAD $)	Years Ended December 31, 2018	2017	% Change
Depreciation expense	3,465	2,613	33%

Depreciation expense for the year ended December 31, 2018 was $3,465, an increase of $852 (33%) from $2,613 in 2017. The primary reason for the increase was related to the larger depreciable asset base due to the acquisition of the drilling rigs, partially offset by a decrease in directional drilling depreciation as a result of the impairment taken in Q4 2017.

Share-Based Payments

(000's CAD $)	Years Ended December 31, 2018	2017	% Change
Share-based payments	246	223	10%

Share-based payments expense for the year ended December 31, 2018 relate to the expense of stock options issued to directors, officers, employees and consultants of the Corporation.

In 2018, share-based payments expense was $246, a $23 (10%) increase from $223 in 2017. Stock option expense fluctuates based on the share price of grants during the year, expiries and forfeitures of options and the effects of vesting.

At the date of this MD&A, 2,660 stock options and 131,615 common shares were outstanding.

Impairment of Property and Equipment

(000's CAD $)	Years Ended December 31, 2018	2017	% Change
Impairment of assets	1,955	3,833	(49%)

The Corporation reviews the carrying value of its assets at each reporting period for indicators of impairment. The Corporation currently has two CGUs, the service of directional drilling that includes interchangeable performance motor drilling assets, and drilling rigs.

For the year ended December 31, 2018, the Corporation completed its assessment and the recoverable value of the property and equipment of both of the Corporation's CGUs. The Corporation identified that the directional drilling CGU carrying amount exceeded the fair value amount using the market approach. As a result, an impairment of $1,852 was recorded as a reduction in directional drilling property and equipment for the year ended December 31, 2018 (2017 - $3,630).

Other Items

(000's CAD $)	Years Ended December 31, 2018	2017	% Change
Gain from disposition of property and equipment	301	140	115%
Gain from equipment lost in hole	635	310	105%
Interest and other income	45	21	114%
Interest on operating loan	(19)	-	nm
Interest on convertible debenture	(261)	(53)	392%
Accretion on debentures	(125)	-	nm
Foreign exchange gain (loss)	(88)	44	(300%)
Non-recurring restructuring charges	(330)	-	nm
Transaction costs	(683)	(454)	50%
Other items	(525)	8	(6,663%)

For the year ended December 31, 2018, the Corporation recorded a gain of $301 related to the sale of certain directional drilling and drilling rig equipment compared to $140 in 2017. In addition, for the year ended December 31, 2018, the Corporation recorded a gain of $635 related to equipment lost downhole compared to $310 in 2017. The timing of lost-in-hole recoveries is not within the control of the Corporation and therefore can fluctuate significantly from period to period. Interest and other income primarily related to interest earned from term deposits and sales of scrap materials.

The Corporation also incurred non-recurring restructuring charges related to a severance payment and associated legal expenses of $330 during the year (2017 - $nil).

Non-capitalizable transaction costs related to acquisitions of $683 were incurred in 2018, an increase of $229 (50%) from $454 in 2017. Transaction costs represent non-capitalizable amounts directly related to drilling rig acquisitions which consist of due diligence and external legal fees.

Summary of Quarterly Results

	2018				2017			
(000's CAD $)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue	6,566	4,785	2,047	7,475	4,984	1,933	1,061	1,549
Gross Margin [1]	2,471	1,247	464	2,248	1,363	582	273	(20)
Net Income (loss)	(1,999)	(904)	(1,421)	200	(4,464)	(743)	(976)	(693)
Net Income (loss) per share	(0.02)	(0.01)	(0.01)	0.00	(0.06)	(0.02)	(0.03)	(0.02)
Net Income (loss) per share - diluted	(0.02)	(0.01)	(0.01)	0.00	(0.06)	(0.02)	(0.03)	(0.02)
Adjusted EBITDA [1]	1,085	158	(619)	1,152	355	(135)	(353)	(55)
Working Capital	(2,056)	4,611	6,291	18,751	17,823	4,841	3,756	4,143
Total assets	46,435	43,096	43,411	45,130	42,525	13,455	13,034	13,790

[1] - please refer to "Non-GAAP measures" for further information

An assessment or comparison of the Corporation's quarterly results, at any given time, requires consideration of crude oil and natural gas commodity prices and the seasonal nature of the oil and gas industry in North America. Commodity prices ultimately drive the level of exploration and development activities carried out by the Corporation's customers and associated demand for the oilfield services provided by MATRRIX. Results are impacted by the gain or loss of key customers. Additions or losses of key customers can fluctuate on a quarterly basis. From a seasonality perspective, MATRRIX currently operates all of its directional systems and drilling rigs in Western Canada, therefore, operations are impacted by weather and seasonal factors. The winter season, which incorporates the first quarter, is generally a higher activity period as oil and gas companies take advantage of frozen ground conditions to move heavy equipment and operate in regions which might otherwise be inaccessible due to ground conditions during warmer periods. The second quarter normally encompasses a slow period in Canada referred to as spring break-up. During this period, melting conditions result in temporary municipal road bans that effectively prohibit the movement of drilling rigs and other heavy equipment. The third and fourth quarters in Western Canada are usually representative of average activity levels. Starting in Q4 2017, with the purchase of Stampede, the Corporation entered into the drilling rig market in southeast Saskatchewan and subsequently the Alberta market with the relocation of two of its drilling rigs in 2018.

FOURTH QUARTER RESULTS OF OPERATIONS

Consolidated Operations

(000's CAD $ except per day amounts)	Three Months Ended December 31, 2018	2017	% Change
Drilling rig revenue	6,025	1,453	315%
Directional drilling revenue	541	3,531	(85%)
Consolidated revenue	6,566	4,984	32%
Direct operating expenses	4,095	3,620	13%
Gross margin [1]	2,471	1,364	81%
Gross margin %	38%	27%	41%
Consolidated net loss	(1,999)	(4,464)	(55%)
G&A expenses	3,390	4,943	(31%)
G&A expenses as a % of revenue	52%	99%	(47%)
Adjusted EBITDA [1]	1,085	354	206%
Adjusted EBITDA %	17%	7%	143%
Drilling rigs operating days	292	80	265%
Drilling rigs revenue per day	20.6	18.2	14%
Directional drilling operating days [2]	62	391	(84%)
Directional drilling revenue per day	8.7	8.9	(2%)

[1] - please refer to "Non-GAAP measures" for further information

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

- For the three months ended December 31, 2018, the Corporation recorded revenue of $6,566, an increase of $1,582 (32%) compared to $4,984 recorded in the three months ended December 31, 2017, as a result of the full three months of revenue associated with the new drilling rig division and an increase in revenue per day in the drilling rig division, offset by an 85% decrease in revenue related to the directional drilling division.
- For the three months ended December 31, 2018, gross margin was $2,471, an increase of $1,107 (81%) compared to $1,364 for the three months ended December 31, 2017. Gross margin as a percentage of revenue was 38% in the fourth quarter of 2018 an increase of 41% from a gross margin of 27% in the fourth quarter of 2017. The increase in gross margin as a percentage of revenue is directly attributable to the positive results in the drilling rig division partially offset by lower margins in the directional drilling division.
- G&A expenses for the three months ended December 31, 2018 were $3,390, a decrease of $1,553 (31%) compared to $4,943 for the corresponding 2017 period. G&A expenses for Q4 2018 includes an impairment expense of $1,955 compared to $3,833 for the corresponding 2017 period related to the directional drilling division. Overall, consolidated G&A expenses increased in Q4 2018 due to the first full calendar year of operations for the drilling rig division related to an increase in overall employee headcount and corresponding expenses.
- Adjusted EBITDA for the three months ended December 31, 2018, was $1,085, an increase of $731 (206%) compared to Adjusted EBITDA of $354 for the three months ended December 31, 2017. The increase in Adjusted EBITDA was primarily related to the profitability of the new drilling rig division.

Directional Drilling Operations

(000's CAD $ except per day amounts)	Three Months Ended December 31, 2018	2017	% Change
Directional drilling revenue	541	3,531	(85%)
Direct operating expenses	524	2,649	(80%)
Gross margin [1]	17	882	(98%)
Gross margin %	3%	25%	(88%)
Directional drilling net loss	(2,518)	(4,092)	(38%)
G&A expenses	2,321	4,730	(51%)
G&A expenses as a % of revenue	429%	134%	220%
Adjusted EBITDA [1]	(337)	85	(496%)
Adjusted EBITDA %	(62%)	2%	(3,200%)
Directional drilling operating days [2]	62	391	(84%)
Directional drilling revenue per day	8.7	8.9	(2%)

(1) - please refer to "Non-GAAP measures" for further information

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

- For the three months ended December 31, 2018, revenue for the directional drilling division was $541, a decrease of $2,990 (85%) compared to revenue of $3,531 for the same period in 2017. The decrease in revenue was primarily related to the decrease in operating activity from the Corporation's customer base.
- Direct operating expenses are primarily comprised of personnel, equipment operating and repair costs, shop expenses and direct G&A expenses in support of field operations. Direct operating expenses for the three months ended December 31, 2018 were $524, a decrease of $2,125 (80%) compared to $2,649 for the three months ended December 31, 2017. Gross margin as a percentage of revenue for the three months ended December 31, 2018, was 3% in the division, down 88% from a gross margin of 25% in the fourth quarter of 2017. The primary reason for the decrease was related to increased repair and maintenance costs from rental of third-party Measurement-While-Drilling ("MWD") equipment, increased deferred repairs and maintenance on MWD and motor equipment and increased day rates related to field personnel.
- G&A expenses were $2,321, a decrease of $2,409 (51%) compared to 2017. Directional drilling G&A expenses for the three months ended December 31, 2018 includes an impairment expense of $1,955 compared to $3,833 for the corresponding 2017 period. Overall there was a decrease in G&A expenses for the three months ended December 31, 2018 compared to the 2017 corresponding period primarily related to a reduction in headcount in the division and the reallocation of corporate expenses of salaries, legal, IT, and rent between the directional drilling and drilling rig divisions.
- The overall effect of the decrease in revenues and the increase in direct operating expenses per day partially offset by the decrease in G&A expenses resulted in Adjusted EBITDA loss for the division of ($337) in the fourth quarter of 2018, a decrease of $422 (496%) from Adjusted EBITDA of $85 in the comparable 2017 period.

Drilling Rig Operations

(000's CAD $ except per day amounts)	Three Months Ended December 31, 2018	2017	% Change
Drilling rig revenue	6,025	1,453	315%
Direct operating expenses	3,571	971	268%
Gross margin [(1)]	2,454	482	409%
Gross margin %	41%	33%	24%
Drilling rig net income (loss)	519	(372)	(240%)
G&A expenses	1,069	213	402%
G&A expenses as a % of revenue	18%	15%	20%
Adjusted EBITDA [(1)]	1,422	269	429%
Adjusted EBITDA %	24%	19%	26%
Drilling rig operating days	292	80	265%
Drilling rig revenue per day	20.6	18.2	13%

[(1)] - please refer to "Non-GAAP measures" for further information

- Operations for the Corporation's drilling rig division commenced on November 21, 2017, therefore the figures for the period ended December 31, 2017 include the results for the period from November 22, 2017 through December 31, 2017.
- For the three months ended December 31, 2018, revenue in the drilling rig division was $6,025, an increase of $4,572 (315%) compared to revenue of $1,453 for the three months ended December 31, 2017. The increase was a result of the first full quarter of operations for the drilling division, an increase in active rigs from six at the end of 2017 to nine active rigs at the end of 2018, and an increase in revenue per day of 13% from $18.2 in the fourth quarter of 2017 to $20.6 in the comparable 2018 period. The increase in revenue per day was related to the higher day rates in Alberta than in Saskatchewan as the Corporation relocated two rigs from Saskatchewan to Alberta during the second half of 2018.
- Operating days in the drilling rig division of 292 days in the fourth quarter of 2018 was a 265% increase over 80 operating days in the fourth quarter of 2017, a result of the full quarter's operations and the increase in rig count. The drilling rig utilization for the quarter ended December 31, 2018 was 35%, above the CAODC industry average utilization rate of 28%.
- Direct operating expenses are primarily comprised of personnel, equipment operating and repair costs, and shop expenses. Direct operating expenses for the three months ended December 31, 2018 were $3,571, up $2,600 (268%) from $971 for the three months ended December 31, 2017, also a result of the first full quarter of operations and the increase in active rig count over the year. For the fourth quarter ended December 31, 2018, gross margin as a percentage of revenue was 41% in the division, up 24% from a gross margin of 33% in the fourth quarter of 2017. The increase in gross margin as a percentage of revenue is primarily as a result of decreased maintenance costs per day compared to the fourth quarter of 2017 when additional expenditures were made to put the rigs to use as well as fixed operating costs being allocated over more operating days and an increase in revenue per day.
- G&A expenses for the three months ended December 31, 2018 were $1,069, up $856 (402%) from $213 for the three months ended December 31, 2017, a result of the first full quarter of operations as well as the reallocation of corporate expenses related to salaries, legal, IT, and rent between the directional drilling and drilling rig divisions.
- For the three months ended December 31, 2018, Adjusted EBITDA in the drilling rig division was $1,422, a $1,153 (429%) increase from $269 in the fourth quarter of 2017, as result of the first full quarter of operations, an increase in active rig count over the prior year and higher gross margin.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities and Working Capital

	Years Ended December 31,		
(000's CAD $)	2018	2017	% Change
Funds flow	449	(632)	(171%)
Changes in non-cash working capital balances	338	(1,159)	(129%)
Cash flows from operating activities	787	(1,791)	(144%)

Cash flows from operating activities for 2018 was $787, an increase of $2,578 (144%) from ($1,791) in 2017. The increase in cash flows from operating activities is primarily related to the increase in activity related to the drilling rig division.

The Corporation had negative working capital of ($2,054) at December 31, 2018, a decrease of $19,877 (112%) from working capital of $17,823 at December 31, 2017, primarily due to expenditures on rig acquisitions and rig upgrades.

Cash Flows from Investing Activities

	Years Ended December 31,		
(000's CAD $)	2018	2017	% Change
Additions to property and equipment	(16,462)	(7,257)	127%
Acquisitions	(4,992)	-	nm
Proceeds from the disposition of property and equipment	562	421	33%
Cash received from Stampede acquisition	-	2,599	(100%)
Cash paid for D2 acquisition	(523)	-	nm
Short term investments - restricted cash	(100)	-	nm
Interest earned	45	-	nm
Proceeds from equipment lost in hole	756	386	96%
Changes in non-cash working capital balances	1,643	-	nm
Cash flows from Investing activities	(19,071)	(3,851)	395%

nm - not meaningful

During 2018, the Corporation purchased $16,462 in property and equipment compared to $7,257 in 2017.

Purchases of property and equipment in 2018 were related to rig upgrades, expenditures related to the acquisition of D2 and Business Combination with Red Dog, drilling rig recertifications, and directional drilling equipment.

Acquisitions of property and equipment of $4,992 in 2018 relate to the cash portion of the Red Dog Business Combination.

During 2018, the Corporation received $562 related to proceeds from the disposition of property and equipment compared to $421 in 2017.

During 2018, the Corporation received $756 related to proceeds from equipment lost in hole compared to $386 in 2017.

Cash Flows from Financing Activities

(000's CAD $)	2018	Years Ended December 31, 2017	% Change
Proceeds from issuance of common shares	-	21,158	(100%)
Share issue costs	-	(1,118)	(100%)
Proceeds from convertible debentures (net)	-	2,559	(100%)
Interest on debentures	(261)	(53)	392%
Proceeds from operating loan	3,492	-	nm
Interest on operating loan	(19)	-	nm
Proceeds from short-term debt	-	2,500	(100%)
Repayment of short-term debt	-	(2,500)	(100%)
Repayment of Stampede debt	-	(5,418)	(100%)
Stock options exercised	48	30	60%
Cash flows from financing activities	3,260	17,158	(81%)

nm - not meaningful

On October 27, 2017, the Corporation closed a private placement of 10% convertible unsecured subordinated debentures of the Corporation for gross proceeds of $2,612. The net proceeds after the amortization of the private placement costs were $2,559. For the year ended December 31, 2018, the Corporation incurred interest expense related to the debentures of $261, compared to $53 in 2017.

On December 20, 2018, the Corporation established a demand operating revolving loan facility with a Canadian chartered bank which provides for a total credit capacity of up to, but not exceeding, a maximum of $15,000, subject to the certain margining requirements. As at December 31, 2018, the Corporation had drawn $3,492 on the operating loan facility and incurred interest expense of $19 (2017 - $nil).

Term Operating Loan

On December 20, 2018, the Corporation established a new demand operating revolving loan facility with a Canadian chartered bank which provides for a total credit capacity of up to, but not exceeding, a maximum of $15,000 comprised of the following margin requirements:

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

The operating loan facility bears interest at the lender's prime rate plus 85 basis points and is secured by a general first ranking security agreement on all assets, property, and undertakings of the Corporation.

The operating loan facility is subject to the following financial covenants:

	Covenant	December 31, 2018
Interest Coverage Ratio [1]	3.00:1.00 or more	15.50:1.00
Net Funded Debt to EBITDA Ratio [2]	3.00:1.00 or less	0.80:1.00

For the purposes of the loan facility, EBITDA is calculated as net income plus interest expense, income taxes, depreciation and amortization, other non-cash charges, transaction costs not to exceed $1,500, cash dividends, and losses attributable to minority equity investments, less non-cash gains, and income attributable to minority equity investments.

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

- for the fiscal quarter ended December 31, 2018, EBITDA is calculated for the fiscal quarter times four;
- for the first fiscal quarter ending March 31, 2019, EBITDA shall be calculated for the fiscal quarter and the immediately preceding fiscal quarter times two; and
- for the second fiscal quarter ending June 30, 2019, EBITDA shall be calculated for the fiscal quarter and the two immediately preceding fiscal quarters divided by 0.75.

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

As at December 31, 2018, $3,406 was drawn on the operating loan facility and the Corporation as in compliance with all covenants related to its operating loan facility.

COMMITMENTS

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

The following table reflects the Corporation's commitments as of December 31, 2018:

(000's CAD $)	2019	2020	2021	2022
Operating loan facility	3,492	-	-	-
Operating leases	369	291	198	99
Trade and other payables	4,200	-	-	-
Total	8,061	291	198	99

As of the date of this MD&A, the Corporation has committed $1,029 related to rig upgrades.

FINANCIAL INSTRUMENTS

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

Credit risk

The adoption of IFRS 9, Financial Instruments, requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Corporation's assessment, an increase in the allowance for doubtful accounts was recorded using the lifetime expected credit loss model. The expected credit loss rates are based on actual credit loss experience since inception for each operating division. The adjustment to allowance for doubtful accounts on initial application of IFRS 9 was $94.

The loss allowance provision for trade accounts receivable as at December 31, 2018 reconciles to the opening loss allowance provision as follows:

	2018
At January 1, 2018 – calculated under IAS 39	94
Decrease in loan loss allowance per IFRS 9	(13)
As at December 31, 2018	81

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 creditworthiness of its customers before providing services and on an ongoing basis, as well as monitoring the amount and age of balances outstanding. The Corporation views credit risks on its accounts receivable as normal for the industry.

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

During the year ended December 31, 2018, MATRRIX had three customers that comprised 13%, 17% and 27% of total revenue, compared to two customers that comprised 12% and 18% of total revenue in 2017. For the accounts receivable balances outstanding at December 31, 2018, MATTRIX has three customers that comprised 9%, 14% and 40% of the total balance compared to two customers that comprised 9% and 14% of the total balance in 2017.

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

	December 31, 2018	2017
Within 30 days	2,333	3,104
31 to 60 days	1,977	1,631
61 to 90 days	1,005	1,017
Over 90 days	-	-
Allowance for doubtful accounts	(81)	(94)
Accounts receivable	5,234	5,658

As at the date of this MD&A, MATRRIX has collected 79% of the December 31, 2018 outstanding balance.

Liquidity risk

The Corporation's objective in managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due by maintaining sufficient cash to settle current liabilities and meet its anticipated 2019 working capital requirements. As at December 31, 2018, the Corporation had negative working capital of ($2,054) (2017 – working capital of $17,823).

Market Risk

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

a) Interest Rate Risk

The Corporation is exposed to interest rate fluctuations on its operating loan facility, which bears interest at floating market rates. For the year ended December 31, 2018, if the prime interest rate increased/decreased by 1%, with all other variables held constant, the Corporation's net loss would not have been materially different. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

b) Foreign Currency Risk

The Corporation is exposed to foreign currency fluctuations on its financial instruments in relation to its U.S. dollar-denominated cash, accounts receivable and accounts payable. The Corporation monitors its foreign currency exposure and attempts to minimize the effect of fluctuations in the U.S. dollar by maintaining appropriate levels of cash and accounts receivable to offset corresponding U.S. dollar denominated accounts payable.

c) Fair Value

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

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

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

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

The carrying amount of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. At December 31, 2018, the Corporation valued its cash and cash equivalents using Level 1 inputs. The Corporation does not have any Level 2 instruments. The fair value of the debentures liability was recorded based on an estimated fair value interest rate and is considered a level 3 fair value instrument.

As the debentures have not traded, the fair value of the debentures is $2,612 as at December 31, 2018, based on the purchase price of $1 per debenture.

RECENT PRONOUNCEMENTS AND APPLICATION OF NEW AND REVISED IFRS

Certain new or amended standards or interpretations have been issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are not required to be adopted in the current period. The Corporation has not early adopted these standards or interpretations. The standards which the Corporation anticipates may have a material effect on the consolidated financial statements or note disclosures are described below.

Changes in accounting policies:

1) *IFRS 9*

IFRS 9, "Financial Instruments" replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 amends its classification and measurement of financial assets and introduces a new expected loss impairment model and new general hedge accounting requirements. The Corporation has adopted IFRS 9 for the annual period beginning on January 1, 2018. The adjustment to the opening deficit as of January 1, 2018 due to the cumulative impact of adopting IFRS 9 was $94. The impact to net earnings for the year ended December 31, 2018 was $18, which was recorded in Administrative costs.

IFRS 15

Effective January 1, 2018, the Corporation adopted IFRS 15, "Revenue from Contracts with Customers" using the modified retrospective approach, which requires the cumulative effect of adopting the standard to be recognized as at January 1, 2018. Upon adopting IFRS 15, the Company did not have a cumulative adjustment, with the previous revenue recognition policy being applied consistently under the new standard.

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

IFRS 16, "Leases" replaces the previous guidance on leases and sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract. The new standard is effective for annual periods beginning on or after January 1, 2019, and which supersedes IAS 17, Leases; earlier application is allowed, but not before the application of IFRS 15, Revenue from Contracts with Customers. This new pronouncement introduces a single lessee accounting model by eliminating a lessee's classification of leases as either operating leases or finance leases.

The Corporation has elected to adopt IFRS 16 using the modified retrospective approach by recognizing the cumulative effect of initially applying the new standard on January 1, 2019 using the simplified right-of-use asset measurement method, along with the application of various practical expedients. The Corporation has reviewed its lease agreements and is currently evaluating the impact of the adoption of IFRS 16 on its consolidated financial statements.

RISKS AND UNCERTAINTIES

The Corporation's operations are subject to certain factors that are beyond its control. A significant portion of the Corporation's operating costs are variable in nature, and as a result, the impact of a significant decline in demand for the Corporation's services on its financial results is lessened. Readers should carefully consider all such risk factors contained herein and in the Corporation's other public filings before making an investment decision. The risks set out below are not an exhaustive list, and should not be taken as a complete summary or description of all the risks associated with the Corporation's business and the oilfield services business generally. Detailed disclosure of such risk factors are included in the Corporation's most recently filed annual information form which can be found under the Corporation's profile at www.sedar.com. Management has identified herein certain key risks and uncertainties associated with the Corporation's business that could impact financial results. They include, but are not limited to:

Demand for Services

There are many risks inherent in the oil and natural gas services industry, which even a combination of experience, knowledge and careful evaluation may be difficult to overcome. The demand, price and terms of drilling rig services are dependent on the level of activity in the industry. Industry conditions are influenced by numerous factors over which MATRRIX has no control, including the level of oil and natural gas prices, expectations about oil and natural gas prices, the cost of exploring for, producing and delivering oil and natural gas, the expected rates of declining current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, weather conditions, political regulatory and economic conditions, and the ability of oil and natural gas companies to obtain equity or debt financing.

Oil and natural gas exploration and production activity levels are subject to fluctuation and may be impacted by fluctuations in commodity prices, which can be volatile. No assurance can be given that expected trends in oil and natural gas exploration and production activities will continue or that demand for oil and natural gas services will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas prices is expected to affect oil and natural gas exploration and production activities and therefore affect customer demand for drilling rig services. A material decline in oil or gas prices or industry activity could have a material adverse effect on MATRRIX's business, financial condition, results of operations and cash flows.

Volatility and Weakness in the Oil and Natural Gas Industry

MATRRIX is subject to broader geopolitical risk that affects pricing, supply and demand in the oil and natural gas industry. The inability of MATRRIX to deal with a sustained low commodity price environment resulting from geopolitical events beyond the Corporation's control could have a material adverse effect on its business, financial condition, results of operations, and prospects.

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by the Organization of the Petroleum Exporting Countries, slowing growth in China and emerging economies, market volatility and disruptions in Asia, weakening global relationships, isolationist trade policies, increased U.S. shale production, sovereign debt levels and political upheavals in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and natural gas companies and a decrease in confidence in the oil and natural gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty changes and environmental regulation. In addition, the inability to get the necessary approvals to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the oil and natural gas industry in Western Canada has led to additional downward price pressure on oil and natural gas produced in Western Canada and uncertainty and reduced confidence in the oil and natural gas industry in Western Canada. Lower commodity prices have restricted, and are anticipated to continue to restrict, oil and natural gas producers' cash flows resulting in reduced capital expenditure budgets. Such events directly affect the demand for drilling services which has, and are anticipated to continue to have, a material adverse effect upon the Corporation's business, financial condition, results of operations and cash flows. If these conditions persist, the Corporation's cash flow may not be sufficient to continue to fund its operations and to satisfy its obligations when due and the Corporation's ability to discharge its obligations will require additional equity or debt financing and/or proceeds from asset sales. There can be no assurance that such equity or debt financing or level of pricing from asset sales will be available on terms that are satisfactory to the Corporation or at all.

The Corporation is subject to various laws and regulations that govern the operation and taxation of the Corporation's business. The Corporation's operations may be adversely affected by political, economic or social instability or events. These events may include, but are not limited to, onerous fiscal policy, renegotiation or nullification of agreements and treaties, imposition of onerous regulation, changes in laws governing existing operations, financial constraints, including unreasonable taxation and corrupt behavior of public officials, joint venture partners or third-party representatives that could result in lost business opportunities for the Corporation. This could materially adversely affect the Corporation's business, financial condition, results of operations and cash flows.

Substantial Capital Requirements and Additional Funding Requirements

MATRRIX's cash flow from its operations may not be sufficient to fund its ongoing activities at all times. As the Corporation's revenues and cash flow may decline because of decreased activity levels, it has and may be required to further reduce its planned capital expenditures. In addition, uncertain levels of near-term industry activity coupled with the uncertain global economy exposes the Corporation to additional capital risk. From time to time, MATRRIX may require additional financing in order to carry out its operations. Failure to obtain such financing on a timely basis could cause MATRRIX to reduce or terminate its operations. If MATRRIX's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or be available on terms acceptable to MATRRIX. The Corporation's inability to raise financing to support ongoing operations or to Corporation capital expenditures or acquisitions could limit the Corporation's growth and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Where additional financing is raised by the issuance of common shares or securities convertible into Shares, control of the Corporation may change, and shareholders may suffer dilution to their investment.

Issuance of Debt

From time to time, MATRRIX may enter into transactions to acquire assets or the shares of other entities. Those transactions may be financed partially or wholly with debt, which may increase MATRRIX's debt levels above its industry peers. Depending on future plans, MATRRIX may require additional equity and/or debt financing that may not be available or, if available, may not be available on favorable terms. Neither MATRRIX's articles nor its bylaws limit the amount of indebtedness that MATRRIX may incur. The level of MATRRIX's future indebtedness from time to time could impair MATRRIX's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate which will fluctuate over time. Any material increases in the value of the Canadian dollar negatively impact the revenues of exploration and production companies, and consequently, the revenues of oil and natural gas services companies such as the Corporation. Any material increases in the value of the Canadian dollar can have a potential negative impact and may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Additionally, MATRRIX purchases some of its equipment from outside of Canada and therefore decreases in the value of the Canadian dollar can have potential negative impacts on the Corporation's purchasing power for its equipment. An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, resulting in a reduced amount available to fund its capital expenditure program.

Tax Matters

The taxation of corporations is complex. In the ordinary course of business, MATRRIX may be subject to ongoing audits by tax authorities. While MATRRIX believes that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. In addition, the previous tax filing positions of businesses acquired by MATRRIX may be reviewed and challenged by tax authorities. If such challenge were to succeed, it could have a material adverse effect on MATRRIX's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative

policies and assessing practices of taxation authorities, could have a material adverse effect on MATRRIX's tax position. As a consequence, MATRRIX is unable to predict with certainty the effect of the foregoing on MATRRIX's taxes payable, effective tax rate and earnings. MATRRIX regularly reviews the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from these provisions, MATRRIX's taxes payable, effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. MATRRIX intends to mitigate this risk through ensuring that tax filing positions are carefully scrutinized by management and external consultants, as appropriate. There can be no assurance that income tax laws or the interpretation thereof in any of the jurisdictions in which MATRRIX operates will not be changed or interpreted or administered in a manner which adversely affects MATRRIX and its shareholders. In addition, there is no assurance that the Canada Revenue Agency will agree with the manner in which MATRRIX calculates income or taxable income for tax purposes or that any of the other tax agencies will not change their administrative practices to the detriment of MATRRIX, shareholders or both.

Asset Impairment

The Corporation is required to periodically review asset balances including goodwill and capital assets for impairment when certain factors indicate the need for analysis. In the case of goodwill, if any exists on the balance sheet, an impairment test must be completed at least annually. These calculations are based on management's estimates and assumptions at the time the analysis is made. Several factors are included in this analysis and may include changes in share price, cash flow and earnings estimates, changes in market conditions, and general local and global economic conditions. Any resulting future impairment write down to goodwill or capital assets could result in a non-cash charge against net earnings and could be material in nature.

Unpredictability and Volatility of Share Price

The trading price of securities of oil and natural gas services issuers is subject to substantial volatility. This volatility is often based on factors both related and unrelated to the financial performance or prospects of the issuers involved. A publicly traded corporation will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the common shares will trade cannot be predicted. The market price of the common shares could be subject to significant fluctuations in response to variations in quarterly operating results and other factors, including local and global economic conditions, governmental/regulatory actions or inactions, speculation made by media or the investment community, industry conditions, commodity prices, foreign exchange rates and political or other events unrelated to MATRRIX's operating performance. Investors should not place undue reliance on historical share price as an indicator of future share price and should seek advice from a financial expert prior to investing.

In addition, the securities markets have experienced significant market wide and sectoral price and volume fluctuations from time to time that often have been unrelated or disproportionate to the operating performance of particular issuers. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oilfield services industry or oil and natural gas market. Such fluctuations could have a material adverse effect on the market price of the Shares.

Equipment and Technology Risks

Complex drilling and completions programs for the exploration, development and production of conventional and unconventional oil and natural gas reserves in North America demand high performance equipment. The abilities of oil and natural gas service providers to meet these demands will depend on continuous improvement of existing rig technology such as drive systems, control systems, automation, mud systems and top drives to improve drilling efficiency. MATRRIX's ability to deliver equipment and services that are more efficient than its competitors is critical to continued success. There is no assurance that competitors will not achieve technological improvements that are more advantageous, timely or cost effective than improvements developed by MATRRIX.

The ability of MATRRIX to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment and there can be no assurance that MATRRIX will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Other companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or

at an acceptable cost. If the Corporation does implement such technologies, there is no assurance that the Corporation will do so successfully. In such case, the Corporation's business, financial condition, results of operations and cash flows could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition, results of operations and cash flows could also be materially adversely affected.

Certain of the Corporation's equipment may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be preferable for environmental or other reasons. The Corporation will need to keep current with the changing market for oil and natural gas services and technological and regulatory changes. If the Corporation fails to do so, this could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

MATRRIX currently owns its own directional drilling equipment and land-based contract drilling rigs and makes additional purchases of certain drilling equipment from time to time from various suppliers in the oil and natural gas services industry. There can be no assurance that these sources for equipment will be maintained. If such equipment is not made available and is not available from any other source, the Corporation's ability to compete may be impaired.

MATRRIX has not sought or obtained patent or other similar protection in respect of any equipment or technology it has developed independently. In the future, MATRRIX may seek patents or other similar protections in respect of particular equipment and technology; however, MATRRIX may not be successful in such efforts. Competitors may also develop similar equipment and technology to that of MATRRIX, thereby adversely affecting MATRRIX's competitive advantage in one or more of its businesses. Additionally, there can be no assurance that certain equipment or technology developed by MATRRIX may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on the business, financial condition, results of operations and cash flows of MATRRIX.

In the future MATRRIX may seek patents or other similar protections in respect of particular tools, equipment and technology; however, MATRRIX may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of MATRRIX thereby adversely affecting MATRRIX's competitive advantage in one or both of its businesses. Additionally, there can be no assurance that certain tools, equipment or technology which may be developed by MATRRIX, may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on MATRRIX's business, financial condition, results of operations and cash flows.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking statements or forward-looking information (collectively, "forward-looking information"). Forward-looking information relates to future events or the Corporation’s future performance. All information other than statements of historical fact is forward-looking information. The use of any of the words “anticipate”, “plan”, “contemplate”, “continue”, “estimate”, “expect”, “intend”, “propose”, “might”, “may”, “will”, “could”, “believe”, “predict”, and “forecast” are intended to identify forward-looking information.

This MD&A contains forward-looking information pertaining to, among other things: the expectation that the Corporation's drilling rig utilization in 2019 will be similar to 2018 ; the Corporation’s expectation that industry activity will remain challenged ; the Corporation's strategic plan, including with respect to asset purchases and geographic diversification; the expectation that the Corporation’s strategic plans of acquiring assets at prices that are expected to provide a high rate of return for shareholders; the Corporation's expectation regarding its positioning to capture new customer demand while maintaining its current customer base and the expectation of driving growth and building momentum with the drilling rig division

Statements, including forward-looking information, are made as of the date of this MD&A and the Corporation does not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.