Unaudited Condensed Consolidated Interim Financial Statements of

MATRRIX Energy Technologies Inc.

For the three months ended March 31, 2019 and 2018

(Expressed in Canadian Dollars)

MATRRIX Energy Technologies Inc.

Condensed Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)	Note	March 31, 2019	December 31, 2018
		$	**$**
Assets			
Current Assets			
Cash and cash equivalents		1,074	115
Restricted cash		100	100
Trade and other receivables	10	7,522	5,234
Prepaid expenses and deposits		287	187
		8,983	5,636
Assets classified as held for sale	4	2,383	-
Total Current Assets		11,366	5,636
Non-Current Assets			
Property and equipment	5	38,681	40,338
Right-of-use assets	6	1,481	-
Goodwill		461	461
Total Non-Current Assets		40,623	40,799
Total Assets		51,989	46,435
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	10	1,982	4,200
Operating loan	8	6,716	3,492
Lease liabilities - current portion	7	410	-
		9,108	7,692
Liabilities related to assets classified as held for sale	4	954	-
Total Current Liabilities		10,062	7,692
Non-Current Liabilities			
Lease liabilities - non-current portion	7	1,081	-
Convertible debentures		2,448	2,422
Total Non-Current Liabilities		3,529	2,422
Total Liabilities		13,591	10,114
Shareholders' Equity			
Share capital		62,054	62,054
Contributed surplus		3,393	3,357
Equity component of convertible debentures		265	265
Accumulated other comprehensive income		893	893
Accumulated deficit		(28,207)	(30,248)
Total Equity		38,398	36,321
Total Liabilities and Equity		51,989	46,435

Subsequent event (Note 14)

See accompanying notes to these condensed consolidated financial statements

MATRRIX Energy Technologies Inc.
Condensed Consolidated Statements of Comprehensive Income

(Stated in thousands of Canadian dollars except per share amounts)	Note	For the three months ended, March 31, 2019	2018
		$	**$**
Revenue		7,763	5,488
Cost of sales:			
Direct operating expenses		4,403	3,568
Depreciation of property and equipment	5	938	386
		5,341	3,954
Income from operations		2,422	1,534
Expenses			
Administrative		380	172
Salaries and benefits		481	181
Share based payments	9	29	-
Depreciation of right-of-use assets	6	108	-
		998	353
Net income before interest and other income (expense)		1,424	1,181
Gain from equipment lost in hole		15	-
Finance costs	11	(175)	(109)
Other income		42	-
Foreign exchange gain		4	-
Transaction costs		(99)	(277)
Net income from continuing operations		1,211	795
Net income (loss) from discontinued operations	4	830	(595)
Net income		2,041	200
Other comprehensive income			
Items that may be subsequently reclassified to profit or (loss):			
Foreign currency translation adjustment		-	9
Total comprehensive income from continuing operations		1,211	804
Total comprehensive income (loss) from discontinued operations		830	(595)
Total comprehensive income		2,041	209
Basic income per share from continuing operations		$0.01	$0.01
Diluted income per share from continuing operations		$0.01	$0.01

See accompanying notes to these condensed consolidated financial statements

MATRRIX Energy Technologies Inc.
Condensed Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian dollars)

	Share Capital (Note 10) Shares	Share Capital (Note 10) Amount $	Employee Benefit Reserve $	Equity Component of Convertible Debenture $	Foreign Currency Translation Reserve $	Deficit $	Total Equity $
Balance as at January 1, 2018	123,079	58,448	3,150	265	884	(26,124)	36,623
Share based payments expense	-	-	81	-	-	-	81
Stock Options exercised	5	2	-	-	-	-	2
Stock Option Value of Exercised Options	-	1	(1)	-	-	-	-
Common Shares issued - D2 Acquisition	6,667	3,000	-	-	-	-	3,000
Comprehensive income for the period	-	-	-	-	9	200	209
Balance as at March 31, 2018	**129,751**	**61,451**	**3,230**	**265**	**893**	**(25,924)**	**39,915**
Balance as at January 1, 2019	131,615	62,054	3,357	265	893	(30,248)	36,321
Share based payments expense	-	-	36	-	-	-	36
Comprehensive income for the period	-	-	-	-	-	2,041	2,041
Balance as at March 31, 2019	**131,615**	**62,054**	**3,393**	**265**	**893**	**(28,207)**	**38,398**

See accompanying notes to these condensed consolidated financial statements

MATRRIX Energy Technologies Inc.

Condensed Consolidated Statements of Cash Flows

(Stated in thousands of Canadian dollars)	Note	For the three months ended, March 31, 2019	2018
		$	**$**
Cash flows from the following activities:			
Operating activities			
Net income from continuing operations		1,211	795
Adjustments for:			
Share based payments		29	-
Depreciation	5,6	1,046	386
Gain on equipment lost in hole		(15)	-
Finance costs	11	175	109
Interest paid		(149)	(65)
Changes in non-cash working capital items	12	(2,317)	(1,366)
Net operating cash flow - continuing operations		(20)	(141)
Net operating cash flow - discontinued operations	4	(780)	(535)
Net operating cash flow - operations		(800)	(676)
Financing activities			
Proceeds from operating loan		3,224	-
Stock options exercised		-	2
Lease principle payments	7	(99)	-
Net financing cash flows - operations		3,125	2
Investing activities			
Additions to property and equipment	5	(255)	(313)
Cash paid for D2 acquisition		-	(523)
Proceeds from equipment lost in hole		194	-
Changes in non-cash working capital balances	12	(1,619)	-
Net investing cash flows - continuing operations		(1,680)	(836)
Net investing cash flows - discontinued operations	4	315	655
Net investing cash flows - operations		(1,365)	(181)
Change in cash and cash equivalents		959	(855)
Effect of foreign exchange rate changes on cash		-	17
Cash and cash equivalents, beginning of period		115	15,135
Cash and cash equivalents, end of the period		1,074	14,297
Supplementary cash flow disclosure information:			
Interest paid during the period		149	65
Interest received during the period		-	18

See accompanying notes to these condensed consolidated financial statements

1. REPORTING ENTITY

MATRRIX Energy Technologies Inc. (the "Corporation") was incorporated pursuant to the provisions of the Canada Business Corporations Act on January 7, 2011 and maintains its head office at Bow Valley Square IV, 250 – 6th Ave SW 22nd Floor, Calgary, AB, T2P 3H7. The Corporation is a publicly-traded company listed on the TSX Venture Exchange under the symbol "MXX". The Corporation offers oilfield services to the oil and natural gas industry in the Western Canadian Sedimentary Basin ("WCSB").

The consolidated financial statements of the Corporation are comprised of the Corporation and its wholly-owned subsidiary Stampede Drilling (US) Inc.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC). They should be read in conjunction with the audited annual financial statements for the year ended December 31, 2018. Unless otherwise noted, the Corporation has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

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 May 15, 2019.

An assessment or comparison of the Corporation's quarterly results, at any given time, requires consideration of crude oil and natural gas commodity prices and the seasonal nature of the oil and gas industry in North America. Commodity prices ultimately drive the level of exploration and development activities carried out by the Corporation's customers and associated demand for the oilfield services provided by MATRRIX. Results are impacted by the gain or loss of key customers. As contracts are short-term in nature, gains or losses of key customers can fluctuate on a quarterly basis. From a seasonality perspective, MATRRIX currently operates all of its directional and horizontal 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, and the asset is available for immediate sale in its present condition.

Non-current assets and disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held for sale and:

- the assets or disposal groups are a major line of business or geographical area of operations;
- the assets or disposal groups are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- the assets or disposal groups are a subsidiary acquired solely for the purpose of resale.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The assets or disposal groups that meet these criteria are measured at the lower of the carrying amount and fair value less cost of disposal, with impairments recognized in the consolidated statement of operations. An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to dispose. Non-current assets held for sale are presented separately in current assets and liabilities within the consolidated balance sheet. Assets held for sale are not depreciated, depleted or amortized. The comparative period consolidated balance sheet is not restated.

The results of discontinued operations are shown separately in the consolidated statements of operations and cash flows and comparative figures are restated.

(b) Changes to accounting policies

Adoption of IFRS 16

Effective January 1, 2019, the Corporation adopted IFRS 16 - Leases using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information and applies the standard prospectively.

The Corporation is using the following practical expedients permitted under the new standard:

- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Accounting for lease payments as an expense and not recognizing a right-of-use asset if the underlying asset is of a low dollar value (less than $5);

The impacts of the adoption of IFRS 16 as at January 1, 2019 are as follows:

	As reported at December 31, 2018	Effect of adopting IFRS 16 - Leases	Restated balance at January 1, 2019
Assets			
Non-Current Assets			
Right-of-use assets	-	1,589	1,589
Total Assets	-	1,589	1,589
Liabilities			
Current Liabilities			
Lease liabilities - current portion	-	508	508
	-	508	508
Non-current liabilities			
Lease liabilities	-	1,081	1,081
	-	1,081	1,081
Total Liabilities	**-**	**1,589**	**1,589**

Lease liabilities

On adoption of IFRS 16, the Corporation recognized lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. Under the new standard these leases have been measured at the present value of the remaining lease payments, including extension options where applicable, discounted using the Corporation's incremental borrowing rate at January 1, 2019 of 4.8%. Low-value leases were excluded. Total lease liabilities of $1,589 were recorded as at January 1, 2019, of which $508 is the current portion.

Right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sublease contracts

On transition, the Corporation reassessed the classification of its sublease contracts previously classified as operating leases under IAS 17. The Corporation concluded that the leases did not transfer substantially all of the risks and rewards incidental to ownership of the underlying assets and identified the leases as operating leases. The Corporation accounts for its interests in the head leases as right-of-use assets and the sub-leases as operating leases.

For the three months ended March 31, 2019, the Corporation recorded other income from sublease contracts of $42 (2018 - $nil).

Reconciliation of commitments to lease liability

The following reconciles the commitments at December 31, 2018 to the Corporation's lease liabilities at January 1, 2019:

	January 1, 2019
Operating lease commitments at December 31, 2018	957
Sublease contracts	162
Operating costs	(98)
Option to exercise lease extension	740
Gross lease liabilities at January 1, 2019	1,761
Effect of discounting	(172)
Lease liabilities at January 1, 2019	1,589

Update to significant accounting policies

The following accounting policy is applicable from January 1, 2019:

Leases

At inception, the Corporation assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases under which the Corporation is a lessee are recognized as a right-of-use asset and a corresponding lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, initial direct costs incurred, estimated costs to restore the underlying asset, and any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

The lease liability includes the net present value of fixed payments, variable lease payments arising from a change in an index or rate, amounts expected to be payable under a residual value guarantee, the exercise price of a purchase option if the Corporation is reasonably certain to exercise that option, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise and extension option, and penalties for terminating the lease, unless there is reasonable certainty that the Corporation will not terminate the lease early. These payments are discounted using the Corporation's incremental borrowing rate when the rate implicit in the lease is not available. The lease payments are allocated between the liability and finance costs which are charged to net earnings over the lease term.

The lease liability is measured at amortized costs using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases that have terms of less than one year or leases on which the underlying asset is of low value are recognized as an expense in profit or loss on a straight-line basis over the lease term.

As a lessor, the Corporation assesses at inception whether a lease is a finance or operating lease. Where the Corporation transfers substantially all of the risk and rewards incidental to ownership of the underlying asset, the lease is classified as a financing lease and the Corporation recognizes a receivable at an amount equal to the net investment in the lease which is the present value of the aggregate of lease payments receivable. If substantially all the risks and rewards of ownership of the asset are not transferred, the lease is classified as an operating lease and the Corporation recognizes the lease payments received on a straight-line basis over the lease term as other income.

4. DISCONTINUED OPERATIONS

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

Assets and liabilities classified as held for sale is comprised of the following:

	March 31, 2019
Assets	
Trade and other receivables	1,570
Prepaid expenses and deposits	29
Property and equipment	784
Total assets held for sale	**2,383**
Liabilities	
Accounts payable and accrued liabilities	954
Total liabilities held for sale	**954**

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

4. DISCONTINUED OPERATIONS (continued)

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

	For the three months ended, March 31,	
	2019	2018
Revenue	1,835	1,987
Cost of sales:		
Direct operating expenses	928	1,619
Depreciation of property and equipment	-	397
	928	2,016
Income (loss) from operations	907	(29)
Expenses		
Administrative expenses	85	443
Salaries and benefits	293	340
Share based payments	7	81
Depreciation	-	1
	385	865
Net loss before interest and other income	522	(894)
Gain (Loss) from disposition of property and equipment	(2)	-
Gain from equipment lost in hole	307	635
Finance costs	-	18
Foreign exchange (gain) loss	3	(24)
Non-recurring restructuring charges	-	(330)
Net Income (loss) - discontinued operations	830	(595)
Basic income (loss) per share from discontinued operations	$0.01	($0.01)
Diluted income (loss) per share from discontinued operations	$0.01	($0.01)

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

5. PROPERTY AND EQUIPMENT

	Rigs and related equipment	Directional drilling and related equipment	Machinery and other equipment	Office furniture and equipment	Total
Cost					
Balance at December 31, 2018	41,267	23,587	1,493	93	66,440
Additions	253	-	-	2	255
Disposals	(194)	(124)	-	-	(318)
Transferred to assets held for sale (note 4)	-	(23,463)	(68)	-	(23,531)
Balance at March 31, 2019	41,326	-	1,425	95	42,846
Accumulated depreciation and impairment					
Balance at December 31, 2018	2,622	22,860	527	93	26,102
Depreciation for the period	907	-	31	-	938
Disposals	(15)	(113)	-	-	(128)
Transferred to assets held for sale (note 4)	-	(22,747)	-	-	(22,747)
Balance at March 31, 2019	3,514	-	558	93	4,165
Carrying amounts					
Balance at December 31, 2018	38,645	727	966	-	40,338
Balance at March 31, 2019	37,812	-	867	2	38,681

Included in property and equipment at March 31, 2019 are assets under construction of $1,368 (December 31, 2018 - $1,894) which will not be depreciated until put into service.

6. RIGHT-OF-USE ASSETS

	Total
Cost	
Balance at January 1, 2019 (Note 3)	1,589
Balance at March 31, 2019	1,589
Accumulated depreciation	
Balance at January 1, 2019 (Note 3)	-
Depreciation	108
Balance at March 31, 2019	108
Carrying amounts	
Balance at January 1, 2019	1,589
Balance at March 31, 2019	1,481

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

7. LEASE LIABILITIES

The Corporation incurs lease payments related to corporate and field offices, entered into in coordination with specific business requirements which includes the assessment of the appropriate duration of the related leased assets. The Corporation has recognized lease liabilities measured at the present value of the remaining lease payments, except for leases of low-value assets which have been charged to direct operating and administrative expenses in the condensed consolidated statements of operations.

	March 31, 2019
Balance at January 1, 2019 (Note 3)	1,589
Interest expense	19
Lease payments	(117)
Balance at March 31, 2019	1,491
Less: current portion	410
Ending balance - non-current portion	1,081

8. LOANS & BORROWINGS

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

(i) 75% of Acceptable Receivables from Non-Investment Grade Customers; plus
(ii) 85% of Acceptable Receivables from Investment Grade Customers and Major Customers; plus
(iii) 50% of the net orderly liquidation value of capital assets and equipment; less
(iv) Potential Prior Ranking Claims; less Accounts Receivables of the Corporation that have been sold or factored, whether to the Bank or another third party.

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

The Operating Loan is subject to the following financial covenants:

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

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

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

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

8. LOANS & BORROWINGS (continued)

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

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

As at March 31, 2019, $6,716 was drawn on the Operating Loan and the Corporation was in compliance with all covenants related to its operating loan facility.

9. STOCK BASED COMPENSATION

Stock options

The Corporation has adopted an incentive stock option plan, which provides that the Board of Directors of the Corporation from time to time, at its discretion, and in accordance with the TSX Venture 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.

The options are exercisable for a period of up to five years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors. The options granted up to June 30, 2017 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 subsequent to December 3, 2017 carry a five-year term and are subject to vesting one quarter on each of the first, second, third and fourth anniversaries of the date of the grant or 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.

A summary of the Corporation's outstanding stock options as at March 31, 2019 and the changes for the period ended, is as follows:

Stock Options	Outstanding	Weighted Average Exercise Price
Outstanding at December 31, 2018	2,660	$ 0.28
Options expired	(5)	$ 0.36
Outstanding at March 31, 2019	2,655	$ 0.28

Share-based payments

For the three months ended March 31, 2019, the Corporation recorded share-based payment expense from continuing operations of $29 (2018 - $nil).

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

10. FINANCIAL INSTRUMENTS

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 share capital, convertible debentures and working capital, which was $66,071 at March 31, 2019 (December 31, 2018 – $62,685).

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

Credit risk

The adoption of IFRS 9 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 segment. The adjustment to allowance for doubtful accounts on initial application of IFRS 9 is $94, which was applied to opening Retained Earnings.

The loss allowance provision for trade accounts receivable as at March 31, 2019 reconciles to the opening loss allowance provision as follows:

	2019
At December 31, 2018	81
Increase in loan loss allowance	49
As at March 31, 2019	130

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 quarter ended March 31, 2019, the Corporation had three customers that comprised 17%, 22%, and 35% of total revenue, compared to two customers that comprised 12% and 64% of total revenue in the quarter ended March 31, 2018. For the accounts receivable balances outstanding at March 31, 2019, the Corporation had three customers that comprised 11%, 11%, and 52% of the total balance as compared to two customers that comprised 20% and 64% of the total balance at March 31, 2018.

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

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

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

10. FINANCIAL INSTRUMENTS (continued)

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 working capital requirements. As at March 31, 2019, the Corporation had negative working capital of $125 (December 31, 2018 - $2,056).

The Corporation's trade and accrued payables are as follows:

	March 31, 2019	December 31, 2018
Accounts payables	1,330	2,678
Accrued payables	652	1,522
	1,982	4,200

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.

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 period ended March 31, 2019, if the prime interest rate increased/decreased by 1%, with all other variables held constant, the Corporation's net income would have increased/decreased $16. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

b) Foreign Currency Risk

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

c) Fair Value

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments depending on the observable nature of inputs employed in the measurement:
Level 1: fair value measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

10. FINANCIAL INSTRUMENTS (continued)

The carrying amount of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. At March 31, 2019, the Corporation valued its cash and cash equivalents using Level 1 inputs. The Corporation does not have any Level 2 instruments. The fair value of the convertible debentures liability was recorded based on an estimated fair value interest rate and is considered a Level 3 fair value instrument.

As the debentures have not traded, the fair value of the debentures is $2,612 as at March 31, 2019 (December 31, 2018 - $2,612), based on the purchase price of $1 per debenture.

11. FINANCE COSTS

Finance costs recognized in the consolidated statements of comprehensive income (loss) are comprised of the following:

	Three months ended March 31,	
	2019	2018
Interest on lease liabilities	17	-
Interest on operating loan	67	-
Interest on convertible debentures	65	65
Accretion on debentures	26	44
Finance costs	175	109

12. SUPPLEMENTAL CASH FLOW INFORMATION

The following is a summary of net change in non-cash working capital items for the periods ended March 31, 2019 and 2018:

	For the three months ended, March 31,	
	2019	2018
	$	$
Changes in non-cash working capital items:		
Trade and other receivables	(2,491)	(543)
Inventory	-	5
Prepaid expenses and deposits	(129)	61
Accounts payable and accrued liabilities	(1,316)	(674)
Total	(3,936)	(1,151)
Relating to:		
Operating activities	(2,317)	(1,151)
Investing activities	(1,619)	-
Total	(3,936)	(1,151)

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

13. COMMITMENTS

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

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

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

As of March 31, 2019, the Corporation has committed $775 related to maintenance capital.

14. SUBSEQUENT EVENT

On April 9, 2019 the Corporation issued 3,835,000 stock options, at an exercise price of $0.18 per common share to certain executive officers, directors, and employees of the Corporation. The stock options are exercisable at a price equal to the closing price of Matrrix's common shares on the TSX Venture Exchange on April 8, 2019, expire in five years and vest as to one-quarter upon the date of grant and as to one-quarter on each subsequent anniversary of the date of grant. Of the 3,835,000 stock options granted, a total of 2,100,000 were issued to directors and officers.