

**Form 51-102F4  
Business Acquisition Report**

**1.1 Name and Address of Company**

Cematrix Corporation  
5440 – 53<sup>rd</sup> Street SE  
Calgary, Alberta, Canada  
T2C 4B6

**1.2 Executive Officer**

James Chong, Chief Financial Officer  
403-724-0408

**2.1 Nature of Business Acquired**

MixOnSite USA, Inc. (“MOS”) incorporated under the laws of California, with a head office in Buffalo Grove, Illinois, U.S. MOS is a contractor in the same business as CEMATRIX specializing in low density concrete and offering complete installation services including technical mix design support and development for a wide variety of construction applications in the U.S.

**2.2 Acquisition Date**

May 31, 2018.

**2.3 Consideration**

The purchase price for the MOS Shares was as follows:

- cash in the amount of \$2,807,985;
- secured convertible note of \$2,500,000 USD or \$3,239,750 Canadian equivalent issued to the vendor;
- US operating loan of \$750,000 USD or \$968,300 Canadian equivalent issued to the vendor;
- 3,343,421 common shares of CEMATRIX valued at \$735,553
- earn-out payment (the “Earn-out”) calculated on the operations of MOS for three years following closing of the Acquisition estimated at \$1,542,121.

The cash consideration of \$2,807,985 was paid from a \$1,800,000 USD loan with the Business Development Bank of Canada, a portion of the funds raised from a private placement and working capital.

**2.4 Effect on Financial Position**

No immediate changes are contemplated.

**2.5 Prior Valuations**

Not applicable.

**2.6 Parties to Transaction**

Not applicable.

**2.7 Date of Report**

August 14, 2018

**Item 3 Financial Statements and Other Information**

The following financial statements are attached as Schedule A to the business acquisition report

- Audited financial statements of MixOnSite USA, Inc. as at December 31, 2017 and 2016

Schedule A  
Index to Financial Statements

**MixOnSite USA, Inc.**  
**Financial Statements and  
Independent Auditors' Report**  
**December 31, 2017 and 2016**

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## Independent Auditors' Report

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To the Shareholders of MixOnSite USA, Inc.

We have audited the accompanying financial statements of MixOnSite USA, Inc., which comprise the balance sheets as at December 31, 2017 and December 31, 2016, and the statements of income and retained earnings and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of MixOnSite USA, Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Calgary, Alberta  
August 14, 2018

*MNP* LLP  
Chartered Professional Accountants

**MixOnSite USA, Inc.**  
**Balance Sheets**

*As at December 31, 2017 and December 31, 2016*  
*(in US dollars)*

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,036,127	\$ 1,042,874
Contract receivables, net (note B)	1,314,350	1,074,986
Costs and estimated earnings, in excess of billings on uncompleted contracts (note C)	106,337	-
Prepaid expenses and other current assets	87,861	201,155
Total current assets	2,544,675	2,319,015
<b>PROPERTY AND EQUIPMENT</b>		
Machinery and equipment	2,883,657	2,497,566
Automobiles	628,381	703,188
Computer equipment	67,935	76,228
Furniture and fixtures	20,327	25,640
	3,600,300	3,302,622
Less accumulated depreciation	2,163,075	1,857,047
	1,437,225	1,445,575
Equipment not placed in service	-	150,335
	1,437,225	1,595,910
<b>Total Assets</b>	<b>\$ 3,981,900</b>	<b>\$ 3,914,925</b>
<b>LIABILITIES and STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt (Note E)	\$ 16,747	\$ 24,413
Accounts payable	480,768	79,461
Billings in excess of costs and estimated earnings on uncompleted contracts (Note C)	43,017	78,356
Accrued payroll and payroll taxes	162,323	266,866
Other accrued expenses	81,152	166,608
Note payable, stockholder (note D)	484,710	859,710
Total current liabilities	1,268,717	1,475,414
<b>Long-term Obligations</b>		
Long-term debt, less current maturities (note E)	50,813	83,456
<b>Total Liabilities</b>	<b>1,319,530</b>	<b>1,558,870</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock – no par value: 1,000 shares authorized, issued, and outstanding	28,318	28,318
Retained earnings	2,634,052	2,327,737
	2,662,370	2,356,055
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 3,981,900</b>	<b>\$ 3,914,925</b>

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

*The accompanying notes are an integral part of these financial statements.*

**MixOnSite USA, Inc.**  
**Statements of Income and Retained Earnings**

*Years ended December 31, 2017 and 2016*

*(in US dollars)*

	2017	2016
<b>Revenues earned</b>	<b>\$ 8,430,250</b>	<b>\$ 11,502,643</b>
<b>Cost of revenues earned</b>	<b>5,202,307</b>	<b>7,060,370</b>
<b>Gross profit</b>	<b>3,227,943</b>	<b>4,442,273</b>
Operating expenses	<b>2,384,480</b>	<b>3,111,927</b>
<b>Operating income</b>	<b>843,463</b>	<b>1,330,346</b>
<b>Other income (expense)</b>		
Miscellaneous income (expense)	<b>(43,945)</b>	<b>21,261</b>
Interest expense	<b>(32,303)</b>	<b>(51,470)</b>
	<b>(76,248)</b>	<b>(30,209)</b>
<b>NET INCOME</b>	<b>767,215</b>	<b>1,300,137</b>
<b>Retained earnings, beginning of year</b>	<b>2,327,737</b>	<b>1,452,600</b>
Dividends paid to stockholder	<b>(460,900)</b>	<b>(425,000)</b>
<b>Retained earnings, end of year</b>	<b>\$ 2,634,052</b>	<b>\$ 2,327,737</b>

*The accompanying notes are an integral part of these financial statements.*

**MixOnSite USA, Inc.**  
**Statements of Cash Flows**  
*Years ended December 31, 2017 and 2016*  
*(in US dollars)*

	2017	2016
<b>Cash flows from operating activities:</b>		
Net Income	\$ 767,215	\$ 1,300,137
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	319,444	312,127
Bad debt expense	36,867	189
Gain on disposal of property and equipment	(10,878)	-
(Increase) decrease in assets:		
Contract Receivables	(276,231)	(300,127)
Costs and estimated earnings in excess of billings on uncompleted contracts	(106,337)	79,104
Prepaid expenses and other current assets	113,294	123,414
Increase (decrease) in liabilities:		
Accounts payable	401,307	17,597
Billings in excess of costs and estimated earnings on uncompleted contracts	(35,339)	78,356
Accrued payroll and payroll taxes	(104,543)	235,303
Other accrued expenses	(85,456)	71,831
Net cash provided by operating activities:	<b>1,019,343</b>	<b>1,917,931</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property and equipment	31,004	-
Purchase of property and equipment	(180,885)	(463,461)
Net cash used in investing activities	<b>(149,881)</b>	<b>(463,461)</b>
<b>Cash flows from financing activities:</b>		
Borrowings on stockholder note	-	878,581
Repayment of stockholder note	(375,000)	(884,649)
Repayment of stockholder advances	-	(369,372)
Borrowings on long-term debt	-	92,660
Payments on long-term debt	(40,309)	(11,287)
Dividends paid to stockholder	(460,900)	(425,000)
Net cash used in financing activities:	<b>(876,209)</b>	<b>(719,067)</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,747)</b>	<b>735,403</b>
Cash and cash equivalents, beginning of year	1,042,874	307,471
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,036,127</b>	<b>\$ 1,042,874</b>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest expense	\$ 31,423	\$ 49,543

The accompanying notes are an integral part of these financial statements.

**MixOnSite USA, Inc.**  
**Notes to the Financial Statements**

*For the years ended December 31, 2017 and 2016*  
*(in US dollars)*

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**NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Nature of Business

MixOnSite USA, Inc. (the "Company") operates as a provider of cost effective, innovative solutions of difficult geotechnical and underground construction to its customers who are located throughout the United States of America.

2. Significant Accounting Policies

a. Use of Estimates

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The computation of costs and estimated earnings on uncompleted contracts is based on the practice of estimating the percentage of completion of individual contracts. Due to uncertainties inherent in the estimation process and uncertainties relating to future performance as the contracts are completed, it is at least reasonably possible that estimated job costs, in total or on individual contracts, will be revised.

The allowance for doubtful accounts and realization of accounts receivable are based on management's best estimate which takes into account collection history, economic conditions and the customer's ability to pay.

Depreciation and amortization are calculated using a systematic and rational basis, which are based upon an estimate of each assets useful life and residual value. The estimated useful life and residual value chosen are the Company's best estimate of such and are based on industry norms, historical experience, market conditions and other estimates that consider the period and distribution of future cash inflows.

b. Cash and cash equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less which are considered to be cash equivalents and are recorded at cost, which approximates fair values.

**MixOnSite USA, Inc.**  
**Notes to the Financial Statements**

*For the years ended December 31, 2017 and 2016*  
*(in US dollars)*

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**NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Significant Accounting Policies (continued)

c. Contract Receivables

Contract receivables represent obligations due from customers under contract agreements for work performed by the Company. Generally, the obligations are uncollateralized; however, in some cases, the Company retains lien rights. Billings are generated in accordance with contract terms and specifications. Payments, with the exception of retention, are expected within 60 days after the invoice date. Interest is not charged on past due balances. Retention payments are received at the completion of the project, after final inspection and approval by the customer.

Payments of contract receivables are allocated to specific invoices for each project identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices for each project.

The carrying amount of contract receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed ninety days from the invoice date and, based on current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

d. Inventory

Inventory is valued at the lower of cost and net realizable value and is included in prepaid expenses and other current assets. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business. Inventory consists mainly of foaming agent used in the production of the Company's product, cellular concrete. It also includes marketing materials. Inventory is reviewed on a regular basis to ensure the carrying value does not exceed net realizable value. If the carrying value exceeds net realizable value, a write-down is recognized immediately.

e. Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the respective classes of property. Estimated useful lives are as follows:

	<u>Years</u>
Machinery and equipment	5 - 10
Automobiles	5
Computer equipment	5
Furniture and fixtures	5

**MixOnSite USA, Inc.**  
**Notes to the Financial Statements**

*For the years ended December 31, 2017 and 2016*  
*(in US dollars)*

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**NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Significant Accounting Policies (continued)

f. Impairment of Property and Equipment

The Company assesses the impairment of definite-lived long-lived assets or asset groups when events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered in deciding when to perform an impairment review include: a significant decrease in the market price of the asset or asset group; a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction; a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; or a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50%.

Recoverability potential is measured by comparing the carrying amount of the asset or asset group to its related total future undiscounted cash flows. If the carrying value is not recoverable through related cash flows, the asset or asset group is considered to be impaired. Impairment is measured by comparing the asset or asset group's carrying amount to its fair value. When it is determined that useful lives of assets are shorter than originally estimated, and no impairment is present, the rate of depreciation is accelerated in order to fully depreciate the assets over their new shorter useful lives.

g. Revenue Recognition

The Company recognizes revenue on its small construction contracts as work is completed and amounts are billed.

The Company recognizes revenue on its large construction contracts using the percentage of completion method, measured by the ratio of costs incurred to date on the contract to management's estimate of the contract's total cost. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, and overhead. Selling, general, and administrative costs are charged to expense when incurred.

Provisions for estimated losses on uncompleted contracts are recorded in the period in which such losses are determined. Changes to job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income, and are recognized in the period in which the revisions are determined.

An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

**MixOnSite USA, Inc.**  
**Notes to the Financial Statements**

*For the years ended December 31, 2017 and 2016*  
*(in US dollars)*

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**NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Significant Accounting Policies (continued)

h. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The accounting standard for fair value establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations determined from quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in markets that are not active or by model-based techniques in which all significant inputs are observable in the market.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, the type of asset/liability, whether the asset/liability is established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, assumptions are required to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The carrying amounts of financial instruments, including cash and cash equivalents, contract receivables, accounts payable, other accrued expenses, and note payable, stockholder approximate fair value due to the short maturity of these instruments. The carrying amount of the long term debt approximates fair value because the interest rate fluctuates with market interest rates or the fixed rate is based on current rates offered to the Company for debt with similar terms and maturities.

**MixOnSite USA, Inc.**  
**Notes to the Financial Statements**

*For the years ended December 31, 2017 and 2016*  
*(in US dollars)*

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**NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Significant Accounting Policies (continued)

i. Fair Value of Financial Instruments (continued)

It is the Company's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying notes to these financial statements.

j. Income Taxes

The Company, with the consent of its stockholder, elected S Corporation status under the Internal Revenue Code. In lieu of corporate income taxes, the stockholder is taxed individually on the Company's taxable income. Therefore, no liability or provision for federal income taxes has been included in these financial statements. However, the Company is subject to certain state taxes based on taxable income.

Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

3. Significant Accounting Standards Applicable In Future Years

a. Revenue Recognition

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, (Topic 606) (ASU 2014-09), in May 2014. ASU 2014-09 sets forth a new five-step revenue recognition model that will require the use of more estimates and judgment. ASU 2014-09 will replace current revenue recognition requirements in Topic 605, *Revenue Recognition*, in its entirety. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in prior accounting guidance. ASU 2014-09 is effective for annual financial statements of private companies issued for fiscal years beginning after December 15, 2018, and should be applied retrospectively in the year the ASU is first applied using one of two allowable application methods.

ASU 2014-09 is effective for the Company's December 31, 2019 financial statements and thereafter. Management is currently evaluating the effect that ASU 2014-09 will have on the Company's financial statements.

b. Leases

The FASB issued ASU 2016-02, *Leases*, (Topic 842) (ASU 2016-02), in February 2016. ASU 2016-02 will require lessees to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use or control

**MixOnSite USA, Inc.**  
**Notes to the Financial Statements**

*For the years ended December 31, 2017 and 2016*  
*(in US dollars)*

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3. Significant Accounting Standards Applicable In Future Years (continued)

b. Leases (continued)

the use of a specific asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-02 is effective for annual financial statements of private companies issued for fiscal years beginning after December 15, 2019, and should be applied using a modified retrospective approach.

ASU 2016-02 is effective for the Company's December 31, 2020 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-02 will have on the Company's financial statements.

**NOTE B – CONTRACT RECEIVABLES**

At December 31, 2017 and 2016, contract receivables consisted of the following:

	2017	2016
Completed contracts	\$ 1,228,406	\$ 1,021,447
Retainage	110,944	78,539
	1,339,350	1,099,986
Less allowance for doubtful accounts	25,000	25,000
	\$ 1,314,350	\$ 1,074,986

Contract receivables and retainage are unsecured and non-interest bearing and are generally on 30 day terms subject to standard ten percent construction retainage on most of its sales over \$100,000. Retainages are generally collectible forty-five days after completion of the work performed by the Company, however, retainages can be outstanding much longer, if the retainage release is tied to the completion of the entire project by the general contractor. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more.

**MixOnSite USA, Inc.**  
**Notes to the Financial Statements**

*For the years ended December 31, 2017 and 2016*  
*(in US dollars)*

**NOTE C – COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS**

Details on contracts in progress for the year ended December 31, 2017 and 2016 are as follows:

	2017	2016
Costs incurred on uncompleted contracts	\$ 819,856	\$ 619,269
Estimated earnings	507,361	497,856
	1,327,217	1,117,125
Less billings to date	(1,263,897)	(1,195,481)
	\$ 63,320	\$ (78,356)

Presented on the 2017 and 2016 balance sheet as follows:

	2017	2016
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 106,337	\$ -
Billings in excess of costs and estimated earnings on uncompleted contracts	(43,017)	(78,356)
	\$ 63,320	\$ (78,356)

**NOTE D – NOTE PAYABLE STOCKHOLDER**

The Company has an uncollateralized line of credit with its sole stockholder for borrowings up to \$2,000,000. The note payable bears interest at the prime rate (4.75% at December 31, 2017) plus 1%. Interest expense incurred in 2017 and 2016 approximated \$30,000 and \$51,000, respectively. This agreement is renewed annually for a one-year term. Outstanding borrowings were \$484,710 and \$859,710 for the years ended December 31, 2017 and 2016, respectively.

**MixOnSite USA, Inc.**  
**Notes to the Financial Statements**

*For the years ended December 31, 2017 and 2016*  
*(in US dollars)*

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**NOTE E – LONG-TERM DEBT**

At December 31, 2017 and 2016, long-term debt consisted of the following:

	2017	2016
Note payable for purposes of financing a company owned vehicle with monthly payments of \$1,640 including interest of 2.35% through August 2021. The note is collateralized by certain vehicle.	\$ 67,560	\$ 107,869
Less current maturities	16,747	24,413
	<b>\$ 50,813</b>	<b>\$ 83,456</b>

Maturities of long term debt are expected as follows:

2018	\$ 16,747
2019	18,686
2020	19,130
2021	12,997
	<b>\$ 67,560</b>

**NOTE F – LEASE COMMITMENTS**

The Company has a non-cancellable operating lease commitment with an entity owned by its stockholder for building and warehouse space located in Buffalo Grove, Illinois that expires on August 31, 2023. Monthly rental payments are \$8,975 plus the Company's proportionate share of real estate taxes. The Company is also responsible for its proportionate share of operating expenses. Rent expense for the years ended December 31, 2017 and 2016 approximated \$121,000 and \$134,000, respectively.

**MixOnSite USA, Inc.**  
**Notes to the Financial Statements**

*For the years ended December 31, 2017 and 2016*  
*(in US dollars)*

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**NOTE F – LEASE COMMITMENTS (continued)**

The future minimum lease payments as of December 31, 2017 are as follows:

Year Ended December 31,		
2018	\$	108,418
2019		110,587
2020		112,798
2021		115,054
2022		117,355
Thereafter		<u>79,273</u>
	\$	<u>643,485</u>

**NOTE G – EMPLOYEE BENEFIT PLANS**

1. Simple IRA Benefit Plan

The Company sponsors a simple IRA 401(k) plan that covers substantially all non-union employees meeting certain eligibility requirements. The annual employer contribution is discretionary as determined by the Board of Directors. The Company's contributions to the plan approximated \$34,000 and \$29,000 in 2017 and 2016, respectively.

2. Multiemployer Defined Benefit Pension Plans

In accordance with various collective bargaining agreements, the Company participates in multiemployer defined benefit pension plans. Pension contributions to these plans approximated \$119,000 and \$141,000 for the years ended December 31, 2017 and 2016, respectively. These multiemployer plans are administered by representatives of various trade unions. The Company's pension contributions did not exceed 5% of the total contributions received by each of the respective plans. Assets contributed to these plans may be used to provide benefits to employees of other participating employers. Employers may also be exposed to the unfunded obligations related to other employers that withdraw from these plans. Additionally, the Company has no knowledge about or control over the funding assumptions and methods employed. Should the Company withdraw from the plans or the plans terminate, the Company would be required to contribute an amount equal to its portion of any unfunded liability. The Company has no present intention of withdrawing from the plans, nor has the Company been informed that there is any intention to terminate the plans. The Company's liability, if any, is not presently determinable; therefore, no amount has been recorded for any contingent unfunded liability.

**MixOnSite USA, Inc.**  
**Notes to the Financial Statements**

*For the years ended December 31, 2017 and 2016*  
*(in US dollars)*

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**NOTE H – RISKS AND UNCERTAINTIES**

1. Credit Risk

The Company is responsible for reviewing the credit risk for each customer before standard payment and delivery terms and conditions are offered. The Company review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before the Company extends credit. The Company monitors its contract receivables aging on an ongoing basis as part of its process in managing its credit risk. The Company also manages credit risk related to contract receivables whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed.

The Company maintains cash balances at one banking institution in the United States. These cash balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Company may, from time to time, have balances in excess of FDIC insured deposit limits.

2. Collective Bargaining Arrangements

Approximately 45% of the Company's total labor force is covered under collective bargaining agreements as of December 31, 2017. These agreements expire at various dates. The Company may also be subject to certain liabilities in the event that it withdraws from the union (see Note H-2).

3. Significant Customers

The Company had two significant customers in 2017 and two significant customers in 2016 from which revenue approximated \$4,072,000 and \$5,118,000, respectively. Contract receivables from these customers approximated \$0 and \$402,000 at December 31, 2017 and 2016, respectively.

4. Significant Vendors

The Company had three significant vendors in 2017 and two significant vendors in 2016 from which construction material purchases approximated \$1,879,000 and \$3,052,000, respectively. Amounts due to these vendors were insignificant at December 31, 2017 and 2016, respectively.

**NOTE I –SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 13, 2018, the date that these financial statements were available to be issued. Other than what is noted below, management has determined that no events or transactions have occurred subsequent to the balance sheet date that require disclosure in the financial statements.

On May 31, 2018 all the issued and outstanding shares of the Company were acquired by CEMATRIX Corporation.