CEMATRIX™

Lightweight Fill Solutions

CEMATRIX CORPORATION

Management's Discussion and Analysis

For the Three Months Ended March 31, 2023

(in 000's Canadian dollars)

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ended March 31, 2023

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three months ended March 31, 2023. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2022, (the "Interim Condensed Consolidated Financial Statements") and the related notes thereto and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2022, and related notes thereto. The Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. All dollar figures included therein and in this MD&A are in Canadian dollars and all amounts are reported in thousands of Canadian dollars, except share and per share amounts or as otherwise stated. Certain comparative figures have been reclassified to conform to the MD&A presentation adopted for the current year.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com. CEMATRIX is listed on the TSX Venture Exchange under the trading symbol "CVX".

The Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Condensed Consolidated Financial Statements and MD&A for the three months ended March 31, 2023. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on May 10, 2023.

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Forward Looking Statements

This MD&A contains certain statements and disclosures that may constitute forward-looking information under applicable securities law. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Company anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by such terms as "forecast", "future, "may", "will", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate", "pro-forma" or other comparable terminology. Forward-looking information presented in such statements or disclosures may, amongst other things relate to: sources of revenue and income; forecasts of capital expenditures and sources of financing thereof; the Company's business outlook; plans and objectives of management for future operations; forecast business results; and anticipated financial performance.

The Company has identified what it considers to be the material forward-looking statements and disclosure in this MD&A and has listed them in Appendix A. The material factors, material assumptions and material risks that provide the basis for those statements and disclosure have also been provided in Appendix A.

The forward-looking information in statements or disclosure in this MD&A is based (in whole or in part) upon factors which may cause actual results, performance, or achievements of the Company to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Various assumptions or factors are typically applied in drawing conclusions or making forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company including information obtained by the Company from third-party industry analysts and other third-party sources. Actual results or outcomes may differ materially from those predicted by such statements or disclosures. While the Company does not know what impact any of those differences may have, its business, results of operations, financial condition and its credit stability may be materially adversely affected.

The Company has discussed, in Section E – Key Market Drivers and in Section F – Key Risks and Uncertainties of its MD&A for the year ended December 31, 2022, the significant market drivers and risk factors that affect its business and could cause actual results to differ materially from the forward-looking information disclosed herein. The Company cautions the reader that these factors are not exhaustive. The risk factors that could lead to differences in business results and which could cause actual results to differ materially from the forward-looking information disclosed herein include, without limitation, legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where the Company operates, results of financing efforts, changes in counterparty risk and the impact of accounting standards issued by the International Accounting Standards Board.

The Company is not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of the risks, uncertainties and assumptions contained herein, prospective investors should not place undue reliance on forward-looking statements or disclosures. The foregoing statements expressly qualify any forward-looking information contained herein.

A. Purpose of the Company's MD&A

The purpose of this MD&A is to provide a narrative explanation, through the eyes of management, to assist the reader in understanding the Company's performance for the three months ended March 31, 2023, the Company's financial condition as at March 31, 2023, and its future prospects.

B. Highlights

Another Quarter of Record Revenue & Gross Margins Improving

The first quarter is traditionally the slowest for the Company as activity in the construction industry in our key markets slows down dramatically due to cold weather. Despite the winter impact, the Company delivered the highest first quarter revenue in the history of the Company for the first quarter of 2023. This increase in revenue is attributable to our investment in and the success of our sales teams and the continuing growing market acceptance of cellular concrete.

The inflationary pressures across all facets of our business which led to lower gross margins in 2022 have started to stabilize, as the measures taken by central banks in Canada and the US have been successful at slowing the pace of inflation. The cement and ready-mix supply situation has improved as well. As a result, the Company experienced improved margins in the first quarter of 2023.

Cement Supply Challenges Improving

Cement is the number one material used in the creation and production of cellular concrete. In recent years, cement and ready-mix supply was generally available and at worst was able to be procured within a couple of weeks of requirements. In Q2, 2022 this changed in most North American markets. The Company's cement and ready-mix suppliers have indicated that they do expect the availability of cement and ready-mix to improve significantly in 2023, but that certain markets will still experience shortages for various reasons. In the first quarter, we witnessed this firsthand as cement and ready-mix pricing has stabilized and availability has improved. Our cement and ready-mix suppliers have shared with the Company that this improvement is due to two factors. The first is related to reduced demand due to the impact on residential construction from rising interest rates and the second is cement suppliers successfully working through their own supply chain challenges.

Inflationary Pressures Easing

The measures to increase interest rates undertaken by the Central Banks in Canada and the USA have been successful at slowing the pace of inflation. This has helped the Company contain some of the rising costs that impacted the Company in 2022. The Company has also improved its contracting process to provide protection from future unexpected cement price increases and to reduce the impact of such increases on 2023 and future margins. Even with these positive changes, the Company still expects to see significant inflationary pressure on salaries and wages in 2023 as they now have to be adjusted to account for the inflation that was experienced by our employees in 2022.

New Equipment on Order

In the second quarter of 2022, CEMATRIX placed orders for two new state of the art pieces of dry-mix equipment for an estimated total capital expenditure commitment of $2.7 million. These units will provide the Company with a cost advantage versus competitors that rely on ready mix and will be deployed to support our regional expansion plans in the USA. The two new units will increase our overall dry-mix production capacity by approximately 20%. The Company accepted delivery of the first unit in Q1 2023 and is expecting delivery in mid 2023 for the second unit. These new units also have the added benefit of allowing us to do more projects with dry-mix instead of ready-mix which allows for the Company to be more competitive in the small to medium sized projects.

Full Year 2023 Forecast

Even with the record revenue in 2022, the Company experienced a number of projects that were extended into or delayed into 2023, which set the Company up for a very strong first quarter and this is expected to continue throughout 2023 from a revenue perspective. In addition, the Company also expect gross margins to improve in 2023 as inflationary pressures ease and project profitability improves with changes in the availability of cement and ready-mix supply.

Our sales teams continue to win projects as a result of our quality, innovation and competitiveness in our key markets. CEMATRIX continues to invest in sales resources and new equipment to expand geographically in markets that are close to our existing operations. The Company remains extremely confident that 2023 we will once again set a new record revenue with the volume of work that is contracted or in the process of being contracted for 2023.

Strong Backlog

The Company continues to see a strong bid pipeline and be awarded new projects. Subsequent to the end of the year, the Company made the following announcements regarding new contracts:

• February 13, 2023	$ 5.3 million
• March 22, 2023	4.5 million
• April 26, 2023	6.0 million
	$15.8 million

The addition of these new contracts net of sales to the end of the first quarter has resulted in our backlog increasing to $93.2 million. The Company continues to see increased activity in its bid pipeline which bodes well for 2023 and beyond.

Several of the larger projects in backlog are expected to start in 2023 including our largest contract executed with Balfour Beatty Infrastructure Inc for a project with the North Carolina Department of Transportation ("NCDOT") for the backfill of several new overpasses along a freeway corridor in North Carolina, although most of this project is now scheduled to be completed in 2024.

Financial Review – First Quarter

Revenues were $7.2 million for the first quarter of 2023, an increase of $2.1 million or 40%, compared to $5.1 million in the first quarter of 2022. The increase in revenue was mainly due to the timing of large projects, particularly tunnel grouting work. The revenue generated in the first quarter of 2023 from our US businesses amounted to $5.7 million, while Canadian sales amounted to $1.5 million.

Gross Margin was $0.7 million in the first quarter of 2023, compared to negative $0.1 million in the first quarter of 2022, an increase of $0.8 million. Gross Margin percentage increased to 10% in the first quarter of 2023 compared to negative 1% in comparative period. The increase in Gross Margin and Gross Margin percentage is primarily the result of inflationary pressures and cement supply challenges stabilizing in 2023.

Adjusted EBITDA was negative $0.7 million in the first quarter of 2023 compared to negative $1.4 million in the same period of 2022. The improvement in adjusted EBITDA was due primarily to higher gross margins as inflationary pressures and supply challenges eased in early 2023.

The Company cash flow used in operating activities was $0.2 million in the first quarter of 2023, compared to $0.7 million in the same period of 2022.

C. Operations and Overall Performance

Results of Operations

Comparison of the three months ended March 31, 2023, with the same period in 2022:

		2023		2022		Change
Revenue	$	**7,182**	$	5,122	$	2,060
Gross margin	$	**746**	$	(69)	$	815
Operating expenses		**(1,922)**		(1,749)		(173)
Operating income (loss)		**(1,176)**		(1,818)		642
Stock based compensation		**(132)**		(129)		(3)
Finance costs		**(169)**		(162)		(7)
Other income (expense)		**(73)**		(40)		(33)
Accretion costs		**(110)**		(90)		(20)
Fair value of derivatives		**(21)**		-		(21)
Loss before income taxes		**(1,681)**		(2,239)		558
Provision of deferred taxes		**12**		28		(16)
Loss attributable to the common shareholder		**(1,699)**		(2,239)		542
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		**(18)**		37		(55)
Comprehensive income (loss)	$	**(1,687)**	$	(2,174)	$	487
Fully diluted gain (loss) per common share	$	**(0.012)**	$	(0.017)	$	0.004

Revenues were $7.2 million for the first quarter of 2023, an increase of $2.1 million or 40%, compared to $5.1 million in the first quarter of 2022. The increase in revenue was mainly due to the timing of large projects, particularly in the US.

Gross Margin was $0.7 million in the first quarter of 2023, compared to negative $0.1 million in the first quarter of 2022, an increase of $0.8 million. Gross Margin percentage increased to 10% in the first quarter of 2023 compared to negative 1% in comparative period. The increase in Gross Margin and Gross Margin percentage is primarily the result of the change in the mix of projects combined with the easing of inflationary pressures and cement supply challenges.

Operating expenses were $1,922 in the first quarter of 2023 compared to $1,749 in the same period in 2022, an increase of 10% mainly due to an increase in salaries and benefits, insurance, partially offset by reductions in legal and consulting expenses.

Stock-based compensation expense of $132 for the first quarter of 2023 compared to $129 during the first quarter of 2022.

Finance costs were $169 in the first quarter of 2023 compared to $162 in the same period in 2022, an increase of $7 or 4%. The increase can be mainly attributed to higher interest rates due to the rise prime lending rate in Canada, higher foreign exchange on US Dollar denominated debt, and partially offset by lower finance lease interest expense.

Other income (expense) was $(73) in the first quarter of 2021 compared to $(40) in the first quarter of 2023. In the first quarter of 2023, other income was mainly related to interest income of $121 (2022 - $nil), partially offset by foreign exchange losses of $198 and gain on sale of equipment of $4 (2022 - $43).

Accretion costs were $110 in the first quarter of 2023 compared to $90 for the same period in 2022. Accretion expense is entirely related to the host debt contract of the convertible debenture.

The April 2020 series convertible debentures were trifurcated into a host debt contract, prepayment, and equity features, of which the prepayment feature is accounted for as a derivative and revaluated at every reporting period. As the convertible debenture is almost matured in the first quarter of 2023, the fair value of prepayment feature was reduced to zero by the amount of $21. In the comparative period the Company used a modified Black-Scholes option pricing model, the fair value of the prepayment feature of the convertible debenture did not change.

Unrealized foreign exchange gains and losses on the translation of foreign subsidiaries are recognized through other comprehensive income. MOS, PIGCO and CEMATRIX (USA) Inc. have a USD functional currency and as the Canadian dollar weakened relative to the USD, the value of these assets depreciated resulting in an unrealized foreign exchange loss of $18, in the first quarter of 2023, compared to an unrealized foreign exchange gain of $37 in same period in 2022.

D. Selected Financial Information and Summary of Financial Results

The Company's business is seasonal in nature as it follows the construction season. Typically, revenues in the second half of the year are significantly greater than the first half of the year. The Company continues pursuing other markets where seasonality is less of an issue. This seasonality is reflected in the quarterly results summarized in the table below:

Quarters ended		Revenue		Comprehensive Income (Loss)		Income (Loss) Per Share Basic		Income (Loss) Per Share Diluted
2023 Year								
March 31	**$**	**7,182**	**$**	**(1,687)**	**$**	**(0.012)**	**$**	**(0.012)**
Total for year	**$**	**7,182**	**$**	**(1,687)**	**$**	**(0.012)**	**$**	**(0.012)**
2022 Year								
March 31	$	5,122	$	(2,174)	$	(0.017)	$	(0.017)
June 30		4,022		(1,569)		(0.012)		(0.012)
September 30		11,556		585		(0.004)		(0.004)
December 31		8,303		(1,292)		(0.009)		(0.009)
Total for year	$	29,003	$	(4,449)	$	(0.042)	$	(0.042)

Note 1: Quarterly Income (loss) per share is calculated on a standalone quarterly basis and accordingly the sum of the quarterly amounts may not equal the total for the year.

E. Consolidated Statements of Financial Position

		2023		2022		Change
Current assets	$	**19,719**	$	19,561	$	(2,842)
Noncurrent assets		**21,437**		21,256		181
Total assets	$	**38,156**	$	40,817	$	(2,661)
Current liabilities	$	**9,066**	$	10,165	$	(1,099)
Noncurrent liabilities		**2,903**		2,910		(7)
Total liabilities	$	**11,969**	$	13,075	$	(1,106)
Shareholders' equity	$	**26,187**	$	27,742	$	(1,555)

Total current assets decreased by $2,842. This increase in aggregate is summarized below:

- Cash decreased by $1,084 (See the discussion in Section F - Consolidated Statement of Cash Flows).
- Trade and other receivables decreased by $1,627. Accounts receivables increase during periods of higher revenue and then decline in periods of lower revenue as the amounts are collected.
- Inventory decreased by $23 as foaming agent was used in the production of cellular concrete.
- Prepaids and deposits decreased by $108 due to the amortization of insurance premiums that were prepaid in 2022.

Total non-current assets increased by $181. This increase in aggregate is summarized below:

- Long-term investments increased by $15 due to: $17 accrued interest income from the Glavel Notes, partially offset by $2 unrealized foreign exchange loss on the translation of the investment in Glavel Inc.
- Property and equipment increased by $156 because of equipment and vehicle additions of $580, partially offset by depreciation expense of $399, dispositions with a net book value of $15, and by a $10 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries.
- Right of use assets under finance lease increased by $36 due to building and vehicle additions of $194, offset by depreciation expense of $157 and $1 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries.
- Goodwill and intangibles assets decreased by $5 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries.
- Convertible debt – derivative asset decreased by $21 as the convertible debenture forced conversion feature was reduced to zero ahead of the April 2023 repayment.

Total current liabilities decreased by $1,099. This decrease in aggregate is summarized below:

- Trade and other payables decreased by $1,292 largely due to Accounts Payables that increase during periods of higher revenue and then decline in future periods of lower revenue as the amounts are paid.
- increased operations during the later portion of fourth quarter of 2022 that were paid in the first quarter.
- On April 22, 2020, the Company issued unsecured convertible debenture with a total principal amount of $5,720 at a price of $1,000 per debenture with a maturity of April 22, 2023. On issuance, the convertible debenture was trifurcated into a host debt contract, forced conversion and equity features. At March 31, 2023, the convertible debenture host debt contract had an aggregate carrying value of $3,679; an increase of $180 due to unrealized foreign exchange loss.
- Current portion of long-term debt decreased by $1 because of foreign exchange rate decrease on BDC USD denominated loans.
- Current portion of finance lease obligations increased by $14 due to new finance leases on buildings and vehicles.

Total non-current liabilities decreased by $7. This decrease in aggregate is summarized below:

- Long term debt decreased $2 because of unrealized foreign exchange losses on the translation of foreign denominated debt.
- Finance lease obligations increased $8 due to building and vehicle additions of $194, and $3 in unrealized foreign exchange gains on the translation of foreign denominated leases, offset by $175 in lease payments.
- The deferred tax liability decreased by $13 primarily due to existing deferred tax assets for property and equipment that reduced tax liabilities otherwise payable.

Shareholders' Equity decreased by $1,555. This increase in aggregate is summarized below:

- Share capital increased $16 due to an exercise of restricted share units.
- Contributed surplus increased by $116 due to the amortization of stock-based compensation on options and restricted share units.
- Accumulated other comprehensive loss decreased by $18 due to the unrealized foreign exchange loss on the translation of MOS, PIGCO and CEMATRIX (USA) Inc. as the USD depreciated versus the Canadian dollar.
- The Deficit increased by $1,669 due to the loss to common shareholders for the three months ended March 31, 2023.

For additional information please see the Consolidated Statements of Shareholders' Equity included in the Condensed Consolidated Financial Statements.

F. Consolidated Statements of Cash Flows

Cash Flow – First Quarter

The cash position of the Company as at March 31, 2023, was $9,598 compared to a cash position of $18,289 in the comparative period.

The change in cash in the first quarter of 2023 was a decrease of $1,084 as compared to a decrease of $1,943 in the same period of 2022. This change is outlined in the table:

		2023		2022		Change
Cash generated from (used in) operating activities						
Cash flow from operating activities	**$**	**(708)**	$	(1,479)	$	771
Net change in non-cash working capital items		**470**		779		(309)
		(238)		(700)		462
Cash used in investing activities		**(561)**		(1,193)		632
Cash used in financing activities		**(273)**		(238)		(35)
Foreign exchange effect on cash		**(12)**		188		(200)
Increase (decrease) in cash		**(1,084)**		(1,943)		859
Cash at beginning of period		**10,684**		20,232		(9,550)
Cash at end of period	**$**	**9,598**	$	18,289	$	(8,691)

Cash generated from operating activities decreased by $462 due to the following:

- Cash flow before non-cash working capital adjustments increased by $771 primarily due to: higher gross margins partially offset by higher SG&A costs due to inflationary pressures.
- Net change in non-cash working capital items decreased by $114, primarily due to the level of trade receivables vs trade payables generated in the respective periods and the timing of their collection and payment.

Cash used in investing activities decreased by $632 due to the following:

- In the prior period, the company completed the first tranche of its $712 equity investment Glavel.
- Property and equipment additions increased by $50 mainly due to higher costs for purchase of equipment and vehicles during the quarter.
- Proceeds from property and equipment dispositions increased by $40 compared to the prior period.

Cash used in financing activities increased by $35 due to the following:

- Repayment of finance lease obligations increased $29 due to building and vehicle additions.
- Interest paid increased slightly by $6 due to rising interest rates and foreign denominated BDC loan payments.

G. Liquidity and Capital Resources

Liquidity

The Company's liquidity, including obtaining cash resources to finance capital spending to increase its production capacity, is dependent on generating sales, profits, cash flow from operations, maintaining a facility to finance working capital and accessing capital debt facilities through loans or lease financing.

On March 31, 2023, the Company had cash balance of $9,598 versus $10,682 at December 31, 2022. The Company's Adjusted Net Working Capital was $3,274 at March 31, 2023 compared to $3,740 at December 31, 2022.

The convertible debentures that were issued in April 2020 have a maturity date of April 2023. As a result, these debentures have been moved into current liabilities. The Company has set aside funds in cash to ensure the Company has sufficient funds to repay these debentures when they come due in April 2023.

In 2022, CEMATRIX entered into a new financing arrangement with the Canadian Imperial Bank of Commerce (the "Bank" or "CIBC") to provide a $5,000 asset-based credit facility (the "Credit Facility"). The Credit Facility bears interest at an amount equal to 1.5% above the Bank's prime lending rate, which is currently at 3.2% and is secured by a general security agreement providing a first secured interest on the receivables and inventory of CEMATRIX (Canada) Inc, PIGCO, and MOS. The Credit Facility is further guaranteed by the Company with a general security agreement providing a first secured interest on all present and after acquired property of the Company.

Under the terms of the Credit Facility, the Bank will advance up to $5,000 based on 75% of trade receivables less than ninety days outstanding at the end of each month and 50% of inventories. The calculated availability of the Credit Facility on March 31, 2023 was $3,898 of which $nil was outstanding ($nil – December 31, 2022). The actual availability of the credit facility is reduced by the value of letters of credit that are currently issued and outstanding on the facility. As of March 31, 2023, there were $206 in letters of credit outstanding ($1,387 – December 31, 2022).

The CIBC Credit Facility allows the Company to borrow against the receivables and inventory of both its Canadian and US operating subsidiaries. The planned use for the Credit Facility is to allow the Company to manage short-term working capital increases associated with the inherent seasonality of the business. Management does not expect at this time to use the Credit Facility to finance acquisitions, other investments or the purchases of new equipment.

The CIBC credit facility has three financial covenants that must be maintained on a consolidated basis two of which are tested quarterly and one of which is tested annually (refer to Appendix C for detailed calculations):

- Current ratio not less than 1.25, tested quarterly. This is the ratio of current assets to current liabilities. As at March 31, 2023, the Company is compliant with this covenant.
- Debt to EBITDA ratio of not more than 3.0 times, tested quarterly. This is a ratio of all long term debt divided by the rolling 12 months Adjusted EBITDA. The calculation for Adjusted EBITDA is illustrated in Appendix B. As at March 31, 2023 the Company is not compliant with this covenant.
- Debt Service Coverage ratio of not less than 1.50 times, tested annually. This ratio is calculated by taking Adjusted EBITDA divided by the sum of all debt service costs (principle, interest, cash taxes, dividends and distributions).

In the month of May 2023, CIBC and the Company have amended its credit facility to waive the quarterly Debt to EBTIDA covenant for Q1 2023 to Q3 2023 and to reduce the maximum borrowing amount available under the credit facility from $5 million to $3 million.

The USD BDC Financing Loans have a consolidated fixed charge coverage ratio financial covenant which is tested annually. At December 31, 2022, the Company was not compliant with this covenant. On the same date, the BDC provided a tolerance for this covenant breach for the period up to and including December 31, 2021. This covenant will be tested again at December 31, 2023.

Capital resources

Although the Company has significant production capacity for the foreseeable future, building additional production capacity in future years for specific purposes is dependent on the Company generating the required funds from operations or new debt or equity financing. In the future, if the Company needs to add production capacity, there is no certainty that additional debt or equity financing will be available to the Company.

The Company defines its capital as the long term debt, the lease obligations and shareholders' equity. The current objective of the Company is to manage its capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders in relation to the risks underlying the Company's assets. The consolidated capital of the Company, as outlined in Note 20 - Capital Management to the Consolidated Financial Statements, was $33,961 on March 31, 2023, as compared to $35,317 on December 31, 2022 (see Section E. Consolidated Statements of Financial Position for details).

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements on March 31, 2023.

I. Transactions with Related Parties

During the three months ended March 31, 2023, and 2022, the Company did not have any material transactions with related parties.

J. Critical Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2022. There have been no changes since that date.

K. Changes in Accounting Policies including Initial Adoption

New accounting policies

There are no new standards issued but not yet effective as of January 1, 2023, that have a material impact to the Company's consolidated financial statements.

Future accounting pronouncements

The Company has reviewed new and revised standards and interpretations that have been approved by the IASB. There have been no new standards or interpretations issued during 2023 that significantly impact the Company.

L. Financial Instruments

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company financial instruments that are carried in the consolidated financial statements and how the fair value of financial instruments are measured.

Other financial liabilities

Other financial liabilities are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis. Liabilities in this category include bank operating loan, US operating loan, trade and other payables, loan, and long-term debt.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Fair values of Non-derivative financial instruments

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, bank operating loan, US operating loan, and trade and other payables approximate their carrying values due to the relatively short periods to maturity of these instruments.

The fair value of the BDC Financing loans approximate their carrying value as the debt rate floats with prime and is representative of market rates offered to the Company.

The fair value of the long-term investment in convertible notes approximates its carrying value as the purchase price is a market rate for other investors participating in the private placement.

At the date of issue, the fair value of the debt components of the convertible debt was estimated using the prevailing market interest rates for similar non-convertible instruments. This amount was recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The fair value of the equity feature of the convertible debt was determined at the issue date by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This conversion option is recognized as net of income tax effects as equity and is not subsequently re-measured.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of financial instruments according to the following hierarchy based on the number of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The long-term investment in convertible notes, embedded derivatives related to the forced conversion, prepayment and conversion features on the convertible debt are measured based on level 2.

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market data. The earn-out liability is measured at level 3.

There were no transfers between level 1, 2 and 3 inputs during the year.

Risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

Interest Rate Risk

The BDC Financings, which totaled $2,909 on March 31, 2023, are subject to floating market rates. Based on the floating rate debt outstanding, a 1% increase/decrease in interest rates would result in an increase/decrease in net loss attributable to common shareholders of approximately $29 excluding the effect of income taxes.

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 trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk.

The Company also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed.

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, restricted cash and trade receivables. The Company's cash and cash equivalents is held with large established financial institutions. The Company manages credit risk using credit approval and monitoring practices. Management is not materially concerned about the credit quality and collectability of accounts receivables, as our customers are predominantly large in scale and of high creditworthiness, and the concentration of credit risk is limited as our largest customers change year to year depending on which projects are being completed.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of working capital financing.

The table below summarizes the maturity profile of the Corporation's financial liabilities at March 31, 2023, and December 31, 2022, based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at March 31, 2023				
Trade and other payables	**$ 3,845**	**$ -**	**$ -**	**$ 3,845**
Long-term debt	**936**	**864**	**1,109**	**2,909**
Lease obligations	**604**	**500**	**82**	**1,186**
Convertible debt	**3,679**	**-**	**-**	**3,679**
	$ 9,064	**$ 1,364**	**$ 1,191**	**$ 11,619**
As at December 31, 2022				
Trade and other payables	$ 5,139	$ -	$ -	$ 5,139
Long-term debt	937	864	1,111	2,912
Lease obligations	590	545	29	1,164
Convertible debt	3,499	-	-	3,499
	$ 10,165	$ 1,409	$ 1,140	$ 12,714

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to balances denominated in US dollars and the operations of its US subsidiary which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain.

As at March 31, 2023, and December 31, 2022, the following balances were denominated in USD:

(in 000's US Dollars)		**2023**		2022
Cash and cash equivalents	**$**	**284**	$	361
Trade and other receivables		**3,398**		3,879
Prepaid expenses and deposits		**88**		122
Long-term investments		**1,771**		1,759
Trade and other payables		**(1,972)**		(2,849)
Long term debt		**(1,400)**		(1,400)
Lease obligations	**$**	**(497)**	$	(574)

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at March 31, 2023, a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net loss of approximately CAD $23 excluding the effect of income taxes.

M. Disclosure of Outstanding Share Data

As at March 31, 2023, and May 10, 2023, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding as at March 31, 2023	Outstanding as at May 10, 2023
Voting or equity securities issued and outstanding	Unlimited Common Shares	134,035,860 Common Shares	134,381,452 Common Shares
Securities convertible or exercisable into voting or equity securities – stock options	Incentive equity plans up to 10% of outstanding Common Shares	Stock options to acquire 4,603,333 Common Shares at an exercise price at between $0.19 - $0.59	Stock options to acquire 5,215,000 Common Shares at an exercise price at between $0.185 - $0.59
Securities convertible or exercisable into voting or equity securities – Restricted Stock Units ("RSU's")	Incentive equity plans up to 10% of outstanding Common Shares	RSU's to acquire 890,545 Common Shares	RSU's to acquire 1,066,866 Common Shares
Securities convertible or exercisable into voting or equity securities – share purchase warrants	As approved by the board	Share purchase warrants to acquire 1,667,725 Common Shares at an exercise price of $0.45	None
Unit securities (Broker Warrants) convertible or exercisable into voting or equity securities – units	As approved by the board	The right to acquire 908,300 units at prices of $0.40. Each unit is comprised of one common share and a half share purchase warrant	None
Convertible debentures convertible into voting or equity securities - units	As approved by the board	$3,589,000 convertible debentures, convertible into 8,972,500 units. Each unit consists of one Common Share and a half share purchase warrant to acquire one Common Share at $0.45	None

N. Outlook

Management's outlook remains very positive. A record first quarter in terms of revenue coupled with improving gross margins has the Company off to a good start to the year. Inflationary pressures and supply chain challenges significantly impacted the company in 2022. The Company expects these inflationary challenges to continue into 2023 and the cement supply issues to continue, but only in certain select markets and this is exactly what transpired during the first quarter.

The Company continues to be focused on the execution of its strategic plan. The 2021 financing continues to provide management with the means to execute its strategy beyond continued strong organic growth. This strategy includes the simplifying and de-levering of the balance sheet; regional expansion, particularly in the United States where the cellular concrete market continues to experience strong growth; and the identification of acquisitions of other cellular concrete applicators, specialty suppliers and/or other complimentary companies provided that they add value to CEMATRIX and its shareholders. In the short term the Company has put a hold on further acquisitions and/or investments until our stock price rebounds from what is expected to be a strong 2023.

The acquisitions we completed in the past have established CEMATRIX as the clear leader in its industry, which from a micro-economic perspective should allow the company to increase its market share, cash flow and profitability regardless of the changes in the macro-economic environment. We continue to look for further acquisition opportunities that fit our strategic plan to accelerate our growth.

Cement supply chain challenges impacted the Company in most key North American markets in 2022. We expect these cement supply challenges to continue in 2023, but only in select markets. Our partners in the supply of cement and ready-mix have communicated to the Company that they also expect the supply situation to improve in 2023 versus 2022 except for in certain markets (such as Chicago / Detroit). This improvement is the result of increased production capacity across North America, increased supply from overseas markets and the drop in demand for residential construction, which is a significant driver of cement demand. The demand is expected to ease significantly in most markets due to a general economic slowdown caused by increasing interest rates and increasing inflation. Our experience in the first quarter matched what our suppliers have been communicating to us.

A key strategic goal of the Company has been to simplify and de-lever the balance sheet, which was achieved as of April 2023. In March 2023, all of the warrants (regular warrants and broker warrants) associated with the March 2021 financing expired. In April 2023, we repaid $3.6 million in the remaining convertible debentures that matured. At the same time, all of the outstanding warrants (regular warrants and broker warrants) associated with the convertible debt financing expired. The impact of these two events is another step forward that significantly simplifies and de-levers our capital structure. As of April 2023, the only remaining dilutive instruments are stock options and RSUs outstanding as part of the Omnibus Equity Incentive Plan. The remaining long-term debt is with the BDC and is under $3.0 million with a built in repayment plan to be completely repaid at rate of $1.0 million per year by the end of 2025. The overall debt reduction efforts undertaken in the last three years is estimated to save the Company over a $1.2 million per year annually in cash interest costs.

In summary, the company's financial sustainability remains strong. The Company continues to demonstrate strong organic growth. We remain committed to our strategy and expect to see more of our efforts come to fruition in 2023 and beyond.

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three and twelve months ended December 31, 2023, are outlined below:

General

There are a number of statements in the MD&A which refer to "expect", "expects", "expected", "believes", "should", "anticipated" and "will".

The foregoing statements contains forward-looking statements which are based on sales forecasts prepared for 2022; sales forecasts include work which is under contract or Verbally Awarded for 2022, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in the coming year, where the probabilities applied to the sales forecast are based on management's assessment of the particular project based on historical experience and the stage the project is in the sales cycle. There are a number of risks that could affect these assumptions which include: contracted work is delayed; the failure of 2021 sales to materialize, because of project delays or cancellations or because CEMATRIX's cellular concrete is not specified into projects, management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect, and product acceptance in new markets takes longer than anticipated resulting in reduced sales.

Appendix B – Non-IFRS Measures

Throughout this MD&A certain measures are used that, while common in the construction industry, are not recognized measures under IFRS. These measures are used by management to assist in making operating decisions and assessing performance. They are presented in this MD&A to assist readers in assessing the performance of the Company. While we calculate these measures consistently from period to period, they will likely not be directly comparable to similar measures used by other companies because they do not have standardized meanings prescribed by IFRS. Please review the definitions of these measures below.

Sales Pipeline:

The Company's sales pipeline is defined as the total forecasted dollar amount of those future projects that CEMATRIX has been contracted by engineering firms, or owners, or contractors for design assistance (which could include thermal modelling), a quote, or both. The sales pipeline does not include the dollar value of contracted sales; or the dollar value of sales, where volumes have not been determined by the designers; or the dollar value of sales that have been lost for various reasons, including that the proposed project has been cancelled, lost to an alternative product or lost to a competitor. The sales pipeline is updated when changes in the status of a project becomes known to CEMATRIX. The sales pipeline includes projects from the current and future years and grows with the continued acceptance of the product throughout the Company's market territory, which currently includes significant parts of Canada and parts of the U.S.

Backlog:

Backlog is the sum of all contracts awarded and all contracts in process.

Adjusted Net Working Capital:

Adjusted net working capital is calculated as net working capital adjusted for cash and cash equivalents, restricted cash, bank operating loan, current portion of long-term debt, current portion of lease obligations, current portion of earn-out liabilities and current portion of convertible debt.

Appendix B – Non-IFRS Measures *(continued)*

Adjusted net working capital at March 31, 2023, and December 31, 2022, were as follows:

		2023		2022
Current Assets	$	**16,719**	$	19,561
Current Liabilities		**(9,066)**		(10,165)
Net working Capital		**7,653**		9,396
Adjustments				
Cash and cash equivalents		**(9,598)**		(10,682)
Current portion of long-term debt		**936**		937
Current portion of lease obligations		**604**		590
Current portion of convertible debt – host debt		**3,679**		3,499
Adjusted Net Working Capital	$	**3,274**	$	3,740

EBITDA

EBITDA is calculated as net income (loss) before finance costs, depreciation and amortization and provision of deferred and current taxes.

Adjusted EBITDA

Adjusted EBITDA is calculated as EBITDA as defined above, adjusted for unrealized foreign exchange gain (loss), accretion costs, revaluation of derivatives, revaluation of earn-out liabilities and stock based compensation.

Adjusted EBITDA for the three ended March 31, 2023, and 2022 were as follows:

	Three months ended March 31			
		2023		2022
Net income (loss)	**$**	**(1,669)**	$	(2,211)
Finance costs		**169**		162
Depreciation and amortization		**556**		440
Provision of deferred / current taxes		**(13)**		(27)
EBITDA		**(957)**		(1,636)
Unrealized foreign exchange (gain) loss		**7**		(18)
Accretion costs		**110**		90
Revaluation of derivatives		**21**		-
Stock based compensation		**132**		129
Adjusted EBITDA	**$**	**(687)**	$	(1,435)

Appendix C – Covenant Calculations

		As at March 31 2022
CIBC Covenants		
CURRENT RATIO		
Formula: Current Assets / Adjusted Current Liabilities		
Current Assets	$	**16,719**
Current liabilities		**9,066**
Current Ratio		**1.84**
Covenant tested quarterly, not less than		**1.25**
		Covenant Met
DEBT TO EBITDA RATIO		
Formula: Adjusted Debt / EBITDA		
Adjusted Debt		
Current portion – long term debt	$	**936**
Long term debt		**1,973**
Adjusted long term debt		**2,909**
Adjusted EBITDA (Rolling 12 months)		**(1,925)**
Debt to EBITDA Ratio		**(1.51)**
Covenant tested quarterly, not to exceed 3x		**3.00**
		Covenant Not Met