CEMATRIX CORPORATION
Condensed Consolidated Financial Statements
(in Canadian dollars)
March 31, 2020

Management's Responsibility for Financial Reporting and Notice of No Auditor Review of the Interim Condensed Consolidated Financial Statements for the Three Months Ended March 31, 2020

To the Shareholders:

CEMATRIX CORPORATION

Management has responsibility for preparing the accompanying consolidated financial statements. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgement. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has developed and maintains appropriate accounting and systems of internal control designed to provide reasonable assurance that reliable and relevant financial information is produced. In addition, programs of proper business conduct and risk management have been implemented to protect the Company's assets and operations. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable financial information for the preparation of the consolidated financial statements.

The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out these responsibilities principally through the Audit Committee (the "Committee"), which includes two independent directors.

The Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors. The Committee reviews the consolidated financial statements and the external auditors' report thereon and reports its findings to the Board for approval.

MNP LLP, an independent firm of Chartered Accountants is appointed by the shareholders to audit the consolidated financial statements and to report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

May 20, 2020

Signed "James Chong" Chief Financial Officer
James Chong, CPA, CA

CEMATRIX CORPORATION

Condensed Consolidated Statements of Financial Position

As at March 31, 2020 (unaudited) and December 31, 2019 (audited)
(in Canadian Dollars)

		2020		2019
ASSETS				
Current Assets				
Cash and cash equivalents	$	**1,115,665**	$	820,474
Term deposit		**80,000**		80,000
Trade and other receivables *(note 6)*		**3,814,918**		4,710,768
Inventory *(note 7)*		**1,063,041**		661,074
Prepaid expenses and deposits		**344,122**		323,997
Share acquisition loans *(note 8)*		**38,289**		38,071
		6,456,035		6,634,384
Non-Current Assets				
Property and equipment		**15,393,144**		14,464,727
Goodwill and intangibles *(note 9)*		**8,625,416**		8,145,483
Deferred tax asset		**1,341,080**		931,988
		25,359,640		23,542,198
Total Assets	$	**31,815,675**	$	30,176,582
LIABILITIES and EQUITY				
Current Liabilities				
Bank overdraft	$	**52,364**	$	164,414
Bank operating loan *(note 10)*		**663,629**		940,259
US operating loan *(note 11)*		**2,590,310**		2,186,313
Trade and other payables *(note 12)*		**2,836,694**		2,372,553
Current portion of long-term debt *(note 13)*		**1,505,107**		1,222,148
Current portion of lease obligations *(note 14)*		**507,837**		446,001
Current portion of earn-out liability *(note 15)*		**1,001,321**		870,678
		9,157,262		8,202,366
Non-Current Liabilities				
Long-term debt *(note 13)*		**6,281,969**		6,058,350
Lease obligations *(note 14)*		**1,637,673**		1,526,171
Earn-out liability *(note 15)*		**750,757**		647,160
Convertible note *(note 16)*		**3,419,368**		3,172,220
Deferred tax liability		**3,107,664**		2,998,513
		15,397,431		14,402,414
Total Liabilities		**24,354,693**		22,604,780
SHAREHOLDERS' EQUITY				
Share capital *(note 17)*		**11,449,987**		10,952,706
Contributed surplus		**2,870,654**		2,945,067
Accumulated other comprehensive income (loss)		**689,550**		(124,365)
Deficit		**(7,549,209)**		(6,201,606)
Total Shareholders' Equity		**7,460,982**		7,571,802
Total Liabilities and Shareholders' Equity	$	**31,815,675**	$	30,176,582

Approved on behalf of the Board

Signed "Jeffrey Kendrick" **Director** *Signed "Steve Bjornson"* **Director**

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

CEMATRIX CORPORATION

Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three months ended March 31 (unaudited)
(in Canadian Dollars)

		2020		2019
Revenue *(note 27)*	**$**	**3,931,857**	$	3,185,726
Cost of sales *(note 18)*		**(3,254,939)**		(2,665,518)
Gross margin		**676,918**		520,208
Operating expenses				
General and administrative		**(1,002,307)**		(603,367)
Sales, marketing and engineering		**(520,630)**		(443,743)
Total operating expenses		**(1,522,937)**		(1,047,110)
Operating loss		**(846,019)**		(526,902)
Non-cash stock based compensation *(note 22)*		**(42,748)**		(34,117)
Finance costs *(note 19)*		**(344,521)**		(216,844)
Other income (expenses) *(note 20)*		**(437,518)**		181,583
Amortization of intangibles *(note 9)*		**(192,364)**		(122,865)
Acquisition costs *(note 5)*		**-**		(48,868)
Accretion costs *(note 19)*		**(112,545)**		(132,025)
Non-cash fair value of derivatives *(note 16)*		**64,680**		(119,547)
Loss before income taxes		**(1,911,035)**		(1,019,585)
Provision of deferred taxes		**563,432**		182,884
Loss attributable to the common shareholders		**(1,347,603)**		(836,701)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		**813,915**		(162,911)
Total comprehensive loss for the period	**$**	**(533,688)**	$	(999,612)
Loss per common share *(note 21)*				
Basic	**$**	**(0.023)**	$	(0.019)
Fully Diluted	**$**	**(0.023)**	$	(0.019)
Weighted average number of common shares *(note 21)*				
Basic		**59,717,699**		44,480,769
Fully Diluted		**59,717,699**		44,480,769

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

CEMATRIX CORPORATION

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31 (unaudited)
(in Canadian Dollars)

		Share Capital		Contributed Surplus		Accumulated other Comprehensive income (loss)		Deficit,		Total Shareholders' Equity
Balance at December 31, 2019	**$**	**10,952,706**	**$**	**2,945,067**		**(124,365)**	**$**	**(6,201,606)**	**$**	**7,571,802**
Common shares issued *(note 17)*		**380,120**		**-**		**-**		**-**		**380,120**
Reclassification of contributed surplus to share capital (*note 17*)		**117,161**		**(117,161)**		**-**		**-**		**-**
Non-cash stock-based compensation *(note 22)*		**-**		**42,748**		**-**		**-**		**42,748**
Net income attributable to common shareholders		**-**		**-**		**-**		**(1,347,603)**		**(1,347,603)**
Unrealized foreign exchange loss on translation of foreign subsidiaries		**-**		**-**		**813,915**		**-**		**813,915**
Balance at March 31, 2020	**$**	**11,449,987**	**$**	**2,870,654**	**$**	**689,550**	**$**	**(7,549,209)**	**$**	**7,460,982**
Balance at December 31, 2019	$	9,140,676	$	1,333,448		327,215	$	(6,055,764)	$	4,745,575
Non-cash stock-based compensation *(note 22)*		-		34,117		-		-		34,117
Reclassification of contributed surplus to deficit *(note 22)*		-		(107,843)		-		107,843		-
Net loss attributable to common shareholders		-		-		-		(836,701)		(836,701)
Unrealized foreign exchange gain on translation of foreign subsidiaries		-		-		(162,911)		-		(162,911)
Balance at March 31, 2019	$	9,140,676	$	1,259,722	$	164,304	$	(6,784,622)	$	3,780,080

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

CEMATRIX CORPORATION
Condensed Consolidated Statements of Cash Flows
For the three months ended March 31 (unaudited)
(in Canadian Dollars)

		2020		2019
Cash generated from (used in):				
Operating activities				
Net loss attributable to common shareholders	$	**(1,347,603)**	$	(836,701)
Add (deduct) non-cash items				
Recovery of deferred taxes		**(563,432)**		(182,884)
Depreciation and amortization		**489,491**		385,850
Non-cash stock based compensation *(note 22)*		**42,748**		34,117
Loss on sale of equipment *(note 20)*		**-**		1,084
Unrealized foreign exchange losses (gains) *(note 20)*		**463,385**		(116,710)
Non-cash accretion of convertible debenture and earn-out *(note 15) and (note 16)*		**112,545**		132,490
Non-cash accretion of share acquisition loans *(note 8)*		**-**		(465)
Non-cash fair value of adjustment in derivative liability *(note 16)*		**(64,680)**		119,547
Non-cash interest on share acquisition loans *(note 8)*		**(218)**		(218)
		(867,764)		(463,890)
Net change in non-cash working capital items *(note 23)*		**1,043,214**		601,648
Cash generated from (used in) operating activities		**175,450**		137,758
Investing activities				
Purchase of property and equipment		**(46,105)**		(243,538)
Proceeds on sale of property and equipment *(note 20)*		**-**		41,000
Purchase of intangibles *(note 9)*		**(1,477)**		(11,046)
Net cash used in investing activities		**(47,582)**		(213,584)
Financing activities				
Proceeds (repayment) from bank operating loan *(note 10)*		**(276,630)**		71,342
Proceeds from long-term debt *(note 13)*		**-**		178,376
Proceeds from government grants on intangibles *(note 9)*		**-**		-
Proceeds from US operating loan *(note 11)*		**335,725**		-
Repayment of finance lease obligations *(note 14)*		**(107,931)**		(51,383)
Repayment of US operating loan *(note 11)*		**(146,375)**		-
Proceeds from exercise of options or warrants *(note 17)*		**380,120**		-
Cash generated from financing activities		**184,909**		198,335
Foreign exchange effect on cash		**94,464**		(16,083)
Increase in cash		**407,241**		106,426
Cash, beginning of period		**656,060**		119,638
Cash, end of period		**1,063,301**		226,064
Cash				
Cash and cash equivalents		**1,115,665**		255,710
Bank overdraft		**(52,364)**		(29,646)
	$	**1,063,301**	$	226,064
Supplemental Information				
Finance costs paid during the period	**$**	**349,637**	$	185,294

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

1. Corporate information

CEMATRIX Corporation ("CEMATRIX" or the "Company") is a limited company incorporated in the province of Alberta, Canada whose common shares are publicly traded on the TSX venture exchange under the symbol "cvx.v". It is domiciled in Canada with its registered office at 9727 – 40th Street S.E., Calgary, Alberta, Canada.

Through its wholly-owned subsidiaries, Pacific International Grout Co., ("PIGCO"), MixOnSite USA, Inc. ("MOS") and CEMATRIX (Canada) Inc. and its subsidiaries CEMATRIX (USA) Inc. and CEMATRIX (Calgary) Ltd., the Company is a manufacturer and supplier of cellular concrete products with applications in a variety of markets. The current market focus is in the construction market for infrastructure in Western Canada and Ontario and on a selective basis in Quebec, the Northwest Territories and the United States of America (U.S.) and oil and gas construction projects in Western Canada.

The consolidated financial statements of the Company for the three months ended March 31, 2020 were authorized for issue in accordance with a resolution of the Board of Directors on May 20, 2020.

2. Basis of preparation

Statement of compliance
These consolidated financial statements for the three months ended March 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretation Committee ("IFRIC").

Basis of measurement and going concern
These consolidated financial statements were prepared on a going concern basis under the historical cost convention except for share-based payment transactions and certain financial instruments which are measured at fair value.

As a result of the significant macroeconomic events relating to COVID-19 that occurred subsequent to period end a material uncertainty exists as to the Corporation's ability to continue as a going concern. While the COVID-19 pandemic may present additional opportunities for the Corporation via incremental infrastructure projects, as a result of expected provincial and federal stimulus during a recovery phase, there is risk that construction sites may be shut down by order of government officials, or that slowdowns in work may be requested by customers, and/or delays in cash collections may affect the Corporation's short term cash flow and ability to make payments as they come due. There are unknowns about timing of a shutdown of construction projects, if any; the length of time of that shutdown, should it occur; the potential short term effects on the Company's business; and what government support the Company may, or may not be able to receive. These conditions, combined with the factors listed below indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Refer to Note 28 "Subsequent Events" for further details.

Other factors that were considered in the assessment of going concern include negative working capital and the breach of covenants under the Canadian Western Bank ("CWB") operating Loan (note 10) and the Business Development Bank of Canada ("BDC") loans 5 and 6 (note 13). The CWB provide has provided a general tolerance of these covenants up to and including the period ended December 31, 2019 on June 4, 2019. The BDC provided a tolerance of the covenant breech on December 31, 2019 for the period up to and including December 31, 2020.

The Company completed a $5.5 million unsecured convertible debenture financing on April 22, 2020. Refer to Note 28 "Subsequent Events" for further details

2. Basis of preparation *(continued)*

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of CEMATRIX (USA) Inc., MOS and PIGCO is U.S. dollars ("USD").

3. Significant accounting judgements, estimates and assumptions

The preparation of condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Judgements, estimates and assumptions 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 these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2019. There have been no changes since that date.

4. Significant accounting policies

The significant accounting policies of the Company are outlined in Note 4 of the audited consolidated financial statements for the year ended December 31, 2019. There have been no changes since that date.

(in Canadian dollars)

5. Business acquisition

On October 1, 2019 the Company acquired all of the issued and outstanding shares of PIGCO. PICGO is incorporated under the laws of Washington state, with a head office in Bellingham, Washington, U.S. PIGCO is a contractor in the same business as CEMATRIX specializing in higher density tunnel grouting and nuclear abandonments, offering complete installation services including technical mix design support and development for a wide variety of construction applications in the U.S. The acquisition provides the Company a platform for long-term growth opportunities and diversification into new markets. The transaction was accounted for as a business combination.

The purchase price for all the issued and outstanding shares of PIGCO was $5,964,432 and was comprised of the following:

Cash	$	3,708,040
Common shares *(note 17)*		925,470
US operating loans *(note 11)*		1,330,922
	$	5,964,432

The net cash payment of $3,365,181 was financed with a loan from the from the Business Development Bank of Canada (note 13).

The common shares were valued at $0.28, which was the trading price on the date of acquisition.

Purchase price allocation

The Company determined the preliminary fair values of the assets and liabilities acquired based on discounted cash flows, market information, independent valuations and management's estimates as follows:

Cash	$	342,859
Accounts receivable		661,255
Prepaid expenses		6,918
Property and equipment		8,613,415
Intangible assets *(note 9)*		1,705,641
Trade and other payables		(919,481)
Finance lease obligation *(note 14)*		(662,053)
Deferred income tax liability		(2,505,654)
Gain on transaction		(1,278,468)
	$	5,964,432

The intangible assets acquired relate to the sales backlog for which contracts existed on October 1, 2019. The sales backlog acquired by the Company is amortized over 27 months on a straight-line basis, which is consistent with the time period the Company expects to complete the aforementioned contracts.

(in Canadian dollars)

5. Business acquisition *(continued)*

On May 31, 2018 the Company acquired of all of the issued and outstanding shares of MOS. MOS is 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. The acquisition provides a platform for long-term growth opportunities and diversification into new markets. The transaction was accounted for as a business combination.

The purchase price for all the issued and outstanding shares of MOS was $9,537,319 and was comprised of the following:

Cash	$	3,051,595
Common shares *(note 17)*		735,553
Convertible note *(note 16)*		3,239,750
US operating loan *(note 11)*		968,300
Earn-out liability *(note 16)*		1,542,121
	$	9,537,319

The net cash payment of $2,807,985 was financed with a $1,800,000 USD loan from the from the Business Development Bank of Canada (note 14), a portion of the funds raised from the private placement and from working capital.

The common shares were valued at $0.22, which was the trading price on the date of acquisition.

<u>Purchase price allocation</u>

The Company determined the preliminary fair values o the assets and liabilities acquired based on discounted cash flows, market information, independent valuations and management's estimates as follows:

Cash	$	243,610
Accounts receivable		1,961,426
Inventory		105,836
Prepaid expenses		69,541
Property and equipment		2,709,402
Intangible assets (n*ote 9)*		638,879
Goodwill		5,881,947
Trade and other payables		(952,317)
Finance lease obligation		(77,705)
Deferred income tax liability		(1,043,300)
	$	9,537,319

The intangible assets acquired relate to the sales backlog for which contracts existed on May 31, 2018. The sales backlog acquired by the Company is amortized over 16 months on a straight-line basis, which is consistent with the time period the Company expects to complete the aforementioned contracts.

Goodwill arises principally from the ability to leverage the larger base of operations, the assembled workforce, future growth and the potential to realize synergies in the form of cost savings.

(in Canadian dollars)

6. Trade and other receivables

Trade and other receivables consist of the following components as at March 31, 2020 and December 31, 2019:

		2020		2019
Trade receivables	**$**	**3,370,059**	$	3,980,187
Holdbacks		**405,276**		650,720
Other receivables		**39,583**		79,861
	$	**3,814,918**	$	4,710,768

Trade receivables and holdbacks are unsecured and non-interest bearing and are generally on 30-day terms subject to standard ten percent construction holdbacks on most of its sales over $100,000. Holdbacks are generally collectible forty-five days after completion of the work performed by the Company, however, holdbacks can be outstanding much longer, if the holdback 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.

The aging of the trade receivables were as follows as at March 31, 2020 and December 31, 2019:

		2020		2019
1-30 days	**$**	**1,985,351**	$	844,141
31-60 days		**482,917**		1,355,623
61-90 days		**221,755**		1,019,903
Greater than 90 days		**680,036**		760,520
	$	**3,370,059**	$	3,980,187

In determining the recoverable amount of a trade, holdbacks and other receivables, the Company performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties. The Company considers trade accounts receivable past due if they are greater than 60 days, except for holdbacks that have been invoiced, and are part of trade receivables, but are not collectible until the completion of the entire project as discussed above.

7. Inventory

Inventory consists of the following components as at March 31, 2020 and December 31, 2019:

		2020		2019
Raw materials (principally foaming agent)	**$**	**1,050,289**	$	651,642
Spare parts and marketing material		**12,752**		9,432
	$	**1,063,041**	$	661,074

Inventory expensed as part of cost of sales was $142,767 and $76,423, respectively, for the three months ended March 31, 2020 and 2019. There were no inventory write-downs in either 2020 or 2019.

(in Canadian dollars)

8. Share acquisition loans

Share acquisition loans consist of the following components as at March 31, 2020 and December 31, 2019:

		2020		2019
Share acquisition loans, beginning of period	**$**	**38,071**	$	45,743
Repayments		**-**		(8,562)
Interest		**218**		890
Share acquisition loans, end of period		**38,289**		38,071
Fair value adjustment, beginning of period		**-**		(1,869)
Accretion of fair value adjustment		**-**		1,869
Fair value adjustment, end of period		**-**		-
	$	**38,289**		38,071

In 2001 and 2002, share acquisition loans totalling $113,125 were issued to management to purchase shares of the Company. In October 2014, the terms of the share acquisition loans were changed to introduce equal annual repayment terms beginning 2015 such that the loans will be fully repaid by December 31, 2019. Prior to this change the share acquisition loans were included as a reduction in share capital. The loans bear no interest unless the loans are not repaid in accordance with the repayment terms, then the interest is payable annually on the amount then outstanding at Bank of Canada prime rate, then in effect, plus two percent and at the option of the Company the loans become immediately due and payable. For accounting purposes, because the loans bear no interest, the loans were fair valued at December 31, 2014 using a market rate. An imputed rate used was 9%. This fair value adjustment is being accreted to income over the life of the loans.

One of the individuals, who is not a Company employee, with a shareholder loan, of which $25,686 was outstanding at December 31, 2017, was unable to make two of the scheduled repayments of $8,563. Another individual, who is a Company employee, with a shareholder loan, of which $11,000 was outstanding at December 31, 2018, was unable to make one of the scheduled repayments of $5,500. Commencing January 1, 2018 and January 1, 2019, respectively, interest will be charged on these outstanding balances at the Bank of Canada prime plus two percent until the outstanding repayment is made. The $8,563 and $5,500 amount is included in the current portion of the share acquisition loans. The Company has recourse on these loans as the common shares issued to these individuals can be cancelled in the event of non-payment.

(in Canadian dollars)

9. Goodwill and intangible assets

Goodwill and intangibles consist of the following components as at March 31, 2020 and December 31, 2019:

	Foaming agent technology	Process licenses	Trademarks	Product testing costs	Sales backlog	Goodwill	Total
Cost							
At December 31, 2019	**315,000**	**141,110**	**9,006**	**298,324**	**2,313,106**	**5,895,110**	**8,971,656**
Acquisition *(note 5)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	**-**	**-**	**-**	**1,477**	**-**	**-**	**1,477**
Exchange difference	**-**	**-**	**-**	**-**	**213,537**	**544,213**	**757,750**
At March 31, 2020	**315,000**	**141,110**	**9,006**	**299,801**	**2,526,643**	**6,439,323**	**9,730,883**
Accumulated amortization							
At December 31, 2019	**-**	**-**	**-**	**-**	**(826,173)**	**-**	**(826,173)**
Amortization	**-**	**-**	**-**	**-**	**(192,364)**		**(192,364)**
Exchange difference	**-**	**-**	**-**	**-**	**(86,930)**	**-**	**(86,930)**
At March 31, 2020	**-**	**-**	**-**	**-**	**(1,105,467)**	**-**	**(1,105,467)**
Net book value							
At March 31, 2020	**315,000**	**141,110**	**9,006**	**299,801**	**1,421,176**	**6,439,323**	**8,625,416**

Cost							
At December 31, 2018	315,000	141,110	9,006	249,188	672,551	6,191,953	7,578,808
Acquisition *(note 5)*	-	-	-	-	1,705,641	-	1,705,641
Additions	-	-	-	49,136	-	-	49,136
Exchange difference	-	-	-	-	(65,086)	(296,843)	(361,929)
At December 31, 2019	315,000	141,110	9,006	298,324	2,313,106	5,895,110	8,971,656
Accumulated amortization							
At December 31, 2018	-	-	-	-	(294,241)	-	(294,241)
Amortization	-	-	-	-	(557,463)	-	(557,463)
Exchange difference	-	-	-	-	25,531	-	25,531
At December 31, 2019	-	-	-	-	(826,173)	-	(826,173)
Net book value							
At December 31, 2019	315,000	141,110	9,006	298,324	1,486,933	5,895,110	8,145,483

The intangible assets with indefinite lives include foaming agent technology, process licenses and trademarks. The foaming agent technology relates to the cost of obtaining a foaming agent formula which is used by the Company to produce one of the unique foaming agents which it uses in the production of cellular concrete. This foaming agent formula, which enables the production of cellular concrete which has certain unique properties, cannot be easily duplicated. The process licenses relate to the cost of obtaining a mechanical process patent which the Company believes will enhance the production of its cellular concrete. To date the Company has not had the necessary funds to develop this process. The process is protected by the patent which is registered in the U.S.

9. Goodwill and intangible assets *(continued)*

The trademarks relate to cost of initially registering certain trademarks in both Canada and the U.S. These trademarks are renewed as required for a nominal cost. As a result of an assessment of these facts Management believes that these items have an indefinite life.

The indefinite life intangibles have been allocated to the Cematrix Canada and Cematrix USA CGU's. Product testing costs relate to third party testing and verification of certain qualities of the Company's products. This information is particularly important for the further development of the infrastructure market. The product testing costs are not completed and therefore are not available for use. At the end of each testing program, the specific product testing costs related to the particular program will be amortized over future years based on their estimated useful life. For the three months ended March 31, 2020, the Company incurred expenditures of $1,477, including capitalized labour costs of approximately $1,477 and $nil government grants received (year ended December 31, 2019 - $15,731 and $nil, respectively).

The sales backlog and goodwill were the result of the acquisition of MOS and PIGCO (note 5). The sales backlog represents the value of contracted sales that existed on the closing date. The sales backlog acquired by the Company is being amortized over 16 months and 27 months respectively on a straight-line basis, which is consistent with the time period the Company expects to complete the aforementioned contracts. Goodwill arises principally from the ability to leverage the larger base of operations, the assembled workforce, future growth and the potential to realize synergies in the form of cost savings.

10. Bank operating loan

In April 2016, CEMATRIX's wholly owned subsidiary, CEMATRIX (Canada) Inc. entered into a financing arrangement with the Canadian Western Bank (the "Bank") which provides a $1,500,000 demand operating loan (the "Loan"). The Loan bears interest at an amount equal to the greater of 4.70% or 2% above the Bank's prime lending rate, which is currently at 4.45% and is secured by a general security agreement providing a first secured interest on the receivables and inventory of CEMATRIX (Canada) Inc. The Loan is further guaranteed by the Company with the Company granting a general security agreement providing a first secured interest on all present and after acquired property of the Company.

Under the Loan, the Bank will advance up to $1,500,000 based on 75% of trade receivables less than ninety days outstanding at the end of each month and 50% of inventories (up to a maximum $250,000). Based on these restrictions the actual Loan availability at March 31, 2020 was $696,494, of which $663,629 was outstanding as at March 31, 2020 (2019 – $940,259).

The Loan contains covenants in regard to consolidated cash flow coverage ratio, consolidated debt to tangible net worth ratio, and consolidated current ratio. With the exception of the consolidated cash flow coverage ratio, which is tested annually, all the other covenants are tested quarterly. At March 31, 2020, Cematrix (Canada) Inc. was not in compliance with the consolidated debt to tangible net work and current ratio covenants. On May 11, 2020 the bank has provided tolerance for non compliance of these covenants until the completion of the annual review. Refer to Note 28 "Subsequent Events" for further details

(in Canadian dollars)

11. US Operating loan

US Operating loans consist of the following components as at March 31, 2020 and December 31, 2019:

	Maturity	Interest rate		2020		2019
Loan 1	July 31, 2020	Fixed	$	**1,064,025**	$	974,100
Loan 2	November 1, 2020	Nil		**355,857**		465,403
Loan 3	June 1, 2020	Fixed		**815,753**		746,810
Loan 4	September 1, 2020	Fixed		**354,675**		-
			$	**2,590,310**	$	2,186,313

		2020		2019
US operating loan, beginning of the period	**$**	**2,186,313**	$	1,023,150
US operating loans assumed on business acquisitions		**-**		1,330,922
Proceeds of US operating loan		**335,725**		-
Repayment of US operating loans		**(146,375)**		(94,160)
Effect of unrealized foreign exchange loss (gain) on translation		**214,647**		(73,599)
US operating loan, end of the period	**$**	**2,590,310**	$	2,186,313

Loan 1 - As part of the consideration for the acquisition of MOS on May 31, 2018, the former owner of MOS agreed to enter into a financing arrangement with the Company to provide a $750,000 USD operating loan. Originally the loan was due on May 31, 2019 and interest was set at 2.0% above JPMorgan Chase Bank Bank's prime lending rate and payable quarterly. Subsequently, the loan maturity was extended to July 31, 2020 with interest set at 14.0% per annum payable monthly. The loan was fully drawn at March 31, 2020 and had a Canadian equivalent value of $1,064,025. The loan is secured by MOS's trade receivables and inventory and is further guaranteed with a general security agreement provided by the Company.

Loan 2 - As part of the consideration for the acquisition of PIGCO on October 1, 2019, the former owner of PIGCO agreed to enter into a financing arrangement with the Company to provide a $430,000 USD operating loan, which at the time, had a Canadian equivalent value of $569,449. The loan does not bear interest and is repayable in 12 equal monthly principal repayments starting on November 1, 2019. The loan has a balance of $250,833 USD and was fully drawn at March 31, 2020 with a Canadian equivalent value of $355,857. The loan is secured by PIGCO's trade receivables and inventory.

Loan 3 - As part of the consideration for the acquisition of PIGCO on October 1, 2019, the former owner of PIGCO agreed to enter into a financing arrangement with the Company to provide a $575,000 USD operating loan, which at the time, had a Canadian equivalent value of $761,473. Originally, the loan did not bear interest and was repayable in 6 equal monthly principal repayments starting on January 1, 2020. Subsequently, the start of the loan repayments was deferred to July 1, 2020 and now bears interest of 9% per annum starting January 1, 2020, payable monthly. The $575,000 USD loan was fully drawn at March 31, 2020 with a Canadian equivalent value of $815,753. The loan is secured by PIGCO's trade receivables and inventory.

(in Canadian dollars)

11. US Operating loan *(continued)*

Loan 4 – On February 21, 2020, the Company obtained a $250,000 USD short term loan with an unrelated party, which at the time, had a Canadian equivalent value of $335,725. The loan bears interest of 14% per annum payable monthly starting April 1, 2020 and is repayable before September 1, 2020. payable monthly. The loan was fully drawn at March 31, 2020 and had a Canadian equivalent value of $1,064,025. The loan is secured by MOS's trade receivables and inventory.

12. Trade and other payables

Trade and other payables consist of the following components as at March 31, 2020 and December 31, 2019:

		2020		2019
Trade payables	**$**	**1,959,634**	$	1,630,554
Accrued interest		**55,290**		50,298
Other accruals		**270,437**		318,245
Payroll remittance and goods and services tax		**551,333**		373,456
	$	**2,836,694**	$	2,372,553

13. Long-term debt

Long-term debt consists of the following components as at March 31, 2020 and December 31, 2019:

	Maturity	**Interest rate**		**2020**		2019
BDC financing						
Loan 1	Oct 1, 2020	Floating	$	**133,908**	$	133,908
Loan 2	Dec1, 2022	Floating		**249,840**		249,840
Loan 3	Sep 1, 2024	Floating		**374,760**		374,760
Loan 4	Sep 1, 2021	Floating		**34,560**		34,560
Loan 5	Aug 1, 2026	Floating		**2,021,648**		1,850,790
Loan 6	Dec 1, 2025	Floating		**3,972,360**		3,636,640
				6,787,076		6,280,498
Secured debenture	Jan 1, 2021	Fixed		**1,000,000**		1,000,000
				7,787,076		7,280,498
Less current portion				**(1,505,107)**		(1,222,148)
			$	**6,281,969**	$	6,058,350

(in Canadian dollars)

13. Long term debt *(continued)*

Reconciliation of Long-term debt

The following table reconciles the changes in cash flows from financing activities for the Company's long-term debt:

		2020		2019
Long-term debt, beginning of the period	**$**	**7,280,498**	$	4,115,015
Proceeds on Loan 3		**-**		319,445
Proceeds on Loans 5 and Loan 6 for business acquisitions		**-**		3,708,040
Proceeds on long-term debt		**-**		4,027,485
Repayment of long-term debt		**-**		(688,107)
Total cash flow from long-term debt		**-**		3,339,378
Effect of unrealized foreign exchange loss (gain) on income		**170,858**		(102,495)
Effect of unrealized foreign exchange gain on translation		**335,720**		(71,400)
Long-term debt, end of the period	**$**	**7,787,076**	$	7,280,498

Business Development Bank of Canada Financing ("BDC Financing"):

Loan 1 – This loan of $1,406,000 was fully drawn down in 2015. The proceeds from the loan were used to support equipment additions and was drawn down as these expenditures were incurred. The interest, which is currently 6.80% and is payable monthly, is set at 1.75% above the BDC floating base rate of 5.05%. The loan is repayable over seven years. Payments of principal of $33,477 are required monthly from July to December of each of the years to October 2020.

Loan 2 – In June 2016, the Company's wholly-owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for a working capital loan of $500,000. The loan was fully drawn down in December 2016. The interest, which is currently 8.91% and is payable monthly, is set at 3.86% above the BDC floating base rate of 5.05%. The loan is repayable over six years, with seasonal payments of principal required from July to December of each year starting in July 2017. Payments of principal of $14,200 were required in July 2017 and $13,880 from August to December 2017. Principal payments for each year thereafter of $13,880 are required monthly from July to December of 2018 to 2022.

Loan 3 - In October 2016, the Company's wholly-owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for an equipment loan of $500,000. This loan can be drawn down anytime over the 30 months from the date of the loan and was fully drawn down in April 2019. The interest, which is currently 6.90% and is payable monthly, is set at 1.85% above the BDC floating base rate of 5.05%. At the Company's option the interest rate can be fixed once the loan is fully drawn. Interest, on any loan amounts drawn, is payable monthly. The loan is repayable over six years, with seasonal payments of principal required. Payments of principal of $14,200 were required in October 2018 and $13,880 from November to December 2018. Payments of principal of $13,880 monthly are required from July to December for each of the years 2019 to 2023 and $13,880 monthly from July to September 2024.

13. Long term debt *(continued)*

Loan 4 – In March 2017, the Company's wholly-owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for a loan of $100,000 to fund the first year costs related to a program offered by the BDC that will assist the Company in establishing its growth strategy. The loan was fully drawn down in March 2017. The interest, which is currently 6.05% and is payable monthly, is set at 1.00% above the BDC floating base rate of 5.05%. The loan is repayable over four years, with seasonal payments of principal required. Payments of principal of $4,000 were required in August 2017 and $3,840 from September to December 2017, of $3,840 monthly from July to December 2017 and from September to December 2018. Payments of principal of $3,840 are required from July to December for each of the years 2019 to 2020 and $3,840 monthly from July to September 2021.

Loan 5 – In May 2018, the Company entered into an agreement with the BDC for a loan of $1,800,000 USD to fund a portion of the purchase price of the MOS acquisition. The interest, which is currently 6.95% and is payable monthly, is set at 1.60% above the BDC floating USD base rate of 5.35%. The loan is repayable over eight years, with seasonal payments of principal required. Payments of principal of $37,500 USD were required from September to December 2018. Payments of principal of $37,500 USD are required from July to December for the years 2019 to 2025 and from July to August 2026. On May 31, 2018, the Canadian equivalent of this loan was $2,332,620. On March 31, 2020, the Canadian dollar equivalent of this was $2,021,648. The difference being $310,972 which is the net of principal repayments of $493,636 being offset by $182,664 in unrealized foreign exchange loss, which was recognized on the statement of loss and comprehensive loss.

Loan 6 – In October 2019, the Company's wholly-owned subsidiary, CEMATRIX (USA) Inc., an agreement with the BDC for a loan of $2,800,000 USD to fund the purchase price of the PIGCO acquisition. The interest is payable monthly and is currently at 9.05% which is set at 3.70% above the BDC floating USD base rate of 5.35%. The loan is repayable over six years, with seasonal payments of principal required. A principal repayment of $78,050 USD is required on July 2020 and $77,770 USD from August to December 2020. Thereafter, monthly principal repayments of $77,770 USD are required from July to December from years 2021 to 2025. On October 1, 2019 the Canadian equivalent of this loan was $3,708,040. On March 31, 2020, the Canadian dollar equivalent of this was $3,972,360. The difference being $263,956 is recognized in the unrealized foreign exchange loss on the translation of foreign subsidiaries.

Loans 1, 4, 5 and 6 may be prepaid, on each anniversary date, up to 15% of the then outstanding principal amount but if not used the prepayment privilege for that anniversary date ceases. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable if the loan is at floating rates, or if the loan is at a fixed rate, the sum of three months interest on the prepaid principal at the fixed interest rate then applicable and an interest differential relative to current fixed rate loans of the BDC.

Loan 2 may be prepaid at any time without indemnity. For Loan 2, the BDC will, within 24 months of the loan, and provided there are no adverse material changes, re-advance, one time only, any repaid portion of the loan in an amount not less than $10,000 under the same terms and conditions, other than a revised amortization period and maturity date, if applicable.

13. Long term debt *(continued)*

Loan 3 may be prepaid at any time without indemnity. If the loan is at floating rates, any prepayment must include any interest owing up to the time of the prepayment. If the loan is at a fixed rate any prepayment must include any interest owing up to the time of the prepayment and an interest differential charge.

Under terms of the BDC Financing loans, the Company will have the option to prepay the facilities. The prepayment penalties vary depending on the time frame. Timeframe and terms are specified in individual agreements. The prepayment option is considered to be an embedded derivative with a fair value of nil at the date of issuance and at December 31, 2019.

The BDC Financing loans are secured with a general security agreement providing a first security interest in the Company's current owned equipment and new equipment acquired pursuant to the BDC Financings and a security interest in all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Company's demand operating loan and future charges on specific equipment to a creditor for financing the purchase or lease thereof.

There are no financial covenants with the BDC Financing loans 1 to 4. The BDC Financing loan 5 and loan 6 have a consolidated fixed charge coverage ratio financial covenant which is tested annually. At December 31, 2019 the Company was not in compliance with this covenant. On the same date, the BDC provided a tolerance for the covenant breech for the period up to and including December 31, 2020.

Secured Debenture:

In February 2014 the Company issued a secured debenture for $1,000,000 ("Secured Debenture") to an unrelated party. The Secured Debenture bears interest of 9%, payable monthly, and is repayable in full in July 2020. In September 2019, the Secured Debenture was termed-out over a period of five years where the original bullet principal repayment due in July 2020 was replaced with principal repayments of $200,000 on January 1st in years 2021 to 2025. The Secured Debenture is secured by the Company's currently owned equipment and new equipment acquired, subject to the priority of the BDC Financing. The Secured Debenture is further secured by all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Companies line of credit and any charges on specific equipment financed or leased.

The terms of the Secured Debenture restrict the amount of bank operating loan to an amount equal to $1,000,000, with an increase to $1,500,000 on a short-term basis during the Company's busy season, plus 60% of the Company's aggregate after tax earnings from the date the Secured Debenture was issued, without prior consent from the lender.

14. Lease obligations

Lease obligations, January 1, 2020	$	1,972,172
Additions		164,446
Lease payments		(151,101)
Interest expense		43,170
Foreign exchange		116,823
		2,145,510
Less current portion		(507,837)
Lease obligations, March 31, 2020	$	1,637,673

The Company's lease obligations mainly relate to real property leases that are utilized within their operations. The Company has also entered into leases pertaining to various pieces of operating equipment including cars, trucks, trailers and computer equipment. Leases are entered into and terminated when they meet specific business requirements. The Company has recognized these lease liabilities, which are measured at the present value of the remaining lease payments at incremental borrowing rates between 2.5% and 20.9%.

On adoption of IFRS 16 – Leases, the Corporation has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2018, adjusted by commitments in relation to arrangements not containing leases, service contracts, short-term and low-value leases, and discounted using the Corporation's incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019, adjusted by the amount of any lease inducements and subleases relating to the lease recognized in the consolidated statement of financial position immediately before the date of transition, with no impact on retained earnings (deficit).

15. Earn-out liability

The earn-out will pay the Vendor 70% of the earnings before interest, income taxes, depreciation and amortization ("EBITDA") of MOS above $500,000 USD for the first 12 month period after May 31, 2018 and 65% of the EBITDA above $500,000 USD for the second and third 12 month periods after May 31, 2018. At a 27% discount rate, the earn-out liability, which is denominated in USD is measured at FVTPL and recalculated at every reporting period based upon management's estimate which considers economic conditions, customer demand for MOS's services and current borrowing rates available to the Company.

		2020		2019
Balance, January 1	**$**	**1,517,838**	$	2,180,030
Revaluation in the period		**-**		(443,127)
Payments		**-**		(534,436)
Accretion expense		**89,137**		407,749
Foreign exchange difference		**145,103**		(92,378)
Value of liability, end of period		**1,752,078**		1,517,838
Less current portion		**(1,001,321)**		(870,678)
Balance	**$**	**750,757**	$	647,160

(in Canadian dollars)

16. Convertible note

In conjunction with the acquisition of MOS on May 31, 2018 a $2,500,000 USD convertible note was issued to the Vendor. The convertible note bears interest at a rate of 8% per year, payable quarterly, for a period of three years. Any time at the option of the holder, the convertible note can convert into 13,373,684 CEMATRIX common shares, the equivalent of $0.2375 per share. CEMATRIX may repay the convertible note and may force the conversion of the convertible note upon 40 days' written notice after a period of 12 months, subject to an early payment and forced conversion penalties, as applicable.

The convertible note is trifurcated into a conversion feature, prepayment feature and host debt contract. The conversion feature is an embedded derivative as the convertible note violates the fixed for fixed criterion because the convertible note is denominated in a currency other than the Company's functional currency. The prepayment feature is an embedded derivative as its value is not closely related with the value of the host debt contract. The conversion feature and prepayment feature are measured at FVTPL. Changes in the fair value of the conversion and prepayment feature will be recognized in profit or loss. The host debt contract was initially measured at its fair value and is subsequently measured at amortized cost over the term to maturity using an interest rate of 11.2%.

The fair value of the conversion feature was determined using a Black-Scholes option pricing model. The fair value of the prepayment feature was determined using a modified Black-Scholes option pricing model that incorporates the prepayment penalty and is referred to as the Barrier option pricing model. At March 31, 2020 and December 31, 2019, the following assumptions were used:

	March 31, 2020	December 31, 2019
Estimated fair value per common share	**$0.15**	$0.19
Common share price	**$0.32**	$0.34
Risk-free interest rate	**0.42%**	1.69%
Expected life	**1.17 years**	1.42 years
Expected volatility in stock price	**93.9 %**	103.7 %
Expected annual dividend yield	**nil**	nil
Estimated forfeiture rate	**nil**	nil
Prepayment penalty	**5% - 10%**	5% - 10%

Convertible note consists of the following components as at March 31, 2020 and December 31, 2019.

	Host Debt Contract	**Prepayment Feature**	**Conversion Feature**	**Total**
At December 31, 2018	3,178,414	(772,494)	972,472	3,378,392
Accretion expense	86,196	-	-	86,196
Unrealized foreign exchange gain	(154,187)	-	-	(154,187)
Fair value adjustment loss (gain)	-	(1,638,610)	1,500,429	(138,181)
At December 31, 2019	3,110,423	(2,411,104)	2,472,901	3,172,220
Accretion expense	**23,408**	**-**	**-**	**23,408**
Unrealized foreign exchange gain	**288,420**	**-**	**-**	**288,420**
Fair value adjustment loss (gain)	**-**	**346,748**	**(411,428)**	**(64,680)**
At March 31, 2020	**3,422,251**	**(2,064,356)**	**2,061,473**	**3,419,368**

(in Canadian dollars)

17. Share capital

(a) Authorized

Unlimited number of no par value voting common shares
Preferred shares – to be issued in series as authorized by the Board of Directors

(b) Issued

The following table summarizes the changes in the issued common shares of the Company for the three months ended March 31, 2020 and year ended December 31, 2019:

	2020		2019	
	Number Of Shares	**$ Amount**	Number Of Shares	$ Amount
Common shares, beginning of period	**59,286,019**	**$10,952,706**	44,480,769	$9,140,676
Common shares issued (ii), (iii)	**1,147,512**	**380,120**	-	-
Private placement, net of costs (i)	**-**	**-**	11,500,000	2,141,800
Business acquisitions *(note 5)*	**-**	**-**	3,305,250	925,470
Reclassification of warrants	**-**	**117,161**	-	(1,255,240)
Common shares, end of period	**60,433,531**	**$11,449,987**	59,286,019	$10,952,706

(i) On August 14, 2019 and August 23, 2019, the Company completed the first and second tranches of a non-brokered private placement for a total of 11,500,000 units at a price of $0.20 per Unit for gross proceeds of $2,300,000 (the "Private Placement"). Each Unit is comprised of one common share and one share purchase warrant (each a "Warrant"). Each full warrant is exercisable into one common share for a period of two years at an exercise price of $0.30 per common share.

The Company paid a finder's fee and finder's warrants of 7% of the gross proceeds to qualified non-related parties that participated. The fees amounted to $158,200 and 791,000 finder's warrants were issued that entitle the holder thereof to acquire one common share for $0.30 until the expiry date of August 23, 2021.

(ii) In February 2020, for gross proceeds of $129,004 and $141,741 were received and the Company issued 430,012 and 405,000 common shares at a price of $0.30 and $0.35, respectively on the exercise of warrants.

(iii) In March 2020, for gross proceeds of $109,375 received and the Company issued 312,500 common shares at a price of $0.35 on the exercise of warrants.

(in Canadian dollars)

17. Share capital *(continued)*

(c) Share Purchase Warrants

The following table reflects the issuance of warrants for the three months ended March 31, 2020 and year ended December 31, 2019 which is recorded in contributed surplus:

	2020 Number Of Warrants		**2020** Amount	2019 Number Of Warrants		2019 Amount
Warrants, beginning of period	**15,554,177**	**$**	**1,655,314**	3,263,177	$	400,074
Private placement	**-**		**-**	12,291,000		1,255,240
Warrants exercised	**(1,147,512)**		**(117,161)**	-		-
Warrants, end of period	**14,406,665**	**$**	**1,538,153**	15,554,177	$	1,655,314

Each warrant entitled the holder thereof to purchase one common share at either $0.30 or $0.35 per share as noted in the table below. The fair value per share purchase warrant was determined using the following weighted average assumptions at the time of the issuance using the Black Scholes option pricing model:

	April 30, 2018	**June 26, 2018**	**August 24, 2018**	**August 14, 2019**	**August 23, 2019**
Estimated fair value per share purchase warrant	**$0.14**	**$0.11**	**$0.11**	**$0.10**	**$0.10**
Common share price	**$0.20**	**$0.23**	**$0.24**	**$0.20**	**$0.20**
Exercise price	**$0.35**	**$0.35**	**$0.35**	**$0.30**	**$0.30**
Risk-free interest rate	**1.99%**	**1.99%**	**1.99%**	**1.38%**	**1.38%**
Expected life	**2 years**	**2 years**	**2 years**	**2 years**	**2 years**
Expected volatility in stock price	**106.0 %**	**104.0 %**	**101.0%**	**111.0%**	**112.0%**
Expected annual dividend yield	**nil**	**nil**	**nil**	**nil**	**nil**
Estimated forfeiture rate	**nil**	**nil**	**nil**	**nil**	**nil**
Share purchase warrants	**1,601,800**	**138,765**	**1,440,112**	**9,880,000**	**1,620,000**
Share purchase warrants – Finder's warrants	**18,750**	**1,500**	**62,250**	**686,350**	**104,650**
Issued	**1,620,550**	**140,265**	**1,502,362**	**10,566,350**	**1,724,650**
Exercised	**(312,500)**	**-**	**(405,000)**	**(430,012)**	**-**
Outstanding	**1,308,050**	**140,265**	**1,097,362**	**10,136,338**	**1,724,650**

(in Canadian dollars)

18. Cost of sales

Cost of sales consists of the following components for the three months ended March 31, 2020 and 2019:

		2020		2019
Manufacture of cellular concrete				
Materials	**$**	**1,197,819**	$	1,183,042
Direct labour		**1,224,595**		782,933
Variable expenses		**579,299**		398,846
Fixed overhead		**49,100**		83,711
Depreciation		**204,126**		216,986
	$	**3,254,939**	$	2,665,518

19. Finance costs

The finance costs incurred for the three months ended March 31, 2020 and 2019 are as follows:

		2020		2019
Interest				
BDC Financings *(note 13)*	**$**	**142,710**	$	68,253
Secured Debenture *(note 13)*		**22,500**		22,500
Convertible Note *(note 16)*		**67,210**		71,901
Lease obligations *(note 14)*		**43,170**		17,202
Bank operating loan *(note 10)*		**11,951**		15,447
US operating loan *(note 11)*		**58,320**		20,723
Share acquisition loans *(note 8)*		**(218)**		(218)
Other		**(1,123)**		1,036
	$	**344,521**	**$**	216,844

The accretion costs incurred for the three months ended March 31, 2020 and 2019 are as follows:

		2020		2019
Accretion				
Share acquisition loans *(note 8)*	**$**	**-**	$	(465)
Earn-out liability *(note 15)*		**89,137**		111,790
Convertible note *(note 16)*		**23,408**		20,700
	$	**112,545**	$	132,025

(in Canadian dollars)

20. Other income (expenses)

Other income (expenses) for the three months ended March 31, 2020 and 2019 consists of the following:

		2020		2019
Unrealized foreign exchange gains (losses)	**$**	**(463,385)**	$	116,710
Realized foreign exchange gains (losses)		**(8,750)**		42,128
Loss on sale of equipment		**-**		(1,084)
Equipment rental		**23,700**		23,700
Other		**10,917**		129
	$	**(437,518)**	$	181,583

Pursuant to an equipment lease agreement, entered into in 2017, with Lafarge Canada Inc. (”Lafarge”), the Company receives monthly rental payments of $7,900, when the equipment is on site, over an initial term of five years for equipment utilized under the regional market development program with Lafarge.

In 2019 the Company sold three vehicles, which had a book value of $42,084, for proceeds of $41,000.

21. Loss per common share

The number of common shares included in the computation of basic and diluted loss per common share for the three months ended March 31, 2020 and 2019 is as follows:

	2020	**2019**
Weighted average common shares outstanding – basic	**59,717,699**	44,480,769
Effect of dilutive instruments	**-**	-
Weighted average common shares outstanding – diluted	**59,717,699**	44,480,769

The dilutive securities for the three months ended March 31, 2020 and 2019 have no dilutive effect as the Company incurred losses in these years.

(in Canadian dollars)

22. Non-cash stock-based compensation

The Company has an option plan for the issue of up to 10% of the issued and outstanding common shares of the Company. All options that are outstanding will expire upon maturity, or earlier, if the optionee ceases to be a director, officer, employee or consultant or there is a merger, amalgamation or change in control of the Company. The purpose of the option plan is to reward and retain directors, management and consultants important to the continued operation and growth of the Company.

The following table summarizes the changes in options for the years ended March 31, 2020 and December 31, 2019:

	2020		2019	
	Number of Options	**Weighted average price**	Number of Options	Weighted average price
Outstanding, beginning of period	**4,820,000**	**$0.230**	4,220,000	$0.230
Granted	**-**	**-**	1,500,000	$0.230
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	(900,000)	$0.230
Outstanding, end of period	**4,820,000**	**$0.230**	4,820,000	$0.230
Exercisable, end of period	**3,240,000**	**$0.236**	3,165,000	$0.230

The following table summarizes the stock options to acquire common shares outstanding as at March 31, 2020:

Grant Date	Number Options	Number of Options Exercisable	Exercise Price ($)	Weighted average remaining life (years)	Expiry Date
October 22, 2014	1,575,000	1,575,000	0.24	1.56	October 22, 2021
March 5, 2015	100,000	100,000	0.20	1.93	March 5, 2022
April 15, 2015	150,000	150,000	0.19	2.04	April 15, 2022
May 4, 2016	100,000	100,000	0.43	2.09	May 4, 2022
August 2, 2017	100,000	66,666	0.18	2.34	August 2, 2022
April 30, 2018	250,000	83,333	0.20	3.08	April 30, 2023
May 31, 2018	150,000	50,000	0.20	1.17	May 31, 2021
May 31, 2018	350,000	116,667	0.20	3.17	May 31, 2023
August 28, 2018	345,000	115,000	0.20	3.41	August 28, 2023
November 12, 2018	200,000	133,334	0.25	1.62	November 12, 2021
May 2, 2019	600,000	600,000	0.23	4.09	May 2, 2024
June 13, 2019	300,000	-	0.23	2.20	June 13, 2022
September 10, 2019	300,000	150,000	0.26	2.45	September 10, 2022
October 1, 2019	300,000	-	0.20	4.51	October 1, 2024
	4,820,000	3,240,000	0.23		

Non-cash stock-based compensation for the three months ended March 31, 2020 was a cost of $42,748. Non-cash stock-based compensation expense for the three months ended March 31, 2019 was a cost of $34,117. Non-cash based compensation is recognized in the consolidated statement of loss and comprehensive loss with an offsetting amount charged to contributed surplus. Non-cash stock-based compensation has no current period impact on the Company’s cash position.

(in Canadian dollars)

22. Non-cash stock based compensation *(continued)*

At the date of grant, the per share fair value of the options granted and other assumptions, using the Black-Scholes option pricing model are as follows:

	2020	2019
Estimated fair value per option	-	\$0.10 - \$0.23
Weighted average common share price	-	\$0.23
Risk-free interest rate	-	1.40 - 1.62%
Expected life	-	3 - 5 years
Expected volatility in stock price	-	104 - 114%
Expected annual dividend yield	-	nil
Estimated forfeiture rate	-	nil

23. Change in non-cash working capital

The changes in non-cash working capital items - asset (increases) decreases and liability increases (decreases) - are outlined below for the three months ended March 31, 2020 and 2019.

	2020	2019
Trade and other receivables	**$ 1,101,526**	$ 585,145
Inventory	**(377,904)**	(157,913)
Prepaid expenses and deposits	**174**	53,047
Trade and other payables	**319,418**	121,596
	$ 1,043,214	$ 601,875

24. Related party transactions

During the year ended December 31, 2019, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $nil (2019 - $nil) of which $nil is in trade and other payables as at March 31, 2020 (2019 - $nil).

25. Financial instruments and risk management

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 overdraft, 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 of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Fair values

The fair values of cash and cash equivalents, term deposits, trade and other receivables, bank overdraft, 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 its carrying value as the debt rate floats with prime and is representative of market rates offered to the Company.

The fair value of the share acquisition loans has been determined using a market rate of interest.

The fair value of the secured debenture approximates its carrying value as the interest rate is a market rate for similar instruments offered to the Company.

The fair value of the convertible debenture approximates its carrying value as the interest rate used to discount the host debt contract approximates a market rate for similar instruments offered to the Company.

The Company has no plans to prepay any debt instruments prior to maturity.

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 the financial instruments according to the following hierarchy based on the amount 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 embedded derivatives related to the conversion and prepayment features on the convertible note are measured based on level 2 (note 16)

25. Financial instruments and risk management *(continued)*

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market date. The earn-out liability is measured at level 3 (note15).

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.

(a) Interest Rate Risk
The BDC Financings, which totalled $6,787,076 at March 31, 2020 and the Loan, which had a balance at March 31, 2020 of $663,629 are subject to floating market rates. Based on the floating rate debt outstanding as at March 31, 2020, a 1% increase/decrease in interest rates would result in a decrease/increase in net loss attributable to common shareholders of approximately $54,500.

(b) 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, term deposits, trade receivables and the share acquisition loans. 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. The credit risk on share acquisition loans is minimal as the Company can cancel the common shares issued to these individuals in the event of non payment. At March 31, 2020, 11 customers accounted for approximately 66% of trade receivables (at December 31, 2019, 16 customers accounted for approximately 75% of trade receivables). For the three months ended March 31, 2020, 8 customers each accounted for over 89% of revenue. At March 31, 2020, the Company had $1,115,665 of cash and cash equivalents (2019 - $820,474), an $80,000 term deposit (2019 - $80,000) and $38,289 (2019 - $38,071) of fair valued share acquisition loans that are outstanding with two officers, and a former officer of the Company.

(in Canadian dollars)

25. Financial instruments and risk management *(continued)*

(c) 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 to meet its financial obligations.

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2020 and December 31, 2019 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at March 31, 2020				
Bank overdraft	**$ 52,364**	**$ -**	**$ -**	**$ 52,364**
Bank operating loan	**663,629**	**-**	**-**	**663,629**
US operating loan	**2,590,310**	**-**	**-**	**2,590,310**
Trade and other payables	**2,836,694**	**-**	**-**	**2,836,694**
Long-term debt	**1,505,107**	**1,359,282**	**4,922,687**	**7,787,076**
Lease obligations	**507,837**	**515,997**	**1,121,676**	**2,145,510**
Earn-out liability	**1,001,321**	**750,757**	**-**	**1,752,078**
Convertible note	**-**	**3,107,664**	**-**	**3,107,664**
	$ 9,157,262	**$ 5,733,700**	**$ 6,044,363**	**$ 20,935,325**
As at December 31, 2019				
Bank overdraft	$ 164,414	$ -	$ -	$ 164,414
Bank operating loan	940,259	-	-	940,259
US operating loan	2,186,313	-	-	2,186,313
Trade and other payables	2,372,553	-	-	2,372,553
Long-term debt	1,222,148	1,276,356	4,781,994	7,280,498
Lease obligations	446,001	449,045	1,077,126	1,972,172
Earn-out liability	870,678	647,160	-	1,517,838
Convertible note	-	3,172,220	-	3,172,220
	$ 8,202,366	$ 5,544,781	$ 5,859,120	$ 19,606,267

25. Financial instruments and risk management *(continued)*

(d) 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 USD 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, 2020 and December 31, 2019 the following balances are denominated in USD:

		2020		2019
Cash and cash equivalents	**$**	**778,442**	$	583,193
Trade and other receivables	**$**	**1,454,407**	$	1,718,472
Prepaid expenses and deposits	**$**	**125,425**	$	101,439
Trade and other payables	**$**	**1,400,322**	$	851,655
US operating loan	**$**	**1,825,833**	$	1,683,333
Long term debt	**$**	**4,225,000**	$	4,225,000
Lease obligations	**$**	**872,325**	$	918,177
Earn-out liability	**$**	**1,234,988**	$	1,168,646
Convertible note	**$**	**2,410,212**	$	2,442,424

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, 2020, a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net loss of approximately $113,000.

(in Canadian dollars)

26. Capital management

Management defines capital as the Company's total shareholders' equity, its debt and finance lease obligations. The Board of Directors does not establish a quantitative return on capital for management, but rather promotes year over year sustainable profitable growth. The Company's current objective when managing capital is to increase the Company's 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.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach for the three months ended March 31, 2020. The Company is subject to externally imposed financial covenants with its bank operating loan and long-term debt loan 5 and certain restrictions imposed by the Secured Debenture. As at March 31, 2020, the Company was not in compliance with the financial covenants related to its bank operating loan (see Note 10).

The total capitalization as at March 31, 2020 and December 31, 2019 is outlined below:

		2020		2019
Bank operating loan (*Note 10*)	**$**	**663,629**	$	940,259
US operating loan *(Note 11)*		**2,590,310**		2,186,313
Long term debt *(Note 13)*		**7,787,076**		7,280,498
Lease obligations *(Note 14)*		**2,145,510**		1,972,172
Convertible note *(Note 16)*		**3,107,664**		3,172,220
Total debt		**16,294,189**		15,551,462
Shareholders' equity		**7,460,982**		7,571,802
	$	**23,755,171**	$	23,123,264

(in Canadian dollars)

27. Geographical segmented information

The Company has one operating segment and its primary business is the supply and placement of cellular concrete. It currently markets its services in Canada and the U.S. The tables below, present the sales to external customers for the three months ended March 31, 2020 and 2019 and the total non-current assets attributable to the Company's geographical segments as at March 31, 2020 and 2019:

		2020		2019
Sales to external customers				
Canada	**$**	**380,300**	$	1,338,865
U.S.		**3,551,557**		1,846,861
	$	**3,931,857**	$	3,185,726

		2019		2019
Total non-current assets				
Canada	**$**	**5,471,668**	$	4,956,291
U.S.		**19,887,972**		9,311,851
	$	**25,359,640**	$	14,268,142

28. Subsequent Events

COVID-19

Subsequent to the period end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by all levels of governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. The Construction Industry has been classified as an "essential service" by many jurisdictions. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which will negatively impact the Company's business and financial condition.

Private Placement

On April 22, 2020, the Company completed a private placement of unsecured convertible debentures raising $5.5 million in gross proceeds. The convertible debentures pay interest at 8% per year and convert into units at $0.40 per unit. Each unit will be comprised of one common share and one-half share purchase warrant. Each share purchase warrant will be exercisable into one common share for a period of 36 months from the date of issuance at an exercise price of $0.45 per common share.

Loan Covenant Tolerance

On May 11, 2020 the CWB has provided tolerance for non compliance of financial covenants at March 31, 2020 until the completion of the annual review.