CEMATRIX

Cellular Concrete Solutions

CEMATRIX CORPORATION

Management's Discussion and Analysis

For the Three Months Ended March 31, 2021

(in 000's Canadian dollars)

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ended March 31, 2021

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, 2021. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2021 (the "Interim 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, 2020 and related notes thereto. The Interim 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 dollar 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 Consolidated Financial Statements and MD&A for the three months ended March 31, 2021. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on May 12, 2021.

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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 D. – Key Market Drivers and in Section E. – Key Risks and Uncertainties of its MD&A for the year ended December 31, 2020, 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, 2021, the Company's financial condition as at March 31, 2021 and its future prospects.

B. Highlights

COVID 19 ("the Pandemic") Continues

On March 11, 2020, the World Health Organization declared COVID19, which has the potential to cause severe respiratory illness, a global pandemic. With the majority of governments across the jurisdictions in which CEMATRIX operates declaring a state of emergency in response to the COVID-19 pandemic, CEMATRIX operations in 2020 were impacted at varying times and in particular in the fourth quarter by way of suspensions of certain of the Company's projects, either by its clients or due to a broader government directive, by disruption to the progress of projects due to the need to modify work practices to meet appropriate health and safety standards.

CEMATRIX has activated a rigorous COVID-19 health and safety process, which meets or exceeds guidance by applicable government health authorities, to minimize disruptions to its business and adapt to evolving market conditions and safety standards. These plans include, heightened hygienic and disinfection practices, physical distancing, provision of additional personal protective equipment to front line workers, team separation and staggered work hours where possible, as well as extensive technology-enabled remote work initiatives.

CEMATRIX continues to monitor developments and mitigate risks related to the COVID-19 pandemic and the impact on our customers projects and most importantly the health and safety of its employees. At this time, all of the governments across the jurisdictions in which CEMATRIX operates have deemed the types of construction projects that constitute the majority of our work to be essential services and, therefore, operations are broadly continuing, although in many cases on a modified basis. As this situation may continue to evolve for some time, shifting directives and policies from clients and governments are expected to continue. CEMATRIX's financial position, liquidity and capital resources remain strong, and are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future.

Improved Financial Position

The Company completed a short form prospectus public offering raising $23.0 million in gross proceeds on March 18, 2021. The offering was heavily oversubscribed indicating continued investor interest and support of the Company. The Company will use these funds to pursue further growth opportunities including acquisitions, regional expansion, working capital, and to reduce leverage on the balance sheet.

The Company experienced an increase in the exercise of Warrants and Options in the first quarter as well due to a high share price. For the three months ended March 31, 2021, 5,541,482 warrants, 82,950 broker warrants and 666,666 options were exercised, bringing in an additional $2,016 in cash. The Company uses these funds for general working capital purposes including operating debt reduction.

The recent financing has dramatically improved the company's financial position ensuring we will now be able to weather any storm. Our current cash position is now $22.2 million versus $2.5 million a year ago. In the first quarter of 2021, we have paid down $2.9 million of long term debt and earnout liabilities. The $2.5 million USD MOS Convertible Note ($3.1 million CDN) will be repaid or converted in the second quarter of 2021. With a strategic focus on reducing leverage on the balance sheet, the recent financing, and positive cash flow from operations the Company is well positioned financially.

Growing Backlog – New Project Awards

The Company continues to see a strong bid pipeline and be awarded new projects. The Company announced two new groupings of projects awards of $9.9 million and $6.0 million respectively in the first quarter of 2021, which resulted in backlog increasing to $94.4 million. The Company continues to see increased activity in its bid pipeline and with construction season starting we expect to see that activity continue.

Subsequent to the end of the quarter, the Company announced an additional new group of projects awards with a value of $3.6 million growing backlog to $96.2 million.

Financial Review

For the first quarter of 2021, revenues were $4.5 million, an increase of $0.6 million or 15%, compared to $3.9 million in the first quarter of 2020. The revenue generated in the first quarter of 2021 from PIGCO amounted to $1.4 million, MOS contributed $2.2 million in sales while Canadian sales amounted to $0.9 million. Most of the increase in sales in the quarter was generated from Canada which was due to the timing of a large project in Alberta.

Gross Margin and Gross Margin Percentage were $0.4 million and 10% respectively for 2021 compared to $0.7 million or 17%, when compared to 2020, a decrease of $0.3 million or 36%. The change in the gross margins was due in large part to the change in project mix as the first quarter of 2020 we completed a large tunnel project in the United States which traditionally have higher margins.

Adjusted EBITDA in the first quarter of 2021 was a negative $0.5 million, compared with Adjusted EBITDA of negative $0.5 million in the same period in 2020. Adjusted EBITDA from higher revenues was offset by lower gross margins.

The Company generated positive cash flow from operating activities of $0.4 million in the first quarter of 2021, compared to $0.4 million in the same period in 2020.

C. Operations and Overall Performance

Results of Operations

Comparison of the Three Months Ended March 31, 2021 and March 31, 2020

	Three Months Ended March 31		
	2021	2020	Change
Revenue	**$ 4,509**	$ 3,932	$ 577
Gross margin	**$ 431**	$ 677	$ (246)
Operating expenses	**(1,567)**	(1,523)	(44)
Operating loss	**(1,136)**	(846)	(290)
Non-cash stock based compensation	**(42)**	(43)	1
Finance costs	**(369)**	(344)	(25)
Other income	**219**	(438)	657
Amortization of intangibles	**(181)**	(192)	11
Accretion costs	**(81)**	(113)	32
Non-cash fair value of derivatives	**1,621**	65	1,556
Income (loss) before income taxes	**31**	(1,911)	1,942
Provision of deferred taxes	**204**	563	(359)
Provision of current taxes	**-**	-	-
Net income (loss) attributable to the common shareholder	**235**	(1,348)	1,583
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	**(150)**	814	(964)
Comprehensive income (loss)	**$ 85**	$ (534)	**$** 619
Fully diluted gain (loss) per common share	**$ (0.011)**	$ (0.023)	$ 0.012

Revenue was $4,509 the first quarter of 2021 compared to $3,932 in the first quarter of 2020, an increase of 15% or $577. The increase was mainly due to higher sales in MOS and in Canada, offset partially by lower sales in PIGCO.

As a percentage of revenues, the Gross Margin Percentage was 10% compared to 17% in 2020. The decrease in gross margins was due in large part to the change in project mix as the first quarter of 2020 we completed a large tunnel project in the United States which traditionally have higher margins.

Operating expenses were $1,567 in the first quarter of 2021 compared to $1,523 in the first quarter of 2020 or 3% higher mainly due to the aggregate of the following:

- Insurance costs increased $22 as a result of premium increases;
- Legal and audit fees increased $34 as a result of the growth in the company;
- Investor relations and consulting costs increased $38 mainly due to consulting costs in relation to US taxes;
- Travel and business development decreased by $50 due to lower costs associated with management sales, business and investor relations travel and research and development.

Non-cash stock based compensation expense of $42 for the first quarter of 2021 was comparable to the first quarter of 2020.

Finance costs were $369 in the first quarter of 2021 compared to $344 in the same period in 2020, an increase of $25. The increase can be mainly attributed to the $5,720 unsecured convertible debenture financing which closed on April 22, 2020. The convertible debenture resulted in additional interest of $80 in the first quarter of 2021. This was partially offset by $50 lower finance costs on BDC loans in the first quarter due to the principal payments made in the earlier periods.

Other income was $219 in the first quarter of 2021 compared to a loss of $438 in the first quarter of 2020. The variance of $657 was largely due to $98 in government wage and rent subsidies in relation to the COVID-19 pandemic, a $56 in unrealized foreign exchange gain which is caused by swings in foreign exchange rates on the following USD denominated liabilities: USD BDC Loan of $19 and MOS USD convertible note of $39. As the Canadian dollar strengthened to the USD, the value of these liabilities decreased, which gives rise to an unrealized foreign exchange gain. Other income in the first quarter of 2020, mainly relates to the unrealized foreign exchange loss of 463.

Amortization of intangibles was $181 in the first quarter of 2021 compared to $192 in the first quarter of 2020. The expense originated from the acquisitions of MOS and PIGCO where intangible assets of $639 and $1,706 were attributed to the value of the sales backlog on the business combination and was being amortized into income. MOS sales backlog has been fully amortized as of September 30, 2019, while PIGCO sales backlog is being amortized over a period of October 1, 2019 to December 31, 2021.

Accretion costs were $81 in the first quarter of 2021 compared to $113 for the same period in 2020. Accretion expense on the host debt contract of the convertible debenture was $17, accretion relating to the remaining tranches of the earn-out liability was $39 and accretion on the host debt contract of the convertible note was $25. Accretion on the earn-out liability and convertible note originated from the acquisition of MOS and were originally recorded at a discount. Accretion will end at the maturity date of these liabilities, which is May 31, 2021. The convertible debenture was issued April 22, 2020 and has a maturity date of April 22, 2023.

The convertible note issued upon acquisition of MOS was trifurcated into the host debt contract and conversion and prepayment features, both of which are accounted for as derivatives and revaluated at every reporting period. Based upon the black-scholes option pricing model, the fair value of the conversion and prepayment features of the convertible note decreased by a net of $1,648 in the first quarter of 2021 resulting in a gain for the same amount compared to a decrease of $65 in the first quarter of 2020. The convertible debenture, which was issued in April 2020 was 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. Based upon the modified black-scholes option pricing model, the fair value of the prepayment feature of the convertible debenture increased by $27 in 2021, resulting in a loss for the same amount.

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 strengthened relative to the USD, the value of these assets depreciated resulting in an unrealized foreign exchange loss of $150, in the first quarter of 2021. The opposite effect occurred in the first quarter of 2020 which resulted in an unrealized foreign exchange gain of $814.

D. Selected Quarterly 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		Revenues		Comprehensive Income (Loss)		Income (Loss) Per Share Basic		Income (Loss) Per Share Diluted
2021 Year								
March 31		**4,509**		**85**		**0.003**		**(0.011)**
Total for year	**$**	**4,509**	**$**	**85**	**$**	**0.003**	**$**	**(0.011)**
2020 Year								
March 31		3,932		(534)		(0.023)		(0.023)
June 30		7,366		(1,039)		(0.010)		(0.010)
September 30		10,880		(1,642)		(0.022)		(0.022)
December 31		4,386		(6,901)		(0.098)		(0.098)
Total for year	$	26,564	$	(10,116)	$	(0.158)	$	(0.158)

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

		March 31 2021		December 31 2020		Change
Current assets	**$**	**26,707**	$	8,106	$	18,601
Non current assets		**19,933**		20,732		(799)
Total assets	**$**	**46,640**	$	28,838	$	17,802
Current liabilities	**$**	**12,297**	$	15,873	$	(3,576)
Non current liabilities		**9,859**		12,286		(2,427)
Total liabilities	**$**	**22,156**	$	28,159	$	(6,003)
Shareholders' equity	**$**	**24,484**	$	679	$	23,805

Total current assets increased by $18,601. This increase in aggregate is summarized below:

- Cash increased by $19,686 (See the discussion in Section F - Consolidated Statement of Cash Flows);
- Trade and other receivables decreased by $1,032 as a result a focus on the collection of older receivables and due to timing differences in the collections of trade receivables and sales;
- Inventory decreased by $41 as a result of the use of foaming agent in the execution of work;

- Prepaids and deposits decreased by $12 as these balances are amortized to income over their useful life;

Total non-current assets decreased by $799. This decrease in aggregate is summarized below:

- Property and equipment decreased by $487 primarily as a result of depreciation expense of $459 and a $121 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries, partially offset by capital expenditures of $93;
- Goodwill and intangibles assets decreased by $259 largely as a result of $181 in amortization and a $78 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries;
- 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, 2021 the convertible debenture forced conversion feature, which is a derivative asset had a carrying value of $261, compared to $314 as at December 31, 2020.

Total current liabilities decreased by $3,576. This decrease in aggregate is summarized below:

- Bank operating loan decreased by $129 due to repayment of the loan;
- Trade and other payables decreased by $179 largely as a result of the timing difference in payments;
- Current portion of long-term debt decreased by $189 as a result of the reduction of loan repayments of $178 for the BDC equipment loans and $11 in unrealized foreign exchange gain on the revaluation of the USD denominated BDC loans.
- Current portion of lease obligations decreased $23 primarily as a result of unrealized foreign exchange gains on the translation of foreign denominated leases and lease payments;
- Current portion of the earn-out liability is $584 USD or $735 CAD equivalent and originates from the acquisition of MOS;
    - The first tranche or 12 month period post close ending on May 31, 2019, was estimated at $852 USD on an undiscounted basis at December 31, 2018 and calculated based upon 70% of MOS's Adjusted EBITDA above $500 USD for the 12 month period from June 1, 2018 to May 31, 2019. In 2019, this was revised to $501 USD of which $402 USD has been paid. In 2020, this liability was reduced to $83 USD or $106 due to the write-off of certain receivables and still outstanding as a result of restrictions imposed by the BDC due to a covenant breach at December 31, 2019 and December 31, 2020. At December 31, 2020, the first tranche liability balance was $85 USD or $108 which includes interest, accruing at 8% per annum. The balance was fully repaid at the end of the first quarter of 2021.
    - The second tranche or 12 month period post close ending on May 31, 2020, on an undiscounted basis was estimated at $607 USD or $860 and calculated based upon 65% of MOS's Adjusted EBITDA above $500 USD for the 12 month period from June 1, 2019 to May 31, 2020. In 2020, this was revised to $710 USD or $904. This balance was due on August 29, 2020 and will be paid once restrictions imposed by the BDC, as a result of a covenant breach at December 31, 2019 and December 31, 2020 has been removed. At December 31, 2020, the second tranche liability balance was $730 USD or $929, which includes interest, accruing at 8% per annum. The balance was fully repaid at the end of the first quarter of 2021.
    - The third tranche or 12 month period post close ending on May 31, 2021, on an undiscounted basis was estimated at $635 USD or $808 and calculated based upon 65% of MOS's Adjusted EBITDA above $500 USD for the 12 month period from June 1, 2020 to May 31, 2021. This was further revised in 2020 to $505 USD or $643, based on the company's updated forecast figures.
    - Upon acquisition of PIGCO in October 2019, the Company has agreed to pay an annual earn-out payment to the Vendor for four years following the closing date of the acquisition. The earn-out payment is calculated on the operations of PIGCO annually and pay 65% of the Adjusted EBITDA above $500 USD to the Vendor, ending September 30, 2023. The

Company initially recognized a liability for the first earn-out payment based on the preceding 12 month period, estimated at $436 USD or $582. This was further revised in 2020 to $352 USD or $448, based on updated figures received on a completion of a certain contract. This was paid at the end of the first quarter of 2021.

- The MOS USD convertible note has a face value of $2,500 USD and was issued on the acquisition of MOS and matures May 31, 2021. On issuance, the convertible note was trifurcated into a conversion feature, prepayment feature and a debt host contract. At March 31, 2021, the convertible note had a carrying value of $7,877, which included derivative liability of $4,750.

Total non-current liabilities decreased by $2,427. This decrease in aggregate is summarized below:

- Long term debt decreased by $1,336 as a result of repayments of $1,000 on secured debenture, repayment of $291 on CAD denominated BDC Loans and $45 unrealized foreign exchange gain on the revaluation of the USD denominated BDC loans;
- Lease obligations decreased by $141 as a result of lease payments and unrealized foreign exchange gains on the translation of foreign denominated;
- 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, 2021, the convertible debenture host debt contract had an aggregate carrying value of $3,047;
- The deferred tax liability decreased by $210 due to lower profitability in our operations.

Shareholders' Equity increased by $23,805. This increase in aggregate is summarized below:

- Share capital increased by $1,826 on the exercise of 5,541,482 warrants which resulted in the same number of common shares being issued. The exercise price range was between $0.30 and $0.45. The related non-cash benefit of $691, which was previously charged to contributed surplus was also reclassified to share capital. In addition, the Company issued 2,865,000 common shares upon the exercise of convertible debenture. The principal amount of $1,146 was converted and allocated to share capital and contributed surplus (net of transaction costs and tax) based on fair value assigned at the time of issuance. As a result, $570 and $292 was allocated to share capital and contributed surplus, respectively. Finally, share capital increased by $190 on the exercise of employee stock options and broker warrants.

  Share capital also increased by $15,936 upon the completion of public offering raising $23,000 in gross proceeds. The Offering was for 35,384,600 units at a price of $0.65 per unit of the Company. Additionally, the lead agents were paid a corporate finance fee satisfied by the issuance of 1,415,384 units for a total of 36,799,984 units;
- Contributed surplus increased by $4,472, mainly due to the completion of public offering as mentioned above and the issuance of 18,399,992 warrants and 2,830,768 broker warrants. The warrants and broker warrants issued were valued at $4,954. The remaining difference of $482 was primarily due to reclassification of non-cash benefit to share capital upon exercise of warrants and options.
- Accumulated other comprehensive loss increased by $150 due to the unrealized foreign exchange loss on the translation of MOS, PIGCO and CEMATRIX (USA) Inc. for the quarter ended March 31, 2021 as the USD depreciated;
- The convertible debenture has a conversion feature, which is classified as equity. In addition, the broker warrants issued as part of the transaction costs for this financing was also classified as equity. In the first quarter of 2021, upon the exercise of both convertible debenture and broker warrants, the Company reclassified $90 and $23, respectively from the equity component of convertible debenture to both share capital and contributed surplus;
- The Deficit decreased by $235 due to the income to common shareholders for the first quarter ended March 31, 2021.

See the Consolidated Statements of Shareholders' Equity included in the Consolidated Financial Statements.

F. Consolidated Statements of Cash Flows

Comparison of the Three Months ended March 31, 2021 and March 31, 2020

The cash position of the Company at March 31, 2021 was $22,447 (consisting of cash in the bank of $22,161 and restricted cash of $286) compared to a cash position of $1,196 (consisting of cash in the bank of $1,116 and restricted cash of $80) at March 31, 2020.

The change in cash in the first quarter of 2021 was an increase of $19,686 as compared to an increase of $296 in the same period of 2020. This change is outlined in the table:

	Three Months Ended March 31		
	2021	2020	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	**$ (514)**	$ (524)	$ 10
Net change in non-cash working capital items	**884**	932	(48)
	370	408	(38)
Cash generated used in investing activities	**(93)**	(46)	(47)
Cash generated from (used in) financing activities	**19,440**	(160)	19,600
Foreign exchange effect on cash	**(31)**	94	(125)
Increase in cash	**19,686**	296	19,390
Cash at beginning of period	**2,761**	900	1,861
Cash at end of period	**$ 22,447**	$ 1,196	$ 21,251

- Cash generated from operating activities decreased by $38.
  - Cash flow before non-cash working capital adjustments increased by $10 mainly as a result lower gross margins when compared to the prior quarter period.
  - Net change in non-cash working capital items decreased by $48, primarily due to the level of trade receivables generated in the respective periods and the timing of their collection.
- Cash used in investing activities increased by $47.
  - Property and equipment additions increased by $47 mainly due to upgrades to a dry mix piece of equipment.
- Cash generated from financing activities increased by $19,600.
  - In the first quarter of 2021 the Company generated $19,440 from financing activities. This was mainly due to proceeds from public offering of $20,890 and $2,016 of proceeds from the exercise of options and warrants. This was partially offset by $1,441 repayment of earn-out liability, $1,470 repayment of long-term debt, $277 on interest payments and repayments of $129 on bank operating loan and $149 on lease obligations.
  - In the first quarter of 2020 the Company used $160 for financing activities. The Company made repayments of $277 on its operating loan, $146 on its existing US operating loans and scheduled repayments of $345 on interest payments and $108 on lease obligations. This was partially offset by receipts of $336 on a new USD operating loan and $380 from the exercise of warrants during the quarter.

G. Liquidity and Capital Resources

Liquidity

CEMATRIX's liquidity and capital resources are in the best position in the history of the Company. With the recent financing we have never been in a better position to execute on our strategic plan.

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 18, 2021, the Company completed a public offering through a short form prospectus raising $23,000 in gross proceeds. The successful completion of this short form prospectus has provided some flexibility to the Company, as it starts to pursue further growth opportunities.

At March 31, 2021, the Company had Cash balances of $22,447 versus $2,475 at December 31, 2020. Adjusted Net Working Capital was $2,006 at March 31, 2021 compared to $2,912 at December 31, 2020.

CEMATRIX's wholly owned subsidiary, CEMATRIX (Canada) Inc. has entered into a financing arrangement with the Canadian Western Bank (the "Bank") which provides a $1,500 demand operating loan (the "Loan"). The Loan bears interest at an amount equal to 2% above the Bank's prime lending rate, which is currently at 2.45% 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 based on 75% of Canadian trade receivables less than ninety days outstanding at the end of each month and 50% of inventories (up to a maximum $250). Based on these restrictions the actual Loan availability at March 31, 2021 was $548 of which $nil was outstanding ($129 – December 31, 2020).

The Loan contains covenants in regard to consolidated cash flow coverage ratio, consolidated debt to tangible net worth ratio, and consolidated current ratio. Up until December 31, 2020, consolidated cash flow coverage ratio was tested annually, with the remaining covenants being tested on a quarterly basis; however, as of the first quarter of 2021, all covenants are now tested quarterly. At March 31, 2021, CEMATRIX (Canada) Inc. was in compliance with the consolidated debt to tangible net worth and current ratio covenants; however, it was in breach of cash flow coverage ratio. The bank has provided a general tolerance for this covenant breach until the completion of next review date of April 30, 2021.

In December 2020, the Company entered into an agreement with the bank; whereby the Bank provided a letter of credit up to a maximum amount of $206 to be used as security for a certain project. As a result, the Company was required to place this amount as a pledged bank balance, essentially, restricting the use of this cash amount until the project is completed.

The bank operating loan has three financial covenants that must be maintained on a consolidated basis (refer to Appendix C for detailed calculations):

- Current ratio not less than 1.25, tested no less than monthly. This is the ratio of current assets, excluding amounts due from related parties to current liabilities. Earn-out liabilities due to its contingent nature and vendor payable to MOS, as subordinated, will not be considered as Liabilities.

- Cash flow coverage ratio of not less than 1.25, tested no less than quarterly. This is a ratio of EBITDA to all interest (paid or accrued) plus the actual principal payment obligations for the trailing fiscal year on all indebtedness for borrowed money and leases. EBITDA will be calculated excluding the extraordinary items (acquisition cost, gain/loss on disposition of assets) and significant non-cash items (stock-based compensation, revaluation of the earn out liability, mark to market adjustments, unrealized foreign exchange gains and losses);

- Debt to tangible net worth ratio not greater than 1.75, tested no less than monthly. This is the ratio of indebtedness for borrowed money and leases divided by the net tangible worth. The definition of debt excludes the convertible debt and earn-out liability. Tangible net worth is defined as equity and includes the value of the convertible debt.

At March 31, 2021, CEMATRIX (Canada) Inc. was in compliance with the consolidated debt to tangible net worth and current ratio covenants; however, it was in breach of cash flow coverage ratio. The bank has provided a general tolerance for this covenant breach until the completion of next review date of April 30, 2021.

The BDC Financing Loan 4 and Loan 5 have a consolidated fixed charge coverage ratio financial covenant which is tested annually. At December 31, 2020, the Company was not in compliance 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, 2020.

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 23 - Capital management to the Consolidated Financial Statements, was $41,752 at March 31, 2021 as compared to $22,176 at December 31, 2020 (see Section F. Consolidated Statements of Financial Position for details).

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements at March 31, 2021.

I. Transactions with Related Parties

During the three months ended March 31, 2021 and 2020, 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 judgments 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, 2020. There have been no changes since that date.

K. Changes in Accounting Policies including Initial Adoption

New accounting policies

The Company adopted IFRS 3 on January 1, 2020. IFRS 3 provides clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. There was no impact on the consolidated financial statements.

The Company adopted IAS 1 and 8 on January 1, 2020. IAS 1 and 8 provide clarification on the definition of materiality and how it should be applied. The amendments also align the definition of material across International Financial Reporting Standards and other publications. There was no impact on the 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 2021 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 of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Fair values

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

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 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 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 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 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 date. 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 totalled $4,443 at March 31, 2021 are subject to floating market rates. Based on the floating rate debt outstanding, a 1% increase/decrease in interest rates would result in a decrease/increase in net profit attributable to common shareholders of approximately $33.

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, 2021 and December 31, 2020 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As a March 31, 2021				
Bank operating loan	**$ -**	**$ -**	**$ -**	**$ -**
Trade and other payables	**2,254**	**-**	**-**	**2,254**
Long-term debt	**870**	**1,739**	**1,834**	**4,443**
Lease obligations	**700**	**1,111**	**374**	**2,185**
Earn-out liability	**735**	**-**	**-**	**735**
Convertible debt	**3,144**	**-**	**3,729**	**6,873**
	$ 7,703	**$ 2,850**	**$ 5,937**	**$ 16,490**

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As a December 31, 2020				
Bank operating loan	$ 129	$ -	$ -	$ 129
Trade and other payables	2,433	-	-	2,433
Long-term debt	1,059	2,411	2,498	5,968
Lease obligations	740	1,177	477	2,394
Earn-out liability	2,128	-	-	2,128
Convertible debt	3,183	-	4,875	8,058
	$ 9,672	$ 3,588	$ 7,850	$ 21,110

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 ("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, 2021 and December 31, 2020 the following balances were denominated in USD:

		2021		2020
Cash and cash equivalents	**$**	**752**	$	924
Trade and other receivables	**$**	**1,782**	$	2,219
Prepaid expenses and deposits	**$**	**84**	$	97
Trade and other payables	**$**	**1,095**	$	997
Long term debt	**$**	**3,533**	$	3,533
Finance lease obligations	**$**	**831**	$	1,024
Earn-out liability	**$**	**584**	$	1,671
Convertible debt – host debt and derivative liability	**$**	**6,264**	$	7,493

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, 2021 a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net loss of approximately $93.

M. Disclosure of Outstanding Share Data

As at March 31, 2021 and May 12, 2021, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company

	Authorized	**Outstanding as at March 31, 2021**	**Outstanding as at May 12, 2021**
Voting or equity securities issued and outstanding	Unlimited Common Shares	112,732,832 Common Shares	113,327,644 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 4,178,334 Common Shares at an exercise price at between $0.19 - $0.59	Stock options to acquire 4,448,334 Common Shares at an exercise price at between $0.19 - $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	None	RSU's to acquire 210,526 Common Shares
Securities convertible or exercisable into voting or equity securities – share purchase warrants	As approved by the board	Share purchase warrants to acquire 25,877,806 Common Shares at an exercise price at between $0.30 - $0.81	Share purchase warrants to acquire 25,522,994 Common Shares at an exercise price at between $0.30 - $0.81
Securities convertible or exercisable into voting or equity securities – units	As approved by the board	The right to acquire 3,739,068 units at a prices between $0.40 and $0.65. Each unit is comprised of one common share and a half share purchase warrant	The right to acquire 3,739,068 units at a prices between $0.40 and $0.65. Each unit is comprised of one common share and a half share purchase warrant
Convertible debentures convertible into voting or equity securities	As approved by the board	$2,500,000 USD convertible debenture convertible into 13,373,684 Common Shares	$2,500,000 USD convertible debenture convertible into 13,373,684 Common Shares
Convertible debentures convertible into voting or equity securities - units	As approved by the board	$3,729,000 convertible debenture convertible into 9,322,500 units. Each unit consists of one Common Share and a half share purchase warrant to acquire one Common Share at $0.45	$3,669,000 convertible debenture convertible into 9,172,500 units. Each unit consists of one Common Share and a half share purchase warrant to acquire one Common Share at $0.45

N. Outlook

Management's outlook remains unchanged from the end of 2020. The Company is focused on the execution of its strategic plan. The recent financing provides management with the means to execute its strategy beyond continued strong organic growth. This strategy will include the retiring of certain high interest debt; regional expansion, particularly in the United States where the cellular concrete market continues to experience strong growth; and the pursuit of acquisitions of other cellular concrete applicators, specialty suppliers and/or other complimentary companies provided that they add value to CEMATRIX and its shareholders.

Management continues to be extremely positive on the outlook for the Company for 2021 and the foreseeable future. Fortunately, CEMATRIX Group of companies has been considered an essential business, so the pouring of cellular concrete throughout North America has not been interrupted, just somewhat delayed. Furthermore, during times of recession, governments tend to invest in infrastructure projects as a means to get Americans and Canadians working again and this has already been the general message from various government leaders, particularly in the United States where the current government plans to move forward with $1 trillion of replacement infrastructure spending.

The acquisitions completed in the last two years 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. The company's sustainability has increased substantially, as evidenced in our recent financing, in the positive trend line on top line revenues and significant improvements to cash flow over the past 2 years.

This trend is continuing into 2021 as the Company recently announced that it has a backlog of over $96.2 million in projects of which $14.8 million are contracted and $81.4 million which are contracts in process.

Notwithstanding these facts, the COVID-19 situation could still result in a delay of some projects. However, it is important to note that for CEMATRIX to date the projects have not been lost, just deferred to a future date.

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Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ending March 31, 2021

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three months ending March 31, 2021 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 2021; sales forecasts include work which is under contract or Verbally Awarded for 2021, 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.

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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, US 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.

		March 31, 2021		**December 31, 2020**
Current Assets	**$**	**26,707**	$	8,106
Current Liabilities		**(12,297)**		(15,873)
Net working Capital		**14,410**		(7,767)
Adjustments				
Cash and cash equivalents		**(22,161)**		(2,475)
Restricted cash		**(286)**		(286)
Bank operating loan		**-**		129
Current portion of long-term debt		**870**		1,059
Current portion of lease obligations		**561**		584
Current portion of earn-out liabilities		**735**		2,128
Current portion of convertible debt – host debt and derivative liability		**7,877**		9,540
Adjusted Net Working Capital	**$**	**2,006**	$	2,912

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 gains (loss), accretion costs, revaluation of derivatives, revaluation of earn-out liabilities, non-cash stock based compensation and acquisition costs.

	Three Months Ended March 31	
	2021	**2020**
Net income (loss)	**$ 235**	$ (1,348)
Finance costs	**370**	345
Depreciation and amortization	**641**	489
Provision of deferred taxes	**(204)**	(563)
EBITDA	**$ 1,042**	$ (1,077)
Unrealized foreign exchange gain (loss)	**(56)**	463
Accretion costs	**81**	113
Revaluation of derivatives	**(1,621)**	(65)
Non-cash stock based compensation	**42**	43
Adjusted EBITDA	**$ (512)**	$ (523)

Funds Flow from Operations:

Cash generated from (used in) operating activities before net change in non-cash working capital items.

Appendix C – Covenant Calculations

		As at Mar 31, 2021
CWB Covenants		
CURRENT RATIO		
Formula: Current Assets / Adjusted Current Liabilities		
Current Assets	$	26,707
Current Liabilities		12,299
Less: current portion of earn-out liability		(735)
Less: current portion of convertible debt		(4,749)
Adjusted Current Liabilities		6,815
Current Ratio		**3.92**
Current ratio minimum		1.25
Covenant Met		
DEBT TO TANGIBLE NET WORTH RATIO		
Formula: Adjusted Debt / Adjusted Shareholders Equity		
Total liabilities	$	22,158
Less: earn-out liability		(735)
Less: convertible debt		(7,796)
Adjusted Total Liabilities		13,627
Total shareholders' equity		24,483
Add: convertible debt		7,796
Adjusted Total Shareholders' Equity		32,279
Debt to Tangible Net Worth		**0.42**
Debt to tangible net worth maximum		1.75
Covenant Met		
CASH FLOW COVERAGE RATIO		
Formula: EBITDA / Total Interest & Principal Repayments		
Adjusted EBITDA	$	(512)
Finance costs		369
Repayment of finance lease obligations		149
Repayment of long-term debt		1,470
Total Interest and Principal Repayment		1,988
Cash Flow Coverage Ratio		**(0.26)**
Cash flow coverage ratio minimum		1.25
Covenant Not Met (Covenant waiver provided by CWB)		