CEMATRIX CORPORATION

Condensed Consolidated Financial Statements

(in 000's Canadian dollars)

March 31, 2021

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, 2021

To the Shareholders:

CEMATRIX CORPORATION

Management has responsibility for preparing the accompanying condensed consolidated financial statements. The condensed 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 condensed 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 condensed 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 condensed 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 to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the interim condensed consolidated financial statements and reports its findings to the Board for approval.

The Company's external auditor, MNP LLP, an independent firm of Chartered Professional Accountants, has not performed a review of these interim condensed consolidated financial statements.

May 12, 2021

Signed "Randy Boomhour"

Randy Boomhour, CPA, CMA
Chief Financial Officer

CEMATRIX CORPORATION

Condensed Consolidated Statements of Financial Position

As at March 31, 2021 (unaudited) and December 31, 2020 (audited)
(in 000's Canadian Dollars)

		2021		2020
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**22,161**	$	2,475
Restricted cash		**286**		286
Trade and other receivables *(note 5)*		**3,297**		4,329
Inventory *(note 6)*		**651**		692
Prepaid expenses and deposits		**312**		324
		26,707		8,106
Non-Current Assets				
Property and equipment		**12,657**		13,144
Goodwill and intangibles *(note 7)*		**7,015**		7,274
Convertible debt – non-cash derivative asset *(note 14)*		**261**		314
		19,933		20,732
Total Assets	**$**	**46,640**	$	28,838
LIABILITIES and EQUITY				
Current Liabilities				
Bank operating loan *(note 8)*	**$**	**-**		129
Trade and other payables *(note 10)*		**2,254**		2,433
Current portion of long-term debt *(note 11)*		**870**		1,059
Current portion of lease obligations *(note 12)*		**561**		584
Current portion of earn-out liability *(note 13)*		**735**		2,128
Current portion of convertible debt – host debt *(note 14)*		**3,127**		3,142
Current portion of convertible debt – non-cash derivative liability *(note 14)*		**4,750**		6,398
		12,297		15,873
Non-Current Liabilities				
Long-term debt *(note 11)*		**3,573**		4,909
Lease obligations *(note 12)*		**1,340**		1,481
Convertible debt – host debt *(note 14)*		**3,047**		3,787
Deferred tax liability		**1,899**		2,109
		9,859		12,286
Total Liabilities		**22,156**		28,159
SHAREHOLDERS' EQUITY				
Share capital *(note 15)*		**33,163**		13,802
Convertible debt – equity component *(note 14)*		**543**		656
Contributed surplus		**7,109**		2,637
Accumulated other comprehensive loss		**(614)**		(464)
Deficit		**(15,717)**		(15,952)
Total Shareholders' Equity		**24,484**		679
Total Liabilities and Shareholders' Equity	**$**	**46,640**	$	28,838

Approved on behalf of the Board

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

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

CEMATRIX CORPORATION

Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three months ended March 31 (unaudited)
(in 000's Canadian Dollars, except per share and share data)

		2021		2020
Revenue *(note 24)*	**$**	**4,509**	$	3,932
Cost of sales *(note 16)*		**(4,078)**		(3,255)
Gross margin		**431**		677
Operating expenses				
Selling, general and administrative		**(1,567)**		(1,523)
Total operating expenses		**(1,567)**		(1,523)
Operating loss		**(1,136)**		(846)
Non-cash stock-based compensation *(note 20)*		**(42)**		(43)
Finance costs *(note 17)*		**(369)**		(344)
Other income (expenses) *(note 18)*		**219**		(438)
Amortization of intangibles *(note 7)*		**(181)**		(192)
Accretion costs *(note 17)*		**(81)**		(113)
Non-cash fair value adjustment of derivatives *(note 14)*		**1,621**		65
Income (Loss) before income taxes		**31**		(1,911)
Provision for deferred taxes		**204**		563
Income (Loss) attributable to the common shareholders		**235**		(1,348)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		**(150)**		814
Total comprehensive income (loss) for the period	**$**	**85**	$	(534)
Income (Loss) per common share *(note 19)*				
Basic	**$**	**0.003**		(0.023)
Fully diluted	**$**	**(0.011)**	$	(0.023)
Weighted average number of common shares *(note 19)*				
Basic		**78,802,158**		59,717,699
Fully diluted		**92,175,842**		59,717,699

CEMATRIX CORPORATION
Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31 (unaudited)
(in 000's Canadian Dollars)

		Share Capital		Contributed Surplus		Accumulated Other Comprehensive Income (Loss)		Convertible Debt		Deficit		Total Shareholders' Equity
Balance at December 31, 2020	**$**	**13,802**	**$**	**2,637**	**$**	**(464)**	**$**	**656**	**$**	**(15,952)**	**$**	**679**
Common shares issued *(note 15)*		**2,016**		**-**		**-**		**-**		**-**		**2,016**
Public offering *(note 15)*		**15,936**		**4,954**		**-**		**-**		**-**		**20,890**
Reclassification of contributed surplus to share capital *(note 15)*		**825**		**(825)**		**-**		**-**		**-**		**-**
Non-cash stock-based compensation *(note 20)*		**-**		**42**		**-**		**-**		**-**		**42**
Convertible debt conversion *(note 14 and 15)*		**570**		**292**		**-**		**(90)**		**-**		**772**
Exercise of broker warrants *(note 14 and 15)*		**14**		**9**		**-**		**(23)**		**-**		**-**
Net income attributable to common shareholders		**-**		**-**		**-**		**-**		**235**		**235**
Unrealized foreign exchange loss on translation of foreign subsidiaries		**-**		**-**		**(150)**		**-**		**-**		**(150)**
Balance at March 31, 2021	**$**	**33,163**	**$**	**7,109**	**$**	**(614)**	**$**	**543**	**$**	**(15,717)**	**$**	**24,484**
Balance at December 31, 2019	$	10,953	$	2,945	$	(124)	$	-	$	(6,202)	$	7,572
Common shares issued *(note 15)*		380		-		-		-		-		380
Reclassification of contributed surplus to share capital *(note 15)*		117		(117)		-		-		-		-
Non-cash stock-based compensation *(note 20)*		-		43		-		-		-		43
Net loss attributable to common shareholders		-		-		-		-		(1,348)		(1,348)
Unrealized foreign exchange gain on translation of foreign subsidiaries		-		-		814		-		-		814
Balance at March 31, 2020	$	11,450	$	2,871	$	690	$	-	$	(7,550)	$	7,461

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

CEMATRIX CORPORATION
Condensed Consolidated Statements of Cash Flows
For the three months ended March 31 (unaudited)
(in 000's Canadian Dollars)

		2021		2020
Cash generated from (used in):				
Operating activities				
Net Income (loss) attributable to common shareholders	**$**	**235**	$	(1,348)
Add (deduct) non-cash items				
Provision for deferred taxes		**(204)**		(563)
Depreciation and amortization		**640**		489
Finance and accretion costs *(note 17)*		**450**		457
Non-cash stock-based compensation *(note 20)*		**42**		43
Unrealized foreign exchange loss (gain) *(note 18)*		**(56)**		463
Fair value adjustment of derivatives *(note 14)*		**(1,621)**		(65)
		(514)		(524)
Net change in non-cash working capital items *(note 21)*		**884**		932
Cash generated from operating activities		**370**		408
Investing activities				
Purchase of property and equipment		**(93)**		(46)
Net cash used in investing activities		**(93)**		(46)
Financing activities				
Repayment of bank operating loan *(note 8)*		**(129)**		(277)
Repayment of secured debenture *(note 11)*		**(1,000)**		-
Repayment of long-term debt *(note 11)*		**(470)**		-
Repayment of finance lease obligations *(note 12)*		**(149)**		(108)
Repayment of earn-out liability *(note 13)*		**(1,441)**		**-**
Proceeds from public offering, net of costs *(note 15)*		**20,890**		-
Interest paid		**(277)**		(345)
Repayment of US operating loan *(note 9)*		**-**		(146)
Proceeds from US operating loan *(note 9)*		**-**		336
Proceeds from exercise of options and warrants		**2,016**		380
Cash generated from financing activities		**19,440**		(160)
Foreign exchange effect on cash		**(31)**		94
Increase in cash		**19,686**		296
Cash, beginning of year		**2,761**		900
Cash, end of year		**22,447**		1,196
Cash and cash equivalents		**22,161**		1,116
Restricted cash		**286**		80
	$	**22,447**	$	1,196

The accompanying notes are an integral part of these 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 in Canada on the TSX Venture Exchange under the symbol "CVX.V" and in the United States on the OTCBB under the symbol "CTXXF". The Company is domiciled in Canada with its registered office at 9727 – 40th Street S.E., Calgary, Alberta, Canada.

CEMATRIX is a leading manufacturer and supplier of cellular concrete products with applications in a variety of markets across North America. The Company operates through its subsidiaries CEMATRIX (Canada) Inc., CEMATRIX (Calgary) Ltd., CEMATRIX (USA) Inc., MixOnSite USA, Inc. ("MOS"), Pacific International Grout Company ("PIGCO"), and Canadian Cellular Concrete Services Inc. ("CCCS").

The condensed consolidated financial statements of the Company for the three months ended March 31, 2021 were authorized for issue in accordance with a resolution of the Board of Directors on May 12, 2021.

2. Basis of preparation

Statement of compliance
These consolidated financial statements for the three months ended March 31, 2021 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. Unless otherwise stated, all amounts presented in these financial statements are stated in thousands of Canadian dollars. The Company has also reclassified certain comparative figures to conform to the financial statement presentation adopted for the current year.

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, 2020. 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, 2020. There have been no changes since that date.

(in 000's Canadian Dollars)

5. Trade and other receivables

Trade and other receivables consist of the following components as at March 31, 2021 and December 31, 2020:

		2021		2020
Trade receivables	**$**	**2,812**	$	3,760
Holdbacks		**463**		397
Other receivables		**86**		237
Allowance for doubtful accounts		**(64)**		(65)
	$	**3,297**	$	4,329

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. 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, 2021 and December 31, 2020:

		2021		2020
1-30 days	**$**	**1,901**	$	1,749
31-60 days		**499**		443
61-90 days		**111**		608
Greater than 90 days		**301**		960
	$	**2,812**	$	3,760

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.

6. Inventory

Inventory consists of the following components as at March 31, 2021 and December 31, 2020:

		2021		2020
Raw materials (principally foaming agent)	**$**	**651**	$	692
Spare parts and marketing material		**-**		-
	$	**651**	$	692

Inventory expensed as part of cost of sales was $191 and $143 for the three months ended March 31, 2021 and 2020, respectively.

(in 000's Canadian Dollars)

7. Goodwill and intangible assets

Goodwill and intangibles consist of the following components as at March 31, 2021 and December 31, 2020:

	Indefinite lives intangible assets	Product testing costs	Sales backlog	Goodwill	Total
Cost					
At December 31, 2020	**465**	**302**	**2,267**	**5,779**	**8,813**
Additions	**-**	**-**	**-**	**-**	**-**
Exchange difference	**-**	**-**	**(27)**	**(71)**	**(98)**
At March 31, 2021	**465**	**302**	**2,240**	**5,708**	**8,715**
Accumulated amortization					
At December 31, 2020	**-**	**-**	**(1,539)**	**-**	**(1,539)**
Amortization	**-**	**-**	**(181)**	**-**	**(181)**
Exchange difference	**-**	**-**	**20**	**-**	**20**
At March 31, 2021	**-**	**-**	**(1,700)**	**-**	**(1,700)**
Net book value					
At March 31, 2021	**465**	**302**	**540**	**5,708**	**7,015**
Cost					
At December 31, 2019	465	299	2,313	5,895	8,972
Additions	-	3	-	-	3
Exchange difference	-	-	(46)	(116)	(162)
At December 31, 2020	465	302	2,267	5,779	8,813
Accumulated amortization					
At December 31, 2019	-	-	(826)	-	(826)
Amortization	-	-	(768)	-	(768)
Exchange difference	-	-	55	-	55
At December 31, 2020	-	-	(1,539)	-	(1,539)
Net book value					
At December 31, 2020	465	302	728	5,779	7,274

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. 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.

7. Goodwill and intangible assets *(continued)*

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.

The sales backlog and goodwill were the result of the acquisition of MOS and PIGCO. The sales backlog acquired by the Company in the MOS acquisition is fully amortized, while the backlog acquired in PIGCO acquisition is being amortized over 27 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.

8. Bank operating loan

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 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.

(in 000's Canadian Dollars)

9. US Operating loans

US Operating loans consist of the following components as at March 31, 2021 and December 31, 2020:

		2021		2020
US operating loan, beginning of the year	**$**	**-**	$	2,186
US operating loans assumed on business acquisitions		**-**		-
Proceeds of US operating loan		**-**		336
Repayment of US operating loans		**-**		(2,631)
Effect of unrealized foreign exchange loss (gain) on translation		**-**		109
US operating loan, end of the period	**$**	**-**	$	-

10. Trade and other payables

Trade and other payables consist of the following components as at March 31, 2021 and December 31, 2020:

		2021		2020
Trade payables	**$**	**1,184**	$	1,160
Accrued interest		**29**		97
Other accruals		**543**		542
Payroll remittance and goods and services tax		**498**		634
	$	**2,254**	$	2,433

(in 000's Canadian Dollars)

11. Long-term debt

Long-term debt consists of the following components as at March 31, 2021 and December 31, 2020:

	Maturity	**Interest rate**		**2021**		2020
BDC financing						
Loan 1	N/A	Floating	**$**	**-**	$	167
Loan 2	N/A	Floating		**-**		291
Loan 3	N/A	Floating		**-**		12
Loan 4	August 1, 2026	Floating		**1,509**		1,528
Loan 5	December 1, 2025	Floating		**2,934**		2,970
				4,443		4,968
Secured debenture	N/A	Fixed		**-**		1,000
				4,443		5,968
Less current portion				**(870)**		(1,059)
			$	**3,573**	$	4,909

<u>Reconciliation of Long-term debt</u>

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

		2021		2020
Long-term debt, beginning of the year	**$**	**5,968**	$	7,281
Repayment of long-term debt		**(1,470)**		(1,229)
		4,498		6,052
Effect of unrealized foreign exchange gain on income		**(19)**		(31)
Effect of unrealized foreign exchange gain on translation		**(36)**		(53)
Long-term debt, end of the period	**$**	**4,443**	$	5,968

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

Loan 1 – 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. The loan was fully drawn down in December 2016. The interest, payable monthly, was set at 3.86% above the BDC floating base rate. The loan was fully repaid in the first quarter of 2021.

Loan 2 – 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. The loan was fully drawn down in April 2019. The interest, payable monthly, was set at 1.85% above the BDC floating base rate. The loan was fully repaid in the first quarter of 2021.

Loan 3 – In March 2017, the Company's wholly-owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for a loan of $100 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, payable monthly, was set at 1.00% above the BDC floating base rate. The loan was fully repaid in the first quarter of 2021.

11. Long term debt *(continued)*

Loan 4 – In May 2018 the Company entered into an agreement with the BDC for a loan of $1,800 USD to fund a portion of the purchase price of the MOS acquisition. The interest, which is currently 6.30% and is payable monthly, is set at 1.60% above the BDC floating USD base rate of 4.70%. The loan is repayable over eight years, with seasonal payments of principal required. Payments of principal of $38 USD were required from September to December 2018. Payments of principal of $38 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 $2,333. On March 31, 2021, the Canadian dollar equivalent of this was $1,509. The difference being $824 which is mainly due to principal repayments made for this loan.

Loan 5 – In October 2019, the Company's wholly-owned subsidiary, CEMATRIX (USA) Inc., an agreement with the BDC for a loan of $2,800 USD to fund the purchase price of the PIGCO acquisition. The interest, payable monthly, was initially set at 3.70% above the BDC floating USD base rate. Subsequently, in the first quarter of 2021, the interest rate was renegotiated to 1.60% above the BDC floating USD base rate and therefore, currently at 6.30%. The loan is repayable over six years, with seasonal payments of principal required. A principal repayment of $78 USD is required from July to December from years 2020 to 2025. On October 1, 2019, the Canadian equivalent of this loan was $3,708. On March 31, 2021, the Canadian dollar equivalent of this was $2,934. The difference being $774, which is the combination of principal repayments of $613 and unrealized foreign exchange gain of $161 being recognized on the translation of foreign subsidiaries.

Loans 4 and 5 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.

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, which is nominal in nature as at March 31, 2021.

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.

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.

Secured Debenture:

In February 2014, the Company issued a secured debenture for $1,000 ("Secured Debenture") to an unrelated party. The interest, payable monthly was set at 9% per annum. The Company fully repaid the secured debenture during the first quarter of 2021.

(in 000's Canadian Dollars)

12. Lease obligations

Lease obligations consist of the following components as at March 31, 2021 and December 31, 2020:

		2021		2020
Lease obligations, January 1	**$**	**2,065**	$	1,972
Additions		**-**		632
Lease payments (including interest)		**(196)**		(696)
Interest expense *(note 17)*		**47**		177
Foreign exchange		**(15)**		(20)
Value of lease obligation, end of year		**1,901**		2,065
Less current portion		**(561)**		(584)
Lease obligations, end of the period	**$**	**1,340**	$	1,481

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.

13. 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 USD for the first 12 month period after May 31, 2018 and 65% of the EBITDA above $500 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.

In addition, 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 EBITDA above $500 USD to the Vendor, ending September 30, 2023.

(in 000's Canadian Dollars)

13. Earn-out liability *(continued)*

Earn-out liability consists of the following components as at March 31, 2021 and December 31, 2020:

		2021		2020
Balance, January 1	**$**	**2,128**	$	1,518
Revaluation in the year		**-**		(80)
Addition		**-**		468
Payments		**(1,441)**		-
Interest (*note 17)*		**35**		27
Accretion expense (*note 17)*		**39**		265
Foreign exchange difference		**(26)**		(70)
Value of liability, end of the period		**735**		2,128
Less current portion		**(735)**		(2,128)
Earn-out liability, non-current	**$**	**-**	$	-

In the first quarter of 2021, the company paid out Tranche 1 and 2 associated with MOS acquisition and Tranche 1 associated with PIGCO acquisition. The company's outstanding liability in relation to earn-out is as follows:

	Payment due date		
MOS acquisition			
Tranche 3 (June 1, 2020 – May 31, 2021)	August 29, 2021	$	673
Interest accrual – Tranche 1 and 2			62
		$	735

Subsequent to the quarter, the Company also paid out the outstanding interest associated with Tranche 1 and 2 above.

(in 000's Canadian Dollars)

14. Convertible debt

(a) In conjunction with the acquisition of MOS on May 31, 2018, a $2,500 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 effective 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, 2021 and December 31, 2020, the following assumptions were used:

	2021	2020
Estimated fair value per common share	**$0.36**	$0.48
Common share price	**$0.60**	$0.72
Risk-free interest rate	**0.22%**	0.20%
Expected life	**0.17 years**	0.41 years
Expected volatility in stock price	**74.5%**	63.7%
Prepayment penalty	**5% - 10%**	5% - 10%

Convertible note consists of the following components as at March 31, 2021 and December 31, 2020:

	Host Debt Contract	**Derivative Features**	**Total**
At December 31, 2019	3,110	62	3,172
Interest expense	268	-	268
Accretion expense	98	-	98
Interest payment	(268)	-	(268)
Unrealized foreign exchange gain	(66)	-	(66)
Fair value adjustment loss	-	6,336	6,336
At December 31, 2020	3,142	6,398	9,540
Interest expense (*note 17)*	**63**	-	**63**
Accretion expense (*note 17)*	**25**	-	**25**
Interest payment	**(63)**	-	**(63)**
Unrealized foreign exchange gain	**(40)**	-	**(40)**
Fair value adjustment gain	**-**	**(1,648)**	**(1,648)**
At March 31, 2021	**3,127**	**4,750**	**7,877**

(in 000's Canadian Dollars)

14. Convertible debt *(continued)*

(b) 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. The convertible debenture bears interest at a rate of 8% per year, payable semi-annually, till its maturity date of April 22, 2023. At the option of the holder, each debenture is convertible into 2,500 units of the Company at a conversion price of $0.40 per unit, prior to the maturity date. Each unit consists of one common share of the Company and one-half of a share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.45 for a period of 36 months, following the date of its issuance. The Company may force the conversion of outstanding debentures, upon 30 days written notice, after a period of 12 months, in the event the Company's common shares price exceeds $0.80 per share for the preceding twenty consecutive trading days.

The convertible debentures are compound financial instruments, trifurcated into a forced conversion feature, host debt contract and equity feature. The forced conversion feature is an embedded derivative as its value is not closely related with the value of the host debt contract.

The forced conversion feature is measured at fair value, with changes being recognized in profit or loss. The fair value of the forced conversion feature was determined using a modified Black-Scholes valuation model. The host debt contract was initially measured at its fair value and subsequently measured at amortized cost over the term to maturity, using an effective interest rate of 20.61%.

The equity feature is comprised of a base conversion feature and brokers warrants. The base conversion feature is valued on a residual basis after accounting for the host debt and forced conversion features and represents the 14,300,000 units that are issuable on the conversion of $5,720 convertible debentures. The broker warrants are valued on a fair value basis and represents the 1,100,000 units that were issued on close and included in the transaction costs allocated to the various components. The fair value of the brokers' warrants was also determined using a modified Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 65.0%, which is based on historical volatility, risk free interest rate of 0.39% and an expected maturity of 3 years.

Transaction costs of $639 in cash, $220 in additional debentures and 1,100,000 brokers' warrants valued at $300 were incurred on the issuance and have been allocated pro rata to the various components, based on actual allocation of proceeds upon initial recognition. The transaction costs allocated to forced conversion feature was expensed in profit or loss, while the transaction costs allocated to host debt and equity feature were recorded against their respective components. The $220 transaction cost in additional debentures was included with the principal offering for a total consideration of $5,720. The additional debentures have a price of $1,000 per debenture and convertible into units in the same manner as mentioned above for principal offering. The brokers' warrants entitle the holder to acquire one unit of the Company at a conversion price of $0.40 per unit at any time before three years, following the date of this transaction. Each unit consists of one common share and one-half of a share purchase warrant with the same exercise price and expiry term for warrants as mentioned above for principal offering.

At March 31, 2021 and December 31, 2020, the following assumptions were used for forced conversion feature:

	March 31, 2021	December 31, 2020
Estimated fair value per common share	**$0.028**	$0.026
Common share price	**$0.60**	$0.72
Risk-free interest rate	**0.22%**	0.24%
Expected life	**2.1 years**	2.3 years
Expected volatility in stock price	**74.5%**	65.0%

(in 000's Canadian Dollars)

14. Convertible debt *(continued)*

Convertible debenture consists of the following components as at March 31, 2021 and December 31, 2020:

	Host Debt Contract	Forced Conversion	Equity Feature	Total
At issuance	5,108	(126)	738	5,720
Transaction costs allocated	(1,035)	25	(149)	(1,159)
Interest expense	309	-	-	309
Accretion expense	251	-	-	251
Broker warrants units	-	-	300	300
Transaction costs expensed	-	(25)	-	(25)
Deferred tax on equity feature	-	-	(136)	(136)
Conversion – shares & warrants (net of tax)	(602)	19	(67)	(650)
Interest payment	(244)	-	-	(244)
Exercise of broker warrants	-	-	(30)	(30)
Fair value adjustment gain	-	(207)	-	(207)
At December 31, 2020	3,787	(314)	656	4,129
Interest expense (*note 17)*	**80**	**-**	**-**	**80**
Accretion expense (*note 17)*	**17**	**-**	**-**	**17**
Conversion – shares & warrants (net of tax)	**(815)**	**26**	**(90)**	**(879)**
Interest payment	**(22)**	**-**	**-**	**(22)**
Exercise of broker warrants			**(23)**	**(23)**
Fair value adjustment gain	**-**	**27**	**-**	**27**
At March 31, 2021	**3,047**	**(261)**	**543**	**3,329**

Net proceeds of $4,836 were received on the issuance of convertible debenture, which was equal to the gross amount of $5,720 less: 1) cash transaction costs of $639, which were allocated to all the components of the convertible debenture; 2) additional convertible debentures of $220, which were included in the gross amount of the offering, for which no cash was received and considered as part of the transaction costs and; 3) cash transaction costs of $25 which were expensed immediately to profit or loss.

The following table summarizes the changes in convertible debenture and broker warrants units of the Company as at March 31, 2021 and December 31, 2020:

	Number Of Convertible Debenture Units		Amount	Number Of Broker Warrants Units		Amount
At issuance	14,300,000	$	5,720	1,100,000	$	300
Conversion – shares & warrants	(2,112,500)		(845)	(108,750)		(30)
At December 31, 2020	12,187,500		4,875	991,250		270
Conversion – shares & warrants	**(2,865,000)**		**(1,146)**	**(82,950)**		**(23)**
At March 31, 2021	**9,322,500**		**3,729**	**908,300**		**247**

Each unit can be converted into one common share of the Company and one-half of a share purchase warrant.

15. 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 three months ended March 31, 2021 and year ended December 31, 2020:

	2021			2020		
	Number of Shares		**Amount ($000's)**	Number of Shares		Amount ($000's)
Common shares, beginning of year	**66,776,750**	**$**	**13,802**	59,286,019	$	10,953
Common shares issued (i), (ii)	**9,156,098**		**2,586**	7,490,731		2,208
Public offering, net of costs (iii)	**36,799,984**		**20,890**	-		-
Reclassification of options	**-**		**134**	-		37
Reclassification of broker warrants	**-**		**14**	-		19
Reclassification of warrants – public offering (iii)	**-**		**(4,954)**	-		-
Reclassification of warrants	**-**		**691**	-		585
Common shares, end of the period	**112,732,832**	**$**	**33,163**	66,776,750	$	13,802

(i) In 2020, for gross proceeds of $557 and $1,125 received, the Company issued 1,856,304 and 3,213,177 common shares at a price of $0.30 and $0.35, respectively on the exercise of warrants.

The Company issued 2,112,500 common shares upon the exercise of convertible debenture. The principal amount of $845 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, $443 and $227 was allocated to share capital and contributed surplus, respectively.

For gross proceeds of $84 received, the Company issued 308,750 common shares on the exercise of employee stock options and broker warrants. The exercise price range was between $0.18 and $0.40.

(ii) In the first quarter of 2021, for gross proceeds of $1,826 received, the Company issued 5,541,482 common shares on the exercise of warrants. The exercise price range was between $0.30 and $0.45.

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.

For gross proceeds of $190 received, the Company issued 749,616 common shares on the exercise of employee stock options and broker warrants. The exercise price range was between $0.20 and $0.40.

(in 000's Canadian Dollars)

15. Share capital *(continued)*

iii) On March 18, 2021, the Company completed a public offering through a short-form prospectus 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. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each Warrant will be exercisable for one common share at a price of $0.81, for a period of 24 months following closing of the Offering. As a result, the total number of warrants that were issued as part of this financing were 18,399,992.

In addition, the Company issued 2,830,768 broker warrants of the Company to the agents equal to 8% of the number of units issued under the Offering. Each broker warrant entitles the holder to acquire one unit of the Company at $0.65 until March 18, 2023. The broker warrants and warrants mentioned above were valued at $4,954, which was reclassified to contributed surplus. The fair value per share purchase warrant was determined using the assumptions mentioned in the warrants section below.

The Company paid the agents a cash commission equal to 7% of the gross proceeds of the Offering, amounting to $1,610 and incurred $500 in other transaction costs, resulting in net proceeds of $20,890.

(c) Share Purchase Warrants

The following table reflects the issuance of warrants for the three months ended March 31, 2021 and year ended December 31, 2020, which is recorded in contributed surplus:

	2021		2020	
	Number of Warrants	**Weighted average price**	Number of Warrants	Weighted average price
Warrants, beginning of year	**11,545,321**	**$0.310**	15,554,177	$0.310
Public offering	**18,399,992**	**$0.810**	-	-
Convertible debenture conversion	**1,432,500**	**$0.450**	1,056,250	$0.450
Broker warrants conversion	**41,475**	**$0.450**	54,375	$0.450
Warrants expired	**-**	**-**	(50,000)	$0.300
Warrants exercised	**(5,541,482)**	**$0.330**	(5,069,481)	$0.332
Warrants, end of the period	**25,877,806**	**$0.669**	11,545,321	$0.310

(d) Broker Warrants Units

The following table reflects the issuance of broker warrants units for the three months ended March 31, 2021 and year ended December 31, 2020:

	2021		2020	
	Number of Units	**Weighted average price**	Number of Units	Weighted average price
Broker warrants, beginning of year	**991,250**	**$0.400**	1,100,000	$0.400
Public offering	**2,830,768**	**$0.650**	-	-
Broker warrants exercised	**(82,950)**	**$0.400**	(108,750)	$0.400
Broker warrants, end of the period	**3,739,068**	**$0.589**	991,250	$0.400

(in 000's Canadian Dollars)

15. Share capital *(continued)*

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:

	August 14, 2019	August 23, 2019	March 18, 2021	March 18, 2021
Estimated fair value per share purchase warrant	$0.10	$0.10	$0.23	$0.27
Common share price	$0.20	$0.20	$0.63	$0.63
Exercise price	$0.30	$0.30	$0.81	$0.65
Risk-free interest rate	1.38%	1.38%	0.27%	0.27%
Expected life	2 years	2 years	2 years	2 years
Expected volatility in stock price	111.0%	112.0%	81%	81%
Expected annual dividend yield	nil	nil	nil	nil

The fair value of these warrants was determined at the time of the issuance of convertible debenture using a modified Black-Scholes valuation model with the following assumptions:

	Warrants issued upon conversion of convertible debt	Warrants issued upon conversion of broker warrants
Estimated fair value per share purchase warrant	$0.21	$0.20
Common share price	$0.40	$0.40
Exercise price	$0.45	$0.45
Risk-free interest rate	0.39%	0.39%
Expected life	3 years	3 years
Expected volatility in stock price	65%	65%
Expected annual dividend yield	nil	nil

(in 000's Canadian Dollars)

16. Cost of sales

Cost of sales consists of the following components for the three months ended March 31, 2021 and 2020:

		2021		2020
Manufacture of cellular concrete				
Materials	**$**	**2,175**	$	1,198
Direct labour		**957**		1,225
Variable expenses		**540**		579
Fixed overhead		**46**		49
Depreciation		**360**		204
	$	**4,078**	$	3,255

17. Finance costs

The finance costs incurred for the three months ended March 31, 2021 and 2020 are as follows:

		2021		2020
Interest				
BDC financings *(note 11)*	**$**	**93**	$	143
Secured debenture *(note 11)*		**19**		23
Convertible debt *(note 14)*		**143**		67
Lease obligations *(note 12)*		**47**		43
Bank operating loan *(note 8)*		**-**		12
US operating loan *(note 9)*		**-**		58
Earn-out liability *(note 13)*		**35**		-
Other		**32**		(2)
	$	**369**	$	344

The accretion costs incurred for the three months ended March 31, 2021 and 2020 are as follows:

		2021		2020
Accretion				
Earn-out liability *(note 13)*	**$**	**39**	$	89
Convertible debt *(note 14)*		**42**		24
	$	**81**	$	113

(in 000's Canadian Dollars)

18. Other income

Other income (expenses) for the three months ended March 31, 2021 and 2020 consists of the following:

		2021		2020
Unrealized foreign exchange gains (losses)	**$**	**56**	$	(463)
Realized foreign exchange gains (losses)		**29**		(9)
Equipment rental		**24**		24
Government subsidies		**98**		-
Other		**12**		10
	$	**219**	$	(438)

The Company received wage and rent subsidies of $98 in the first quarter of 2021, as part of various COVID-19 relief programs initiated by the Canadian Federal Government.

19. 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, 2021 and 2020 is as follows:

	2021	2020
Weighted average common shares outstanding – basic	**78,802,158**	59,717,699
Effect of dilutive instruments	**13,373,684**	-
Weighted average common shares outstanding – diluted	**92,175,842**	59,717,699

The dilutive securities for the three months ended March 31, 2020 have no dilutive effect as the Company incurred a loss in that period.

In the first quarter of 2021, all dilutive securities were considered anti-dilutive in nature, except the convertible debt, issued in conjunction with the acquisition of MOS.

(in 000's Canadian Dollars)

20. 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 three months ended March 31, 2021 and year ended December 31, 2020:

	2021		2020	
	Number of Options	**Weighted average price**	Number of Options	Weighted average price
Outstanding, beginning of period	**4,845,000**	**$0.266**	4,820,000	$0.230
Granted	**-**	**-**	550,000	$0.555
Exercised	**(666,666)**	**$0.235**	(200,000)	$0.200
Forfeited	**-**	**-**	(250,000)	$0.200
Expired	**-**	**-**	(75,000)	$0.353
Outstanding, end of period	**4,178,334**	**$0.271**	4,845,000	$0.266
Exercisable, end of the period	**3,171,668**	**$0.231**	3,838,334	$0.232

The following table summarizes the stock options to acquire common shares outstanding as at March 31, 2021:

Range of exercise prices	Options Outstanding	Options Exercisable	Weighted average remaining life (years)	Weighted average exercise price – options outstanding	Weighted average exercise price – options exercisable
$0.19 - $0.22	1,103,334	796,668	1.81	$0.20	$0.20
$0.23 - $0.39	2,475,000	2,325,000	1.58	$0.24	$0.24
$0.40 - $0.59	600,000	50,000	3.48	$0.55	$0.43
$0.19 - $0.59	4,178,334	3,171,668	2.12	$0.27	$0.23

Non-cash stock-based compensation for the three months ended March 31, 2021 of $42 (March 31, 2020 - $43) was 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 000's Canadian Dollars)

20. 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:

	2021	2020
Estimated fair value per option	**-**	\$0.29 - \$0.42
Weighted average common share price	**-**	\$0.56
Risk-free interest rate	**-**	0.21% - 0.26%
Expected life	**-**	5 years
Expected volatility in stock price	**-**	95%
Expected annual dividend yield	**-**	nil
Estimated forfeiture rate	**-**	nil

21. 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, 2021 and 2020:

		2021		2020
Trade and other receivables	**$**	**995**	$	1,101
Inventory		**38**		(378)
Prepaid expenses and deposits		**10**		-
Trade and other payables		**(159)**		209
	$	**884**	$	932

22. 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's financial instruments that are carried in the consolidated financial statements and how the fair value of financial instruments are measured.

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.

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

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 (note 14).

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 (note 13).

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 $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.

(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.

(in 000's Canadian Dollars)

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

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. At March 31, 2021, the Company had $22,161 of cash and cash equivalents (2020 - $2,475) and $286 in restricted cash (2020 - $286).

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

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at 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**
As at 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

(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. However, the management manages and mitigates foreign exchange risk by monitoring exchange rate trends and forecasted economic conditions.

(in 000's Canadian Dollars)

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

As at March 31, 2021 and December 31, 2020 the following balances are 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
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 a decrease/increase in net profit of approximately $93.

23. Capital management

Management defines capital as the Company's total shareholders' equity, its debt and finance lease obligations. The Company manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. The Board of Directors does not establish a quantitative return on capital for management, but rather promotes year over year sustainable profitable growth. In addition, the Board of Directors has established policies to monitor the Company's performance against its operating and capital budgets and forecasts.

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.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the three months ended March 31, 2021. The Company is subject to externally imposed financial covenants with its bank operating loan and long-term debt loans 4 and 5.

The total capitalization as at March 31, 2021 and December 31, 2020 is outlined below:

		2021		2020
Bank operating loan (*note 8*)	**$**	**-**	$	129
Long term debt *(note 11)*		**4,443**		5,968
Lease obligations *(note 12)*		**1,901**		2,065
Convertible debt – host debt and derivative liability *(note 14)*		**10,924**		13,326
Total debt		**17,268**		21,488
Shareholders' equity		**24,484**		679
	$	**41,752**	$	22,167

(in 000's Canadian Dollars)

24. 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, 2021 and 2020 and the total non-current assets attributable to the Company's geographical segments as at March 31, 2021 and December 31, 2020:

	2021	2020
Sales to external customers		
Canada	**$ 922**	$ 380
U.S.	**3,587**	3,552
	$ 4,509	$ 3,932

	2021	2020
Total non-current assets		
Canada	**$ 4,180**	$ 4,280
U.S.	**15,753**	16,452
	$ 19,933	$ 20,732