



CEMATRIX CORPORATION
Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2021
(in 000's Canadian dollars)

CEMATRIX CORPORATION

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Form 51-102F1 - Management's Discussion & Analysis For the Three and Nine Months Ended September 30, 2021

The following is the Management's Discussion and Analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three and nine months ended September 30, 2021. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three and nine months ended September 30, 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 dollars and all amounts are reported in thousands of Canadian dollars, except share and per share amounts or as otherwise stated. Certain comparative figures have been reclassified to conform to the MD&A presentation adopted for the current year.

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

The Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Consolidated Financial Statements and MD&A for the three and nine months ended September 30, 2021. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on November 10, 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 and nine months ended September 30, 2021, the Company's financial condition as at September 30, 2021 and its future prospects.

B. Management Highlights

COVID 19 ("the Pandemic") Continues

During this quarter, COVID continued to impact a number of our projects. Factors beyond our control, such as supply chain issues and pandemic labour restrictions, experienced by our customers have led to project delays which resulted in lower sales for the quarter and year to date. This trend is expected to continue for the balance of 2021, however, with more visibility into the timing of some of these projects and with many of the COVID related delays mostly fading, we expect revenues to remain steady in the fourth quarter. We remain very positive and optimistic for 2022 and beyond as we start to convert our large backlog into revenue. The demand for cellular concrete remains strong, as evidenced by increased bidding activity, particularly in Canada where the number of active bids has grown by over 55% to the end of the quarter. As well, bidding activity in the U.S. remains strong as evidenced by our growing backlog, that continues to exceed \$90 million.

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, governments across all jurisdictions in which CEMATRIX operates have deemed the types of construction projects, which constitutes 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.

Key Projects Shift into 2022

The drop in sales this quarter and year to date is mainly attributed to delay in the \$16 million North Carolina project that was originally scheduled to require our cellular concrete starting in the second quarter of 2021. After numerous delays, the project got underway this fall, so the requirement for our product is now scheduled for the spring/summer of 2022. The scheduling of tunnel projects also contributed to reduced sales to date in the U.S. There are numerous tunnels in our backlog, but most are not scheduled to be completed until 2022 and beyond. In contrast to the lower sales results to date in the US, sales in Canada have rebounded strongly, from the low last year due to COVID, up over 66% year to date and up almost 100% this quarter compared to 2020.

Lafarge Agreements Renewed

In the third quarter, the Company renewed its Joint Marketing Agreement and Cement Supply Agreement ("the Agreements") with Lafarge Canada Inc. ("Lafarge") for another five years. The Agreements support the joint development of the Canadian cellular concrete market with the ongoing objective of increasing cellular concrete sales to the mutual benefit of both parties. The extension of these agreements is a natural result of the joint successes we have experienced on numerous projects with the full expectation that this relationship will only continue to grow into the future. CEMATRIX and Lafarge plan to continue to expand on these successes by committing sufficient resources to furthering cellular concrete markets and cement sales throughout Canada. Both parties are also exploring the potential for joint research projects and the continued testing of alternative materials for the mutual benefit of our companies and the benefit of our environment.

Financial Position Continues to Improve

Our current cash position is now \$20.5 million versus \$2.8 million a year ago. In the first nine months of 2021, we have paid down or reduced current and long-term liabilities by just under \$14 million. With a strategic focus on reducing leverage on the balance sheet, the recent financing, and historical / forecasted positive cash flow from operations the Company is well positioned financially.

In the third quarter, the Company paid out \$0.6 million in earnout liabilities associated with the MOS acquisition and another \$0.5M in prescribed principal repayments associated with the Company's long term debt and financing lease obligations.

In the second quarter, the holders of the \$2.5 million USD MOS Convertible Note ("MOS CN's") elected to convert the MOS CN's into 13,373,684 common shares of the company. This conversion significantly reduced the outstanding debt of the company and as a result go forward interest costs. The conversion resulted in a significant decrease in current liabilities and as a result significantly improved working capital.

In the first quarter, 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 third quarter despite a lower share price. The increase in the exercise activity is attributable to the exercise of instruments that would have otherwise expired in the quarter had they not been exercised. The Company uses funds from the exercise of warrants and options for general working capital purposes including operating debt reduction.

Strong Backlog – Continued New Project Awards

The Company continues to see a strong bid pipeline and be awarded new projects. The Company announced new groupings of project awards of \$5.5 million in the third quarter of 2021, which resulted in ending backlog of \$91.4 million (as of September 8, 2021). The Company continues to see increased activity in its bid pipeline. Forecasts for 2022 and 2023 continue to look very positive as a result of our strong backlog.

Financial Review – Third Quarter

For the third quarter of 2021, revenues were \$7.1 million, a decrease of \$3.8 million or 34%, compared to \$10.9 million in the third quarter of 2020. The decrease in revenue was mainly due to the timing of large projects from year to year. The revenue generated in the third quarter of 2021 from PIGCO amounted to \$1.4 million, MOS contributed \$1.7 million in sales, while Canadian sales amounted to \$4.0 million.

Gross Margin was \$1.6 million in the third quarter of 2021, compared to \$3.0 in the third quarter of 2020, a decrease of \$1.4 million or 46%. In addition, Gross Margin Percentage decreased to 22% in the third quarter of 2021 compared to 27% in the third quarter of 2020. The decrease in Gross Margin and Gross Margin Percentage is the result of a combination of lower revenues and fixed operational costs.

Adjusted EBITDA in the third quarter of 2021 was \$0.7 million, compared with Adjusted EBITDA of \$1.3 million in the same period in 2020 as a result lower revenues and gross profit margin.

The Company generated negative cash flow from operating activities of \$0.8 million in the third quarter of 2021, compared to positive cash flow from operating activities of \$0.7 million in the same period in 2020.

Financial Review – Year to Date

Revenue was \$15.7 million in the nine months of 2021, a decrease of \$6.5 million or 29% compared to the nine months of 2020. This decrease in revenue was mainly due to deferral of a couple of large projects to the 2022, partially offset by increased sales from Canada. The revenue generated in the first nine months of 2021 from PIGCO amounted to \$3.6 million, MOS contributed \$5.5 million in sales while Canadian sales amounted to \$6.6 million.

Gross Margin and Gross Margin Percentage were \$2.2 million and 14%, respectively for 2021 compared to \$5.2 million or 24% in 2020, a decrease of \$3.0 million or 57%. The change in the gross margins was due in large part to lower revenues as a significant portion of the Company's direct labour costs are fixed and as a result margins improve significantly as revenue increases above breakeven levels.

Adjusted EBITDA in the nine months of 2021 was a negative \$0.7 million, compared with positive Adjusted EBITDA of \$1.4 million in the same period in 2020, as a result of lower revenues and gross profit margin.

The Company generated negative cash flow from operating activities of \$1.6 million in the nine months of 2021, compared to positive cash flow from operating activities of \$0.5 million in the same period in 2020.

C. Operations and Overall Performance

Results of Operations

Comparison of the Three Months Ended September 30, 2021 and September 30, 2020

	Three Months Ended September 30		
	2021	2020	Change
Revenue	\$ 7,128	\$ 10,880	\$ (3,752)
Gross margin	\$ 1,586	\$ 2,953	\$ (1,367)
Operating expenses	(1,637)	(1,569)	(68)
Operating income (loss)	(51)	1,384	(1,435)
Non-cash stock based compensation	(93)	(21)	(72)
Finance costs	(173)	(408)	235
Other income	292	(473)	765
Amortization of intangibles	(180)	(191)	11
Accretion costs	(83)	(178)	95
Non-cash fair value of derivatives	-	180	(180)
Loss before income taxes	(288)	293	(581)
Provision of deferred taxes	180	(1,699)	1,879
Provision of current taxes	(1)	(1)	-
Loss attributable to the common shareholder	(109)	(1,407)	1,298
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	279	(235)	514
Comprehensive income (loss)	\$ 170	\$ (1,642)	\$ 1,812
Fully diluted gain (loss) per common share	\$ (0.001)	\$ (0.022)	\$ 0.021

Revenue was \$7,128 the third quarter of 2021 compared to \$10,880 in the third quarter of 2020, a decrease of 34% or \$3,752. The decrease was mainly due to lower sales in MOS and PIGCO, offset partially by higher sales in Canada.

As a percentage of revenues, the Gross Margin Percentage was 22% compared to 27% in 2020. The decrease in Gross Margin Percentage is largely related to the fixed costs not being sufficiently absorbed by lower than anticipated sales.

Operating expenses were \$1,637 in the third quarter of 2021 compared to \$1,569 in the third quarter of 2020 or 4% higher mainly due to increased salaries, wages and benefits as a result of annual increases, new hires and new Board compensation.

Non-cash stock based compensation expense of \$93 for the third quarter of 2021 compared to \$21 the third quarter of 2020. The \$72 increase was mainly due to new stock option granted to employees in April and August 2021. In addition, the Company issued restricted share unit (“RSU”) in the second quarter of 2021, which also resulted in an increase in stock based compensation expense in the current quarter.

Finance costs were \$173 in the third quarter of 2021 compared to \$408 in the same period in 2020, a decrease of \$235. The decrease can be mainly attributed to lower finance costs as a result of repayment of principal of BDC loans, the repayment of the secured debenture and the repayment of the US operating loan in the earlier periods.

Other income was \$292 in the third quarter of 2021 compared to an expense of \$473 in the third quarter of 2020. In the third quarter of 2021, other income was mainly related to government wage and rent subsidies of \$267. Other expense in the third quarter of 2020, mainly related to earn-out expense of \$577, partially offset by unrealized foreign exchange gain of \$117.

Amortization of intangibles was \$180 in the third quarter of 2021 compared to \$191 in the third quarter of 2020. The expense originated from the acquisition of PIGCO where intangible assets of \$1,706 were attributed to the value of the sales backlog on the business combination and was being amortized into income. PIGCO sales backlog is being amortized over a period of October 1, 2019 to December 31, 2021.

Accretion costs were \$83 in the third quarter of 2021 compared to \$178 for the same period in 2020. In the third quarter of 2021, the accretion expense entirely related to the host debt contract of the convertible debenture. In 2020, accretion expense also included accretion relating to the remaining tranches of the earn-out liability and convertible note, both originated from the acquisition of MOS.

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 \$nil in the third quarter of 2021. In the third quarter of 2020, the fair value gain of \$180 also included the change in value of derivative features of the convertible note issued upon acquisition of MOS.

Unrealized foreign exchange gains and losses on the translation of foreign subsidiaries are recognized through other comprehensive income. MOS, PIGCO and CEMATRIX (USA) Inc. have a USD functional currency and as the Canadian dollar weakened relative to the USD, the value of these assets appreciated resulting in an unrealized foreign exchange gain of \$279, in the third quarter of 2021. The opposite effect occurred in the third quarter of 2020 which resulted in an unrealized foreign exchange loss of \$235.

Comparison of the Nine Months Ended September 30, 2021 and September 30, 2020

	Nine Months Ended September 30		
	2021	2020	Change
Revenue	\$ 15,654	\$ 22,178	\$ (6,524)
Gross margin	\$ 2,225	\$ 5,235	\$ (3,010)
Operating expenses	(4,883)	(4,667)	(216)
Operating loss	(2,658)	568	(3,226)
Non-cash stock based compensation	(183)	(93)	(90)
Finance costs	(770)	(1,163)	393
Other income (expense)	741	(676)	1,417
Amortization of intangibles	(537)	(581)	44
Accretion costs	(266)	(470)	204
Revaluation of earn-out liability	132	(111)	243
Non-cash fair value of derivatives	2,722	62	2,660
Loss before income taxes	(819)	(2,464)	1,645
Provision of deferred taxes	609	(921)	1,530
Provision of current taxes	(80)	(1)	(79)
Loss attributable to the common shareholder	(290)	(3,386)	3,096
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	(25)	171	(196)
Comprehensive loss	\$ (315)	\$ (3,215)	\$ 2,900
Fully diluted loss per common share	\$ (0.003)	\$ (0.055)	\$ 0.052

Revenue in the first nine months of 2021 was \$15,654 compared to \$22,178 in the prior year period, a decrease of 29% or \$6,524. The decrease was mainly due to lower sales in MOS and PIGCO due to the timing of large projects, offset partially by higher sales in Canada versus 2020.

Gross Margin was \$2,225 in the first nine months of 2021, a decrease of \$3,010, compared to a Gross Margin of \$5,235 in the prior year period. As a percentage of revenues, the Gross Margin Percentage declined to 14% compared to 24% in 2020. The decrease in Gross Margin Percentage is largely related to the lower revenue compared to fixed operational costs.

Operating expenses were higher by \$216 or 5% mainly due to increased salaries, wages and benefits as a result of annual increases, new hires and new Board compensation. Repairs and maintenance expenses were also higher in the period as the slower activity levels allowed the Company to get ahead of some planned maintenance. These increases were partially offset by reduced audit and consulting costs and reduced travel costs as a result of the COVID-19 pandemic.

Non-cash stock based compensation expense was \$183 in the first nine months of 2021 compared to \$93 in the prior year period. The increase of \$90 was largely due to new stock option grants to employees in April and August 2021. In addition, the Company issued RSU's in the second quarter of 2021, which also resulted in an increase in stock based compensation expense in the current period.

Finance costs were \$770 in the first nine months of 2021 compared to \$1,163 in the same period in 2020, a decrease of \$393. The decrease can be mainly attributed to lower finance costs as a result of repayment of principal of BDC loans, the prepayment of the secured debenture and the repayment of the US operating loan in the earlier periods.

Other income of \$741 was recognized in the first nine months of 2021 compared to an expense of \$676 in the prior year period. The variance of \$1,417 was largely a result of the current period gain of \$159 in unrealized foreign exchange which is caused by swings in foreign exchange rates on the USD denominated liabilities. The opposite effect occurred in the first nine months of 2020 resulting in a foreign exchange loss of \$130. In addition, the Company received government wage and rent subsidies of \$495 in 2021, which further contributed to the variance. Lastly, the earn-out expense of \$577 in relation to the PIGCO acquisition was recognized in 2020, which was not incurred in the current year.

Amortization of intangibles was \$537 in the first nine months of 2021 compared to \$581 in the prior year period. The expense originated, as a result of acquisitions of PIGCO where intangible assets of \$1,706 were attributed to the value of the sales backlog on the business combination. PIGCO sales backlog is being amortized over a period of October 1, 2019 to December 31, 2021.

Accretion costs were \$266 in the first nine months of 2021 compared to \$470 for the same period last year. Accretion expense relating to the remaining tranches of the earn-out liability was \$53, accretion on the host debt contract of the convertible debenture was \$172 and accretion on the host debt contract of the convertible note was \$41. Accretion on the earn-out liability and convertible note originated from the acquisition of MOS and were originally recorded at a discount. Accretion ended at the maturity date of these liabilities on May 31, 2021. The convertible debenture was issued April 22, 2020 and has a maturity date of April 22, 2023.

The earn-out liability in relation to the MOS acquisition for the third 12 month period ended May 31, 2021 resulted in a non-cash gain of \$132. In 2020, the non-cash loss of \$111 was in relation to the second 12 month period of the earn-out liability.

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 \$2,754 in the first half of 2021 resulting in a gain for the same amount, compared to an increase of \$18 in the first nine months 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 \$32 in 2021, resulting in a loss for the same amount, compared to a decrease of \$80 in the first nine months of 2020.

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 \$25 in the first nine months of 2021. The opposite effect occurred in the first nine months of 2020 which resulted in an unrealized foreign exchange gain of \$171.

D. Selected Financial Information and Summary of Financial Results

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

Quarters Ended	Revenues	Comprehensive Income (Loss)	Income (Loss)	
			Per Share Basic	Per Share Diluted
2021 Year				
March 31	4,509	85	0.003	(0.011)
June 30	4,017	(570)	(0.004)	(0.004)
September 30	7,128	170	(0.001)	(0.001)
Total for year	\$ 15,654	\$ (315)	\$ (0.003)	\$ (0.003)
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

	September 30 2021		December 31 2020		Change
Current assets	\$	27,985	\$	8,106	\$ 19,879
Non current assets		19,411		20,732	(1,321)
Total assets	\$	47,396	\$	28,838	\$ 18,558
Current liabilities	\$	5,299	\$	15,873	(10,574)
Non current liabilities		9,032		12,286	(3,254)
Total liabilities	\$	14,331	\$	28,159	\$ (13,828)
Shareholders' equity	\$	33,065	\$	679	\$ 32,386

Total current assets increased by \$19,879. This increase in aggregate is summarized below:

- Cash increased by \$17,771 (See the discussion in Section F - Consolidated Statement of Cash Flows);
- Trade and other receivables increased by \$2,186 as a result of more activity during the quarter and timing differences in the collections of trade receivables and sales;
- Inventory increased by \$30 as a result of the purchase of foaming agent in the execution of future work;
- Prepaids and deposits decreased by \$108 as these balances are amortized to income over their useful life;

Total non-current assets decreased by \$1,321. This decrease in aggregate is summarized below:

- Property and equipment decreased by \$721 primarily as a result of depreciation expense of \$1,336 and a \$9 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries, partially offset by capital expenditures of \$624;
- Goodwill and intangibles assets decreased by \$541 largely as a result of \$537 in amortization and a \$4 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 September 30, 2021 the convertible debenture forced conversion feature, which is a derivative asset had a carrying value of \$255, compared to \$314 as at December 31, 2020.

Total current liabilities decreased by \$10,574. This decrease in aggregate is summarized below:

- Bank operating loan decreased by \$129 due to repayment of the loan;
- Trade and other payables increased by \$1,400 largely as a result of the timing difference in payments;
- Current portion of long-term debt decreased by \$178, primarily as a result of the reduction of loan repayments for the BDC CAD denominated loans;
- Current portion of lease obligations remained consistent with prior year;

- Current portion of the earn-out liability is \$nil as all tranches in relation to the MOS acquisition were paid out. Further, the Company also paid out Tranche 1 associated with the PIGCO acquisition in the first quarter of 2021. The Tranche 2 period in relation with the PIGCO acquisition was completed in the third quarter of 2021 and the Company did not meet the threshold criteria as explained below. The Company's remaining earn-out liability will originate from PIGCO's financial performance in the following two years and is further explained below;
 - 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 MOS USD convertible note had a face value of \$2,500 USD and was issued on the acquisition of MOS. On issuance, the convertible note was trifurcated into a conversion feature, prepayment feature and a debt host contract. During the second quarter of 2021, the convertible note was converted into 13,373,684 CEMATRIX common shares, with the convertible note liability balance of \$6,662 allocated to share capital upon conversion.

Total non-current liabilities decreased by \$3,254. This decrease in aggregate is summarized below:

- Long term debt decreased by \$1,729 as a result of repayments on secured debenture, repayment of CAD and USD denominated BDC Loans;
- Lease obligations decreased by \$277 as a result of lease payments and unrealized foreign exchange gains on the translation of foreign denominated leases;
- 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 September 30, 2021, the convertible debenture host debt contract had an aggregate carrying value of \$3,138;
- The deferred tax liability decreased by \$599 due to lower profitability in our operations.

Shareholders' Equity increased by \$32,386. This increase in aggregate is summarized below:

- Share capital increased by \$29,753 on the exercise of 11,381,571 warrants which resulted in the same number of common shares being issued. The exercise price range was between \$0.30 and \$0.45 and cash proceeds of \$3,578 were received during the year. The related non-cash benefit of \$1,284, which was previously charged to contributed surplus was also reclassified to share capital. In addition, the Company issued 3,090,000 common shares upon the exercise of convertible debenture. The principal amount of \$1,236 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, \$610 and \$321 was allocated to share capital and contributed surplus, respectively. Finally, share capital increased by \$553 on the exercise of employee stock options and broker warrants. The related non-cash benefit of \$626 was also reclassified to share capital upon exercise of stock options and broker warrants during the period.

Share capital also increased by \$16,440 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.

In the second quarter of 2021, the convertible note issued in conjunction with the acquisition of MOS was converted into 13,373,684 common shares, with the convertible note liability balance of \$6,662 allocated to share capital upon conversion.

- Contributed surplus increased by \$3,068, 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 \$4,450. In addition, \$513 was reclassified to contributed surplus upon exercise of convertible debenture and broker warrants and the recognition of stock based compensation expense for the period. This was partially offset by \$1,895, which was reclassified to share capital from contributed surplus upon exercise of warrants and options.

- Accumulated other comprehensive loss increased by \$25 due to the unrealized foreign exchange loss on the translation of MOS, PIGCO and CEMATRIX (USA) Inc. for the nine months ended September 30, 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 nine months of 2021, upon the exercise of both convertible debenture and broker warrants, the Company reclassified \$97 and \$23 from the equity component of convertible debenture to both share capital and contributed surplus, respectively;
- The Deficit increased by \$290 due to the income to common shareholders for the nine months ended September 30, 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 September 30, 2021 and September 30, 2020

The cash position of the Company at September 30, 2021 was \$20,532 (consisting of cash in the bank of \$20,246 and restricted cash of \$286) compared to a cash position of \$3,808 (consisting of cash in the bank of \$3,728 and restricted cash of \$80) at September 30, 2020.

The change in cash in the third quarter of 2021 was a decrease of \$742 as compared to a decrease of \$250 in the same period of 2020. This change is outlined in the table:

	Three Months Ended September 30		
	2021	2020	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	\$ 705	\$ 1,863	\$ (1,158)
Net change in non-cash working capital items	(1,463)	(1,209)	(254)
	(758)	654	(1,412)
Cash used in investing activities	(305)	(25)	(280)
Cash generated from financing activities	326	(864)	1,190
Foreign exchange effect on cash	(5)	(15)	10
Increase (decrease) in cash	(742)	(250)	(492)
Cash at beginning of period	21,274	4,058	17,216
Cash at end of period	\$ 20,532	\$ 3,808	\$ 16,724

- Cash generated from operating activities decreased by \$1,412.
 - Cash flow before non-cash working capital adjustments decreased by \$1,158 mainly as a result of lower revenues and gross margins when compared to the prior quarter period.
 - Net change in non-cash working capital items decreased by \$254, 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 \$280.
 - Property and equipment additions increased by \$241 mainly due to purchase of storage tanks during the quarter.
- Cash generated from financing activities increased by \$1,190.
 - In the third quarter of 2021 the Company generated \$326 from financing activities. This was mainly due to proceeds from the exercise of options and warrants of \$1,576. This was partially offset by \$550 repayment of earn-out liability, \$105 on interest payments, \$439 repayment of long term debt and repayments of \$156 on lease obligations.
 - In the third quarter of 2020 the Company used \$864 from financing activities. This was mainly due to repayments of \$397 on its US operating loan, scheduled repayments of \$138 on lease obligations, \$297 on interest payments and \$651 on repayment of its long term debt. This was partially offset by net proceeds of \$501 from the exercise of warrants and \$118 proceeds from the bank operating loan during the quarter.

Comparison of the Nine Months ended September 30, 2021 and September 30, 2020

The cash position of the Company at September 30, 2021 was \$20,532 (consisting of cash in the bank of \$20,246 and restricted cash of \$286) compared to a cash position of \$3,808 (consisting of cash in the bank of \$3,728 and restricted cash of \$80) at September 30, 2020.

The change in cash in the nine months of 2021 was an increase of \$17,771 as compared to an increase of \$2,908 in the same period of 2020. This change is outlined in the table:

	Nine Months Ended September 30		
	2021	2020	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	\$ (820)	\$ 2,015	\$ (2,835)
Net change in non-cash working capital items	(731)	(1,474)	743
	(1,551)	541	(2,092)
Cash used in investing activities	(453)	(79)	(374)
Cash generated from financing activities	19,809	2,415	17,394
Foreign exchange effect on cash	(34)	31	(65)
Increase in cash	17,771	2,908	14,863
Cash at beginning of period	2,761	900	1,861
Cash at end of period	\$ 20,532	\$ 3,808	\$ 16,724

- Cash generated from operating activities decreased by \$2,092.
 - Cash flow before non-cash working capital adjustments decreased by \$2,835 mainly as a result of lower revenues and gross margins when compared to the prior period.
 - Net change in non-cash working capital items increased by \$743 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 \$374
 - Property and equipment additions increased by \$334 mainly due to upgrades to a dry mix piece of equipment and purchase of storage tanks during the year.
- Cash generated from financing activities increased by \$17,394.
 - In 2021 the Company generated \$19,809 from financing activities. This was mainly due to proceeds from public offering of \$20,890 and \$4,132 of proceeds from the exercise of options and warrants. This was partially offset by \$2,047 repayment of earn-out liability, \$909 repayment of long-term debt, \$683 on interest payments and repayments of \$129 on bank operating loan and \$1,000 on secured debenture and \$445 on lease obligations.
 - In 2020 the Company generated \$2,415 from financing activities. The Company received net proceeds of \$4,836 on a new Convertible Debenture, \$1,646 from the exercise of warrants during the nine months of 2020 and \$336 on a new \$250,000 USD operating loan. This was offset by repayments of \$2,210 on its existing US operating loan, scheduled repayments of \$383 on lease obligations, \$651 repayment of long-term debt, \$966 on interest payments and \$193 on its operating loans.

G. Liquidity and Capital Resources

Liquidity

With the conversion of the MOS convertible note and the financing completed in 2021, CEMATRIX's liquidity and capital resources are in the best position in the history of the Company. The Company continues to focus on the strategic objective of strengthening the balance sheet.

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 September 30, 2021, the Company had cash balances of \$20,532 versus \$2,761 at December 31, 2020. The Company's Adjusted Net Working Capital was \$3,620 at September 30, 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 September 30, 2021 was \$1,473 of which \$nil was outstanding (\$129 – December 31, 2020).

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 on a monthly basis. This is the ratio of current assets, excluding amounts due from related parties to current liabilities. Earn-out liabilities due to its contingent nature will not be considered as liabilities.

- Cash flow coverage ratio of not less than 1.25, tested on a quarterly basis. 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, accretion costs, 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 on a monthly basis. 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.

Up until December 31, 2020, consolidated cash flow coverage ratio was tested annually, with the remaining covenants being tested on a monthly basis; however, as of the first quarter of 2021, consolidated cash flow coverage ratio is now being tested quarterly. At September 30, 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 next covenant measurement date of December 31, 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 \$42,053 at September 30, 2021 as compared to \$22,168 at December 31, 2020 (see Section E. Consolidated Statements of Financial Position for details).

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements at September 30, 2021.

I. Transactions with Related Parties

During the three and nine months ended September 30, 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 judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 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 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.

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 data. The earn-out liability is measured at level 3.

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

Risk management

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

Interest Rate Risk

The BDC Financings, which totalled \$4,061 at September 30, 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 increase/decrease in net loss attributable to common shareholders of approximately \$31.

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 September 30, 2021 and December 31, 2020 based on contractual undiscounted payments.

As at September 30, 2021	Less than 1 year	1 to 2 years	2 to 6 years	Total
Bank operating loan	\$ -	\$ -	\$ -	\$ -
Trade and other payables	3,833	-	-	3,833
Long-term debt	881	1,762	1,418	4,061
Lease obligations	705	1,098	196	1,999
Earn-out liability	-	-	-	-
Convertible debt	-	3,639	-	3,639
	\$ 5,419	\$ 6,499	\$ 1,614	\$ 13,532

As at December 31, 2020	Less than 1 year	1 to 2 years	2 to 6 years	Total
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 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 September 30, 2021 and December 31, 2020 the following balances were denominated in USD:

	2021	2020
Cash and cash equivalents	\$ 449	\$ 924
Trade and other receivables	\$ 2,096	\$ 2,219
Prepaid expenses and deposits	\$ 56	\$ 97
Trade and other payables	\$ 1,267	\$ 997
Long term debt	\$ 3,187	\$ 3,533
Finance lease obligations	\$ 886	\$ 1,024
Earn-out liability	\$ -	\$ 1,671
Convertible debt – host debt and derivative liability	\$ -	\$ 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 September 30, 2021 a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net loss of approximately \$33.

M. Disclosure of Outstanding Share Data

As at September 30, 2021 and November 10, 2021, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding as at September 30, 2021	Outstanding as at November 10, 2021
Voting or equity securities issued and outstanding	Unlimited Common Shares	133,749,938 Common Shares	133,814,938 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 3,575,000 Common Shares at an exercise price at between \$0.19 - \$0.59	Stock options to acquire 3,510,000 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	RSU’s to acquire 210,526 Common Shares	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 20,005,217 Common Shares at an exercise price at between \$0.45 - \$0.81	Share purchase warrants to acquire 20,005,217 Common Shares at an exercise price at between \$0.45 - \$0.81
Unit securities (Broker Warrants) convertible or exercisable into voting or equity securities – units	As approved by the board	The right to acquire 3,739,068 units at 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 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 - units	As approved by the board	\$3,639,000 convertible debenture convertible into 9,097,500 units. Each unit consists of one Common Share and a half share purchase warrant to acquire one Common Share at \$0.45	\$3,639,000 convertible debenture convertible into 9,097,500 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 is unchanged from the end of 2020 and remains very bullish on the future of the Company. 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 included 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, especially those with a positive environmental impact, provided that they add value to CEMATRIX and its shareholders.

Unfortunately, this year has been slower than last year. This was not completely unexpected as a majority of this year's large projects were scheduled for the last half of the year and we knew carried some risk of sliding into 2022, given the pandemic delays. COVID-19 continues to create supply chain challenges in many parts of the economy including the construction sector, although we have had little impact on our ability to produce and supply our product as required. We have seen projects delayed by our customers, which is not uncommon in the construction industry. These delays have pushed the start of our portion of certain large projects into 2022 and this has negatively impacted our 2021 results. On a more positive front, no projects were lost and there are strong signs that things will be different in 2022, supported by the fact that many of these delayed projects are now underway.

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. If this should proceed as expected, it should have a positive impact on CEMATRIX's future sales and earnings.

The acquisitions we completed in the last three 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. We continue to look for further acquisition opportunities that fit our strategic plan to accelerate our growth.

The company's sustainability has increased substantially, as evidenced by our vastly improved balance sheet. The Company continues to announce new project awards to maintain our backlog. We remain committed to our strategy and expect to see many of our efforts come to fruition in 2022.

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For the Three and Nine Months Ending September 30, 2021**

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three and nine months ending September 30, 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, current portion of long-term debt, current portion of lease obligations, current portion of earn-out liabilities and current portion of convertible debt.

	September 30, 2021		December 31, 2020
Current Assets	\$ 27,985	\$	8,106
Current Liabilities	(5,299)		(15,873)
Net working Capital	22,686		(7,767)
Adjustments			
Cash and cash equivalents	(20,246)		(2,475)
Restricted cash	(286)		(286)
Bank operating loan	-		129
Current portion of long-term debt	881		1,059
Current portion of lease obligations	585		584
Current portion of earn-out liabilities	-		2,128
Current portion of convertible debt – host debt and derivative liability	-		9,540
Adjusted Net Working Capital	\$ 3,620	\$	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 gain (loss), accretion costs, revaluation of derivatives, revaluation of earn-out liabilities and non-cash stock based compensation.

	Three Months Ended September 30			
	2021		2020	
Net income (loss)	\$	(109)	\$	(1,407)
Finance costs		173		408
Depreciation and amortization		601		688
Provision of deferred / current taxes		(179)		1,700
EBITDA	\$	486	\$	1,389
Unrealized foreign exchange gain (loss)		44		(117)
Accretion costs		83		178
Revaluation of derivatives		-		(180)
Revaluation of earn-out liability		-		-
Non-cash stock based compensation		93		21
Adjusted EBITDA	\$	706	\$	1,291

	Nine Months Ended September 30			
	2021		2020	
Net income (loss)	\$	(290)	\$	(3,386)
Finance costs		770		1,163
Depreciation and amortization		1,873		2,004
Provision of deferred / current taxes		(529)		922
EBITDA	\$	1,824	\$	703
Unrealized foreign exchange gain (loss)		(159)		130
Accretion costs		266		470
Revaluation of derivatives		(2,722)		(62)
Revaluation of earn-out liability		(132)		111
Non-cash stock based compensation		183		93
Adjusted EBITDA	\$	(740)	\$	1,445

Funds Flow from Operations:

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

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For the Nine Months Ending September 30, 2021**

Appendix C – Covenant Calculations

		<u>As at September 30, 2021</u>
CWB Covenants		
CURRENT RATIO		
Formula: Current Assets / Adjusted Current Liabilities		
Current Assets	\$	27,985
Current Liabilities		5,299
Less: current portion of earn-out liability		-
Adjusted Current Liabilities		<u>5,299</u>
Current Ratio		<u>5.28</u>
Current ratio minimum		1.25
Covenant Met		
DEBT TO TANGIBLE NET WORTH RATIO		
Formula: Adjusted Debt / Adjusted Shareholders Equity		
Total liabilities	\$	14,331
Less: earn-out liability		-
Less: convertible debt		<u>(3,138)</u>
Adjusted Total Liabilities		11,193
Total shareholders' equity		33,065
Add: convertible debt		<u>3,138</u>
Adjusted Total Shareholders' Equity		36,203
Debt to Tangible Net Worth		<u>0.31</u>
Debt to tangible net worth maximum		1.75
Covenant Met		
CASH FLOW COVERAGE RATIO		
Formula: EBITDA / Total Interest & Principal Repayments		
Adjusted EBITDA	\$	(740)
Interest paid		683
Repayment of finance lease obligations		445
Repayment of long-term debt		<u>1,909</u>
Total Interest and Principal Repayment		3,037
Cash Flow Coverage Ratio		<u>(0.24)</u>
Cash flow coverage ratio minimum		1.25
Covenant Not Met (Covenant waiver provided by CWB)		