CEMATRIX CORPORATION

Management's Discussion and Analysis

for the three months ended March 31, 2024

(in 000's Canadian dollars)

Form 51-102F1 Management's Discussion & Analysis

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The following is the Management's Discussion and Analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three months ended March 31, 2024. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2024, (the "Interim Condensed Consolidated Financial Statements") and the related notes thereto ("Consolidated Financial Statements") and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2023, and related notes thereto. The Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.sedarplus.com. CEMATRIX is listed on the TSX Venture Exchange under the trading symbol "CVX".

The Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Condensed Consolidated Financial Statements and MD&A for the three months ended March 31, 2024. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on May 8, 2024.

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 the Key Market Drivers section and in the Key Risks and Uncertainties section of its MD&A for the year ended December 31, 2023, 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 ("IASB").

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.

Purpose of the Company's MD&A

The purpose of this MD&A is to provide a narrative explanation, through the eyes of management, to assist the reader in understanding the Company's performance for the three months ended March 31, 2024, the Company's financial condition as at March 31, 2024, and its future prospects.

Highlights

Record Q1 revenue

The first quarter is traditionally the slowest for the Company as activity in the construction industry slows down dramatically due to colder weather. In the first quarter of 2024, the Company delivered the highest first quarter revenue in the history of the Company due our work on a large tunnel backfill project and a large tunnel grout project. First quarter revenue was $8.4 million versus $7.2 million in the same quarter last year, which represents a 17% increase. All of the Company's financial KPI's have improved in the first quarter as compared to 2023 including revenue, gross margins, gross margins percent, operating income, adjusted EBITDA ("aEBITDA"), and cashflow.

Improving gross margins

In addition to record revenue, the Company has continued to experience improved gross margins. Much of the Company's costs are fixed. The Company's only true significant variable costs are cement / ready mix, foaming agent, mobilization / demobilization costs, and other project specific costs. As a result, the Company requires a certain amount of revenue and project margins to cover these fixed costs to breakeven. Once that breakeven amount of revenue is achieved, the Company begins to be profitable as every additional gross margin dollar turns into EBITDA. As a result of the above factors including higher revenue, the Company has experienced improved margins in the quarter and the year.

Positive adjusted EBITDA & strong cashflow

Historically, the Company has recorded negative adjusted EBTIDA in the first quarter. As a result of the record Q1 revenue and improved gross margins, the Company was able to achieve positive adjusted EBITDA in the first quarter. This is a significant achievement that helps to set the stage for a financially successful 2024.

As expected, the Company was able to generate very significant positive cash flow from operations of $4.8 million in the quarter. Most of this cashflow came from a positive cashflow from changes in working capital of $3.9 million as we collected the receivables from our record 2023 revenue in the first quarter of 2024. Positive adjusted EBTIDA in the first quarter also generated positive cashflow from operations before working capital of $0.9 million. The Company does expect that this pattern will repeat going forward - we will use cashflow for working capital purposes as revenue ramps up for peak periods in the third and fourth quarters and we should see a corresponding increase in cash in the first quarter of the next year as we collect those receivables.

Seasonal business

As a specialty construction contractor, our business is subject to the seasonality of the overall construction industry in the markets that we operate in. In particular, winter and cold weather has a significant impact on the activities of our customers and, as a direct result, our revenue. Due to the challenges associated with cold weather, there is in general less construction activities that occur during the winter in Canada and the northern United States. The Company strategically uses these slower periods or downtimes due seasonality to perform repairs and maintenance on our equipment to help ensure that we are ready to go when our business hits its peak periods.

The first quarter tends to be our slowest quarter, followed by the second quarter, with the third quarter being our strongest and the fourth quarter generally being our second-best quarter. Over the last four years, we have averaged 17% of our revenue in the first quarter, 18% of our revenue in the second quarter, 40% of our revenue in the third quarter, and 25% of our revenue in the fourth quarter. The percentages can and do vary year to year depending on the location and mix of project types. Some of our projects or applications, such as tunnel grouting work, work on the west coast, or work in the southern US has less exposure to winter seasonality. We continue to strive to win more work and grow our business in these segments to reduce the impact of seasonality on our business.

Full year 2024 forecast

2024 is forecasted to be a strong year and is well supported by the backlog that the Company has in place and continues to add to. Our strong Q1 has given us a great head start on the year and has set us up for a successful 2024. Our sales teams continue to win projects because our operations teams continue to deliver projects on time, on quality, and on budget.

The Company continues to see a strong bid pipeline and be awarded new projects. The Company continues to win new work / projects. During the first quarter, the Company announced major contracts wins amounting to $12.9 million. The Company continues to see increased activity in its bid pipeline which bodes well for 2024 and beyond.

Summary financial review – first quarter

Revenues were a record $8.4 million for the first quarter of 2024, an increase of $1.2 million or 17%, compared to $7.2 million in the comparative period. Revenue every quarter is always determined based on the mix of projects. The first quarter revenue was higher than last year due to work completed related to a large tunnel backfill project and a large tunnel grouting project, both of which were impacted less by winter weather.

Gross margin was $2.6 million in the first quarter of 2024, compared to $0.7 million in the first quarter of 2023, an increase of $1.8 million. Gross margin (as a percentage of revenue) increased to 30% in the first quarter of 2024 compared to 10% in the comparative period. The increase in gross margin and gross margin percentage is due to the mix of projects and higher revenues offsetting fixed costs and stronger margins on projects delivered in the quarter.

Adjusted EBITDA was $1.0 million in the first quarter of 2024 compared to negative $0.7 million in the same period of 2022 which is an improvement of $1.7 million. Cash flow generated from operating activities (before changes in non-cash working capital) was $0.9 million in the first quarter of 2024, compared to negative $0.7 million in the same period of 2023.

Subsequent event – reduction in backlog

The Company announced on April 26, 2024 that it has removed approximately $17 million from its backlog due to an unusual reduction in scope related to a $32 million tunnel project win that was previously disclosed. The reduction in scope resulted from the tunnelling contractor using a smaller diameter tunnel boring machine than was originally intended and approved by the owner. The tunnel project is still going ahead later this year and will be a significant project for both 2024 and 2025. The reduction affects our backlog totals and primarily relates to backlog in the 2025 year. Management believes that it will not affect the Company's overall 2024 forecast, or the continued growth of our markets throughout North America.

(in 000's Canadian Dollars)

Operations and overall performance

Results of operations – first quarter

Comparison of the three months ended March 31, 2024, with the same period in 2023:

		2024		2023		Change
Revenue	$	**8,442**	$	7,182	$	1,260
Gross margin	$	**2,553**	$	746	$	1,807
Operating expenses		**(2,224)**		(1,922)		(302)
Operating income (loss)		**329**		(1,176)		1,505
Stock based compensation		**(38)**		(132)		94
Finance costs		**(78)**		(169)		91
Other income (expense)		**105**		(73)		178
Accretion costs		**-**		(110)		110
Fair value of derivatives		**-**		(21)		21
Income (loss) before income taxes		**318**		(1,681)		1,999
Provision of deferred taxes		**39**		12		27
Provision of current taxes		**(8)**		-		(8)
Income (loss) attributable to the common shareholder		**349**		(1,669)		2,018
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		**543**		(18)		561
Comprehensive income (loss)	$	**892**	$	(1,687)	$	2,579
Fully diluted gain (loss) per common share	$	**0.003**	$	(0.012)	$	0.015

Revenues were $8.4 million for the first quarter of 2024, an increase of $1.2 million or 17%, compared to $7.2 million in the first quarter of 2023. Revenue every quarter is always determined based on the mix of projects. The first quarter revenue was higher than last year due to work completed related to a large tunnel backfill project and a large tunnel grouting project both of which were impacted less by winter weather.

Gross margin was 2.6 million in the first quarter of 2024, compared to $0.7 million in the first quarter of 2023, an increase of $1.8 million. Gross margin percentage increased to 30% in the first quarter of 2024 compared to 10% in comparative period. The increase in gross margin and gross margin percentage is due to higher revenues offsetting fixed costs and stronger margins on projects delivered in the quarter compared to the first quarter of 2023.

Operating expenses ("SG&A") were $2.2 million in the first quarter of 2024 compared to $1.9 million in the same period in 2023, an increase of 16%. The increase in SG&A costs in the quarter was primarily due to an increase in salaries & wages, consulting costs, marketing costs, and investor relations costs.

(in 000's Canadian Dollars)

Stock-based compensation expense of $38 for the first quarter of 2024 compared to $132 during the first quarter of 2023. The reduction of $94 relates to the differences in amounts granted and vesting dates between the periods and the corresponding impacts on the recognition of stock-based compensation.

Finance costs were $78 in the first quarter of 2024 compared to $169 in the same period in 2023, a decrease of $91 or 54%. The decrease is attributable to finance costs related to the 2020 Convertible Debentures (repaid in April 2023), partially offset by a change in interest rates on our long-term debt with the Business Development Bank of Canada ("BDC").

Other income was $105 in the first quarter of 2024 compared to an expense of $73 in the first quarter of 2023. In the first quarter of 2024, other income mainly consisted of a foreign exchange gain of $71 and interest income of $35. For the same period in 2023, other expenses were mainly related to foreign exchange losses of $198, partially offset by interest income of $121.

Accretion costs were $nil in the first quarter of 2024 compared to $110 for the same period in 2023. Accretion expense is entirely related to the host debt contract of the convertible debentures that were repaid in mid April 2023. With the repayment of the convertible debentures the Company does not expect to have accretion expense going forward.

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 US dollar ("USD") functional currency and as the Canadian dollar strengthened relative to the USD, the value of these assets appreciated resulting in an unrealized foreign exchange gain of $543. In the first quarter of 2023, the Company recorded an unrealized foreign exchange loss of $18.

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. This seasonality is reflected in the quarterly results summarized in the table below:

Quarters ended	Revenue	Comprehensive income (loss)	Income (loss) per share[1] Basic	Diluted
2024 Year				
March 31	**$ 8,442**	**$ 892**	**$ 0.003**	**$ 0.003**
Total for year	**$ 8,442**	**$ 892**	**$ 0.003**	**$ 0.003**
2023 Year				
March 31	$ 7,182	$ (1,687)	$ (0.012)	$ (0.012)
June 30	6,185	(1,434)	(0.007)	(0.007)
September 30	20,375	2,319	0.014	0.013
December 31	19,553	1,452	0.015	0.015
Total for year	$ 53,295	$ 648	$ 0.009	$ 0.009

(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.

(in 000's Canadian Dollars)

Consolidated Statements of Financial Position

Comparison of the Financial position as of March 31, 2024, compared to December 31, 2023:

	2024	2023	Change
Current assets	$ **13,776**	$ 17,872	$ (4,096)
Non-current assets	**22,287**	21,407	880
Total assets	$ **36,063**	$ 39,279	$ (3,216)
Current liabilities	$ **3,605**	$ 8,315	$ (4,710)
Non-current liabilities	**2,805**	2,241	564
Total liabilities	$ **6,410**	$ 10,556	$ (4,146)
Shareholders' equity	$ **29,653**	$ 28,723	$ 930
Total liabilities and shareholders' equity	$ **36,063**	$ 39,279	$ (3,216)

Total current assets decreased by $4,096. This decrease in aggregate is summarized below:

- Cash increased by $4,589 (See the discussion in Consolidated Statement of Cash Flows).
- Trade and other receivables decreased by $8,376 as the Company collected on the record revenue generated in 2023 and the first quarter 2024. Accounts receivables increase during periods of higher revenue and then decline in periods of lower revenue as the amounts are collected.
- Inventory decreased by $163 as foaming agent was purchased in late December 2023 for use in the production of cellular concrete in first quarter of 2024.
- Prepaids, deposits, and short-term investments decreased by $146 due to the amortization of insurance premiums.

Total non-current assets increased by $880. This increase in aggregate is summarized below:

- Long-term investments increased by $77 due to accrued interest income and unrealized foreign exchange gain on our investment in Glavel.
- Property and equipment decreased by $85 due to depreciation expense of $350, partially offset by $212 foreign exchange gain on the translation of assets held by our foreign denominated subsidiaries and equipment additions of $53.
- Right of use assets under finance lease increased by $741 due to building and vehicle additions of $897 and $20 foreign exchange gain on the translation of assets held by our foreign denominated subsidiaries, offset by depreciation expense of $176.
- Goodwill and intangibles assets increased by $147 due to foreign exchange gain on the translation of assets held by our foreign denominated subsidiaries.

Total current liabilities decreased by $4,710. This decrease in aggregate is summarized below:

- Trade and other payables decreased by $4,891 as a result of Accounts Payables that increase during periods of higher revenue and then decline in future periods of lower revenue as the amounts are paid.
- Current portion of long-term debt increased by $22 due to changes in foreign exchange rate on the BDC USD denominated loans.
- Current portion of finance lease obligations increased by $155 due to changes in finance leases on buildings and vehicles.
- Current portion of earn-out liability increased by $4 due to a change in foreign exchange rate associated with the PIGCO earnout.

Total non-current liabilities increased by $564. This decrease in aggregate is summarized below:

- Long term debt increased $25 due to unrealized foreign exchange losses on the translation of foreign denominated debt.
- Finance lease obligations increased $562 due to $897 in building and vehicle additions and $20 foreign exchange losses on the translation of foreign denominated debt, offset by $200 in lease payments, and $155 increase in current portion of finance lease obligations.
- Deferred tax liability decreased by $23 primarily due $39 deferred tax expense, offset by $16 unrealized foreign exchange losses on the revaluation of the USD denominated balances.

Shareholders' Equity increased by $930. This increase in aggregate is summarized below:

- Contributed surplus increased by $38 due to amortization of stock-based compensation on options and restricted share units.
- Accumulated other comprehensive loss increased by $543 due to the unrealized foreign exchange gain on the translation of MOS, PIGCO and CEMATRIX (USA) Inc. as the USD appreciated versus the Canadian dollar.
- The Deficit decreased by $349 due to the net income attributable to common shareholders in the first quarter of 2024.

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

(in 000's Canadian Dollars)

Consolidated Statements of Cash Flows

Cash flow – first quarter

The cash position of the Company as at March 31, 2024, was $7,877 compared to a cash position of $3,288 as at December 31, 2023.

The change in cash in the first quarter of 2024 was an increase of $4,589 as compared to a decrease of $1,084 in the same period of 2023. This change is outlined in the table:

	2024	2023	Change
Cash generated (used) in operating activities			
Cash flow from operating activities	**$ 920**	$ (708)	$ 1,628
Net change in non-cash working capital items	**3,914**	470	3,444
	4,834	(238)	5,072
Cash used in investing activities	**(52)**	(561)	509
Cash used in financing activities	**(278)**	(273)	(5)
Foreign exchange effect on cash	**85**	(12)	97
Increase (decrease) in cash	**4,589**	(1,084)	5,673
Cash at beginning of period	**3,288**	10,682	(7,394)
Cash at end of period	**$ 7,877**	$ 9,598	$ (1,721)

Cash generated (used) in operating activities increased by $5,072 due to the following:

- Cash flow before non-cash working capital adjustments increased by $1,628 primarily due to: higher revenues and higher gross margins partially offset by higher SG&A costs.
- Net change in non-cash working capital items increased by $3,444, primarily due to the level of trade receivables versus trade payables generated in the respective periods and the timing of their collection and payment.

Cash used in investing activities decreased by $509 due to the following:

- Property and equipment additions decreased by $527 compared to the prior period.
- Proceeds from property and equipment dispositions decreased by $18 compared to the prior period.

Cash used in financing activities increased by $5 due to the following:

- Repayment of finance lease obligations increased $25 due to building and vehicle additions in prior period.
- Interest paid decreased by $20 due to repayment of the finance lease obligations and long-term debt, partially offset by rising interest rates and foreign denominated BDC loan payments.

Liquidity and capital resources

Liquidity

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

On March 31, 2024, the Company had cash balance of $7,877 versus $3,288 as at December 31, 2023. The Company's adjusted net working capital was $4,294 on March 31, 2024, compared to $8,088 on December 31, 2023. The change is primarily related to collecting receivables on work performed in the last part of 2023.

In February 2022 and amended May 2023, CEMATRIX entered into a financing arrangement with CIBC (the "Bank") which provides a $3,000 (originally $5,000) asset-based credit facility (the "Credit Facility"). The Credit Facility bears interest at an amount equal to 1.5% above the Bank's prime lending rate, which is at 7.20% as of March 31, 2024, and is secured by a general security agreement providing a first secured interest on the receivables and inventory of the Company. The Credit Facility is further guaranteed by the Company with a general security agreement providing a first secured interest on all present and after acquired property of the Company.

Under the terms of the amended Credit Facility, the Bank will advance up to $3,000 (originally $5,000) based on 75% of trade receivables less than ninety days outstanding at the end of each month and 50% of inventories. The calculated availability of the Credit Facility on March 31, 2024, was $3,000 of which $nil was outstanding ($nil – December 31, 2023). The actual availability of the credit facility is reduced by the value of letters of credit that are currently issued and outstanding on the facility. As of March 31, 2024, there were $404 in letters of credit outstanding ($865 – December 31, 2023).

The Credit Facility has three financial covenants that must be maintained on a consolidated basis (refer to Appendix C for detailed calculations). The three financial covenants are the current ratio, debt to EBITDA ratio, and debt service coverage ratio. The current ratio and debt to EBITDA ratios are tested quarterly and the debt service coverage ratio is tested annually. As at March 31, 2024, CEMATRIX was in compliance with all financial covenants.

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

The Company considers its liquidity position to be strong, due to the current cash in the bank, the expected continued generation of cash flow from profits, credit available through operating lines, our increased ability to borrow and go to markets to raise capital. The Company also expects to continue to be in compliance with our debt covenants for both the CIBC and BDC going forward.

Capital resources

The Company is currently well capitalized with a strong balance sheet. In addition, the Company was cashflow positive in the first quarter of 2024 and expects to be for the year 2024. As a result, the Company believes that it has sufficient capital resources currently. In the future, if the Company needs access to additional capital resources to fund a strategic priority such as an acquisition, additional equipment, or other initiative, 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 28 - Capital Management to the Annual Audited Consolidated Financial Statements, was $33,661 on March 31, 2024, as compared to $31,967 on December 31, 2023 (see section Consolidated Statements of Financial Position for details).

Off Balance Sheet arrangements

There were no off balance sheet arrangements on March 31, 2024.

Transactions with related parties

Two of the buildings that the Company operates out of are owned by entities that are owned or controlled by certain officers or consultants of the Company. During the three months ended March 31, 2024, the Company incurred costs of $109 (March 31, 2023 - $89) related to these rental leases. Lease obligations for the two buildings as at March 31, 2024, were in the amount of $437 (December 31, 2023 - $521).

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 Annual Audited Consolidated Financial Statements for the year ended December 31, 2023. There have been no changes since that date.

Changes in accounting policies including initial adoption

New accounting policies

There are no new standards issued but not yet effective as of January 1, 2024, that have a material impact to the Company's consolidated financial statements.

Future accounting pronouncements

The Company has reviewed new and revised standards and interpretations that have been approved by the IASB. There have been no new standards or interpretations issued during 2024 that significantly impact the Company.

Financial instruments

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

Other financial liabilities

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

Equity instruments

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

Fair values of non-derivative financial instruments

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

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

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

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

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

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

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

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

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

Risk management

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

(in 000's Canadian Dollars)

Interest rate risk

The BDC financing loans, which totaled $1,976 on March 31, 2024, are subject to floating market rates. Based on the floating rate debt outstanding, a 1% increase/decrease in interest rates would result in an increase/decrease in net loss attributable to common shareholders of approximately $20 excluding the effect of income taxes.

Credit risk

The Company is responsible for reviewing the credit risk for each customer before standard payment and delivery terms and conditions are offered. The Company review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before the Company extends credit. The Company monitors its trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk.

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

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

Liquidity risk

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

The table below summarizes the maturity profile of the Corporation's financial liabilities at March 31, 2024, and December 31, 2023, based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at March 31, 2024				
Trade and other payables	**$ 1,605**	**$ -**	**$ -**	**$ 1,605**
Earnout liability	**179**	**-**	**-**	**179**
Long-term debt	**937**	**937**	**102**	**1,976**
Lease obligations	**1,031**	**869**	**463**	**2,363**
	$ 3,752	**$ 1,806**	**$ 565**	**$ 6,123**
As at December 31, 2023				
Trade and other payables	$ 6,496	$ -	$ -	$ 6,496
Long-term debt	915	915	99	1,929
Lease obligations	816	569	69	1,454
Earnout liability	175	-	-	175
	$ 8,402	$ 1,484	$ 168	$ 10,054

Foreign exchange risk

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

As at March 31, 2024, and December 31, 2023, the following balances were denominated in USD:

(in 000's US Dollars)	**2024**	2023
Assets		
Cash and cash equivalents	**$ 2,239**	$ 1,347
Trade and other receivables	**2,065**	6,889
Prepaid expenses and deposits	**58**	96
Long-term investments	**1,944**	1,921
Liabilities		
Trade and other payables	**(402)**	(3,190)
Long term debt	**(933)**	(933)
Lease obligations	**(642)**	(574)
Earnout Liability	**(132)**	(132)

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, 2024, a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net income of approximately CAD $57 excluding the effect of income taxes.

Disclosure of outstanding share data

As at March 31, 2024, and May 8, 2024, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	**Outstanding as at March 31, 2024**	**Outstanding as at May 8, 2024**
Voting or equity securities issued and outstanding	Unlimited Common Shares	135,279,048 Common Shares	135,759,486 Common Shares
Securities convertible or exercisable into voting or equity securities – stock options	Incentive equity plans up to 10% of outstanding Common Shares	Stock options to acquire 4,716,667 Common Shares at an exercise price at between $0.185 - $0.59	Stock options to acquire 5,803,334 Common Shares at an exercise price at between $0.185 - $0.59
Securities convertible or exercisable into voting or equity securities – Restricted Stock Units ("RSU's")	Incentive equity plans up to 10% of outstanding Common Shares	RSU's to acquire 150,887 Common Shares	RSU's to acquire 1,364,389 Common Shares

Outlook

Management's outlook continues to remain very positive going into 2024 and beyond. A strong first quarter has created a great head start for the year and has extended the string of record profitable quarters to three.

In the 2023 we saw revenue growth coupled with improving gross margins that enable the Company to deliver a record year. As such 2024 will continue to be a strong year and is well supported by the backlog that the Company has in place and continues to add to. The Company expects 2024 to continue the trend of revenue growth, strong gross margins, positive adjusted EBITDA and positive cashflow from operations. We will continue to experience inflationary pressure on salaries and wages as they need to be increased to offset inflation in prior periods in order to retain and attract employees. For the most part, the company expects to be able to pass these increases onto its customers and to continue to strengthen margins.

Market awareness and acceptance for cellular concrete in our targeted market applications continues to grow. Our investments in sales and sales support resources continues to drive results. Our sales teams continue to excel at finding and winning more projects.

Over the last three years, the Company has made significant improvements to its balance sheet and capital structure. This was achieved during a period of time that was a very difficult market for microcap stocks. The Company undertook these steps to prepare for continued growth and expansion. We anticipate that the microcap market and our stock price will continue to improve over time because we expect to continue to execute on our strategy and produce strong financial results. Strong financial results coupled with our balance sheet and an improved share price will enable CEMATRIX to pursue other growth opportunities in the near future.

The acquisitions we completed in the past have established CEMATRIX as the clear leader in its industry. For 2024, the Company will continue to be focused on the execution of its strategic plan. That plan is to focus on execution of our backlog and new sales as they are generated and this includes continued regional expansion, particularly in the US where the cellular concrete market continues to experience strong growth. The Company will continue to identify and evaluate potential acquisition targets including other cellular concrete applicators, specialty suppliers and/or other complimentary companies provided that they add value to CEMATRIX and its shareholders. We are ready and able to capitalize on the right opportunity should it arise because of our strong balance sheet and clean capital structure.

In summary, the company's financial sustainability remains strong. The Company has a strong balance sheet, great lending partners and a strong shareholder backing. The Company continues to demonstrate strong organic growth and we continue to invest in sales and sales support resources to grow our business. Our operations teams continue to execute in the field for our customers as we deliver on time, on quality and on budget. We just delivered the best year in the history of the Company. We expect to do it again in 2024. We remain committed to our strategy and expect to see more of our efforts come to fruition in the remainder into 2024, and beyond.

Appendix A – Forward looking statements

The forward-looking statements in the MD&A for the three months ended March 31, 2024, 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 2024; sales forecasts include work which is under contract or Verbally Awarded for 2024, 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 sales to materialize, because of project delays or cancellations or because CEMATRIX's cellular concrete is not specified into projects, management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect, and product acceptance in new markets takes longer than anticipated resulting in reduced sales.

Appendix B – Non-IFRS measures

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

Sales pipeline

The Company's sales pipeline is defined as the total forecasted dollar amount of those future projects that CEMATRIX has been contracted by engineering firms, or owners, or contractors for design assistance (which could include thermal modelling), a quote, or both. The sales pipeline does not include the dollar value of contracted sales; or the dollar value of sales, where volumes have not been determined by the designers; or the dollar value of sales that have been lost for various reasons, including that the proposed project has been cancelled, lost to an alternative product or lost to a competitor. The sales pipeline is updated when changes in the status of a project become 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 US.

Backlog and contracts in process

Backlog is the sum of all contracts awarded and all contracts in process. Contracts in Process are defined as projects where the related contract is in office for review or signature; or signed and returned to the client for their signature; or is in the post award project submission process; or is awarded by letter of intent; or is awarded by some other form of written communication.

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.

(in 000's Canadian Dollars)

Adjusted net working capital on March 31, 2024, and December 31, 2023, were as follows:

		2024		2023
Current assets	$	**13,776**	$	17,872
Current liabilities		**(3,605)**		(8,315)
Net working capital		**10,171**		9,557
Adjustments				
Cash and cash equivalents		**(7,877)**		(3,288)
Current portion of long-term debt		**937**		915
Current portion of lease obligations		**884**		729
Adjusted net working capital	$	**4,294**	$	8,088

EBITDA

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

Adjusted EBITDA

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

Adjusted EBITDA for the three months ended March 31, 2024, and 2023 were as follows:

	Three months ended March 31			
		2024		2023
Net income (loss)	**$**	**349**	$	(1,669)
Finance costs		**78**		169
Depreciation and amortization		**527**		556
Provision of deferred / current taxes		**(31)**		(12)
EBITDA		**923**		(956)
Unrealized foreign exchange (gain)		**(1)**		6
Accretion costs		**-**		110
Revaluation of derivatives		**-**		21
Stock based compensation		**38**		132
Adjusted EBITDA	**$**	**960**	$	(687)

(in 000's Canadian Dollars)

Appendix C – Covenant calculations

		As at March 31, 2024
CIBC covenants		
Current ratio		
Formula: Current assets / adjusted current liabilities		
Current assets	$	13,776
Current liabilities		3,605
Current ratio		**3.82**
Covenant tested quarterly, not less than		**1.25**
		Covenant Met
Debt to EBITDA ratio		
Formula: adjusted debt / EBITDA		
Adjusted debt		
Current portion – long term debt	$	937
Long term debt		1,039
Adjusted long term debt		1,976
Adjusted EBITDA (rolling 12-months)		6,566
Debt to EBITDA ratio		**0.30**
Covenant tested quarterly, not to exceed 3x		**3.00**
		Covenant Met