CEMATRIX™

Lightweight Fill Solutions

CEMATRIX CORPORATION

Interim Condensed Consolidated Financial Statements

for the three month periods ended

March 31, 2024, and 2023

(unaudited)

(in 000's Canadian dollars)

To the Shareholders:

CEMATRIX CORPORATION

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

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

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

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

May 8, 2024

Signed "Marie-Josée Cantin"
Marie-Josée Cantin CPA, CGA, CTP
Chief Financial Officer

CEMATRIX CORPORATION
Condensed Consolidated Statements of Financial Position
As at March 31, 2024 (unaudited), and December 31, 2023 (audited)
(in 000's Canadian Dollars)

ASSETS		**2024**		2023
Current Assets				
Cash	**$**	**7,877**	$	3,288
Trade and other receivables *(note 5)*		**4,489**		12,865
Inventory *(note 6)*		**876**		1,039
Other current assets (*note 7*)		**534**		680
		13,776		17,872
Non-Current Assets				
Long-term investments		**2,418**		2,341
Property and equipment		**11,586**		11,671
Right of use assets		**2,133**		1,392
Goodwill and intangibles		**6,150**		6,003
		22,287		21,407
Total Assets	**$**	**36,063**	$	39,279
LIABILITIES and EQUITY				
Current Liabilities				
Trade and other payables *(note 9)*	**$**	**1,605**	$	6,496
Current portion of long-term debt *(note 10)*		**937**		915
Current portion of lease obligations *(note 11)*		**884**		729
Current portion of earnout liability		**179**		175
		3,605		8,315
Non-Current Liabilities				
Long-term debt *(note 10)*		**1,039**		1,014
Lease obligations *(note 11)*		**1,148**		586
Deferred tax liability		**618**		641
		2,805		2,241
Total Liabilities		**6,410**		10,556
SHAREHOLDERS' EQUITY				
Share capital *(note 12*)		**42,641**		42,641
Contributed surplus		**8,276**		8,238
Accumulated other comprehensive income (loss)		**519**		(24)
Deficit		**(21,783)**		(22,132)
Total Shareholders' Equity		**29,653**		28,723
Total Liabilities and Shareholders' Equity	**$**	**36,063**	$	39,279

Approved on behalf of the Board

Signed "Jeffrey Kendrick" **Director**

Signed "Steve Bjornson" **Director**

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

Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three months ended March 31, 2024, and 2023 (unaudited)
(in 000's Canadian Dollars, except per share and share data)

		2024		2023
Revenue *(note 21)*	$	**8,442**	$	7,182
Cost of sales *(note 13)*		**(5,889)**		(6,436)
Gross margin		**2,553**		746
Operating expenses				
Selling, general and administrative		**(2,224)**		(1,922)
Operating income (loss)		**329**		(1,176)
Stock-based compensation *(note 17)*		**(38)**		(132)
Finance costs *(note 14)*		**(78)**		(169)
Accretion costs *(note 14)*		**-**		(110)
Other income (expenses) *(note 15)*		**105**		(73)
Fair value adjustment of derivatives		**-**		(21)
Income (loss) before income taxes		**318**		(1,681)
Provision for deferred taxes		**39**		12
Provision for current taxes		**(8)**		-
Income (loss) attributable to the common shareholders		**349**		(1,669)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		**543**		(18)
Comprehensive income (loss) for the period	$	**892**	$	(1,687)
Earnings (loss) per common share *(note 16)*				
Basic	$	**0.003**	$	(0.012)
Diluted		**0.003**		(0.012)
Weighted average number of common shares *(note 16)*				
Basic		**135,279,048**		133,994,222
Diluted		**137,996,601**		133,994,222

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

CEMATRIX CORPORATION

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2024, and 2023 (unaudited)
(in 000's Canadian Dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Convertible Debt	Deficit	Total Shareholders' Equity
Balance at December 31, 2022	$ 42,404	$ 7,611	$ 563	$ 532	$ (23,368)	$ 27,742
Common shares issued *(note 12)*	3	-	-	-	-	3
Reclassification of contributed surplus *(note 12)*	234	(234)	-	-	-	-
Stock-based compensation *(note 17)*	-	329	-	-	-	329
Warrant expiration	-	532	-	(532)	-	-
Net income attributable to common shareholders	-	-	-	-	1,235	1,235
Unrealized foreign exchange loss on translation of foreign subsidiaries	-	-	(587)	-	-	(587)
Balance at December 31, 2023	**$ 42,641**	**$ 8,238**	**$ (24)**	**$ -**	**$ (22,132)**	**$ 28,723**
Stock-based compensation *(note 17)*	-	**38**	**-**	-	**-**	**38**
Net income attributable to common shareholders	-	**-**	**-**	-	**349**	**349**
Unrealized foreign exchange loss on translation of foreign subsidiaries	**-**	**-**	**543**	**-**	**-**	**543**
Balance at March 31, 2024	**$ 42,641**	**$ 8,276**	**$ 519**	**$ -**	**$ (21,783)**	**$ 29,653**

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

Condensed Consolidated Statements of Cash Flows

For the three months ended March 31, 2024, and 2023 (unaudited)
(in 000's Canadian Dollars)

		2024		2023
Cash generated from (used in):				
Operating activities				
Net income (loss) attributable to common shareholders	**$**	**349**	$	(1,669)
Add (deduct) non-cash items				
Provision for deferred taxes		**(39)**		(13)
Depreciation and amortization		**527**		556
Finance and accretion costs (*note 14)*		**78**		279
(Gain) on sale of equipment		**(1)**		(4)
Stock-based compensation *(note 17)*		**38**		132
Unrealized foreign exchange loss (gain)		**(3)**		7
Non-cash interest income		**(29)**		(17)
Fair value adjustment of derivatives		**-**		21
		920		(708)
Net change in non-cash working capital items *(note 18)*		**3,914**		470
Cash generated from (used in) operating activities		**4,834**		(238)
Investing activities				
Purchase of property and equipment		**(53)**		(580)
Proceeds on sale of property and equipment		**1**		19
Cash used in investing activities		**(52)**		(561)
Financing activities				
Repayment of finance lease obligations *(note 11)*		**(200)**		(175)
Interest paid		**(78)**		(98)
Cash used in from financing activities		**(278)**		(273)
Foreign exchange effect on cash		**85**		(12)
Increase (decrease) in cash		**4,589**		(1,084)
Cash beginning of period		**3,288**		10,682
Cash end of period	**$**	**7,877**	$	9,598

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

1. Corporate information

CEMATRIX Corporation ("CEMATRIX" or the "Company") is a limited company incorporated in the province of Alberta, Canada whose common shares are publicly traded in Canada on the TSX Venture Exchange under the symbol "CVX.V" and in the United States on the OTCQB under the symbol "CTXXF". The Company is domiciled in Canada with its registered office at 9727 – 40th Street S.E., Calgary, Alberta, Canada.

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

The condensed consolidated financial statements of the Company for the three months ended March 31, 2024, were authorized for issue in accordance with a resolution of the Board of Directors on May 8, 2024.

2. Basis of preparation

Statement of compliance

These condensed consolidated financial statements for the three months ended March 31, 2024, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretation Committee ("IFRIC").

Basis of measurement and going concern

These condensed consolidated financial statements were prepared on a going concern basis under the historical cost convention except for share-based payment transactions and certain financial instruments which are measured at fair value. Unless otherwise stated, all amounts presented in these financial statements are stated in thousands of Canadian dollars.

Functional and presentation currency

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

3. Accounting judgements, estimates and assumptions

The preparation of condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Judgements, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2023. There have been no changes since that date.

4. Material accounting policies

The material accounting policies of the Company are outlined in Note 4 of the audited consolidated financial statements for the year ended December 31, 2023. There have been no changes since that date.

(in 000's Canadian Dollars)

5. Trade and other receivables

Trade and other receivables consist of the following components as at March 31, 2024, and December 31, 2023:

		2024		2023
Trade receivables	**$**	**2,292**	$	10,802
Holdbacks		**2,232**		2,053
Other receivables		**10**		54
Expected Credit Loss		**(45)**		(44)
	$	**4,489**	$	12,865

Trade receivables and holdbacks are unsecured and non-interest bearing and are generally on varying terms from net 30 to net 90 or paid when paid and are usually subject to standard ten percent construction holdback on most sales over $100.

Holdbacks are generally collectible forty-five days after completion of the work performed by the Company. Holdbacks can be outstanding much longer if the holdback release is tied to the completion of the entire project by the general contractor or a warranty period. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more.

The aging of the trade receivables were as follows as at March 31, 2024, and December 31, 2023:

		2024		2023
1-30 days	**$**	**1,305**	$	3,029
31-60 days		**830**		3,283
61-90 days		**122**		3,729
Greater than 90 days		**35**		761
	$	**2,292**	$	10,802

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

6. Inventory

Inventory consists of raw materials (foaming agent) which was $876 at March 31, 2024 (December 31, 2023 - $1,039). Inventory expensed as part of cost of sales was $286 and $193 for the three months ended March 31, 2024, and 2023, respectively.

(in 000's Canadian Dollars)

7. Other current assets

As at March 31, 2024, other current assets of $534 (December 31, 2023 - $680) are comprised of prepaids and deposits of $318 (December 31, 2023 - $479) and current portion of long-term investment of $216 (December 31, 2023 - $201).

8. Bank operating loan

In February 2022 and amended May 2023, CEMATRIX entered into a financing arrangement with the Canadian Imperial Bank of Commerce (the "Bank" or "CIBC") 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 contains three financial covenants. 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 three financial covenants.

9. Trade and other payables

Trade and other payables consist of the following components as at March 31, 2024, and December 31, 2023:

		2024		2023
Trade payables	**$**	**597**	$	4,323
Accrued interest		**17**		17
Other accruals		**584**		1,771
Payroll remittance and goods and services tax		**407**		385
	$	**1,605**	$	6,496

(in 000's Canadian Dollars)

10. Long-term debt

Long-term debt consists of the following components as at March 31, 2024, and December 31, 2023:

	Maturity	Interest rate		**2024**		2023
BDC financing						
Loan 4	August 1, 2026	Floating	**$**	**711**	$	694
Loan 5	December 1, 2025	Floating		**1,265**		1,235
				1,976		1,929
Less current portion				**(937)**		(915)
			$	**1,039**	$	1,014

Reconciliation of long-term debt

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

		2024		2023
Long-term debt, beginning of period	**$**	**1,929**	$	2,912
Repayment of long-term debt		**-**		(933)
		1,929		1,979
Effect of unrealized foreign exchange loss (gain) on income		**17**		(17)
Effect of unrealized foreign exchange loss (gain) on translation		**30**		(33)
Long-term debt, end of period	**$**	**1,976**	$	1,929

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

Loan 4 – In May 2018 the Company entered into an agreement with the BDC for a loan of $1,800 USD to fund a portion of the purchase price of the MOS acquisition. The interest, which is currently 11.5% and is payable monthly, is set at 1.60% above the BDC floating USD base rate of 9.9%. The loan is repayable over eight years, with seasonal payments of principal required. Payments of principal of $38 USD were required from September to December 2018. Payments of principal of $38 USD are required from July to December for the years 2019 to 2025 and from July to August 2026.

Loan 5 – In October 2019, the Company's wholly-owned subsidiary, CEMATRIX (USA) Inc. entered into an agreement with the BDC for a loan of $2,800 USD to fund the purchase price of the PIGCO acquisition. The interest, which is currently 11.5% and is payable monthly, is set a 1.60% above the BDC floating USD base rate of 9.9%. The loan is repayable over six years, with seasonal payments of principal required. A principal repayment of $78 USD is required from July to December from years 2020 to 2025.

Loans 4 and 5 may be prepaid, on each anniversary date, up to 15% of the then outstanding principal amount but if not used the prepayment privilege for that anniversary date ceases. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable. The prepayment option is considered to be an embedded derivative with a fair value, which is nominal in nature as at March 31, 2024.

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

The BDC Financing Loan 4 and Loan 5 have a consolidated fixed charge coverage ratio financial covenant which is tested annually. At December 31, 2023, the Company was in compliance with this covenant.

11. Lease obligation

Lease obligations consist of the following components as at March 31, 2024, and December 31, 2023:

		2024		2023
Lease obligations, beginning of period	**$**	**1,315**	$	1,164
Additions		**897**		970
Lease payments (including interest)		**(227)**		(878)
Interest expense *(note 14)*		**28**		81
Foreign exchange		**19**		(22)
Lease obligations, end of period		**2,032**		1,315
Less current portion		**(884)**		(729)
Lease obligations - non-Current	**$**	**1,148**	$	586

The Company's lease obligations mainly relate to real property leases that are utilized within our operations. The Company has also entered into leases pertaining to various pieces of operating equipment including trucks and trailers. Leases are entered into and terminated when they meet specific business requirements.

12. Share capital

A) Common shares authorized

Unlimited number of no-par value voting common shares.

Preferred shares – to be issued in series as authorized by the Board of Directors.

B) Common shares issued

The following table summarizes the changes in the issued common shares of the Company for the three months ended March 31, 2024, and year ended December 31, 2023:

	2024			2023		
	Number of Shares		Amount ($000's)	Number of Shares		Amount ($000's)
Common shares, January 1	**135,279,048**	**$**	**42,641**	133,948,710	$	42,404
Exercise of options & RSUs *(note 17)*	**-**		**-**	1,330,338		237
Common shares, end of period	**135,279,048**	**$**	**42,641**	135,279,048	$	42,641

(in 000's Canadian Dollars)

13. Cost of sales

Cost of sales consists of the following components for the three months ended March 31, 2024, and 2023:

		2024		2023
Manufacture of cellular concrete:				
Materials	**$**	**3,155**	$	3,882
Direct labour		**1,492**		1,227
Variable and fixed overhead		**813**		856
Depreciation		**429**		471
	$	**5,889**	$	6,436

14. Finance costs

The finance costs incurred for the three months ended March 31, 2024, and 2023:

		2024		2023
Interest				
BDC financings *(note 10)*	**$**	**56**	$	75
Lease obligations *(note 11)*		**28**		24
Other		**(6)**		-
Convertible debt		**-**		70
	$	**78**	$	169

The accretion costs incurred for the three months ended March 31, 2024, and 2023:

		2024		2023
Accretion – convertible debt	**$**	**-**	$	110
	$	**-**	$	110

15. Other income (expenses)

Other income (expenses) for the three months ended March 31, 2024, and 2023:

		2024		2023
Interest income	**$**	**35**	$	121
Foreign exchange gain (loss)		**71**		(198)
Gain on sale of equipment		**1**		4
Other		**(2)**		-
	$	**105**	$	(73)

(in 000's Canadian Dollars)

16. Earnings (loss) per common share

Earnings (loss) per common share for the three months ended March 31, 2024, and 2023:

		2024		2023
Earnings (loss) per common share				
Basic	**$**	**0.003**	$	(0.012)
Diluted	**$**	**0.003**	$	(0.012)

The number of common shares included in the computation of basic and diluted loss per common share for the three months ended March 31, 2024, and 2023:

	2024	2023
Weighted average common shares outstanding - basic	**135,279,048**	133,994,222
Effect of dilutive instruments	**2,717,553**	-
Weighted average common shares outstanding - diluted	**137,996,601**	133,994,222

The dilutive securities for the three months ended March 31, 2023, have no dilutive effect as the Company incurred losses in the period.

17. Stock-based compensation

A) Stock option grants

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

The following table summarizes the changes in options for the three months ended March 31, 2024, and year ended December 31, 2023:

	2024		2023	
	Number of Options	**Weighted average price**	Number of Options	Weighted average price
Outstanding, beginning of period	**4,716,667**	**$0.321**	4,465,000	$0.336
Granted	**-**	**$-**	750,000	$0.185
Exercised	**-**	**$-**	(13,333)	$0.250
Expired	**-**	**$-**	(305,000)	$0.200
Forfeited	**-**	**$-**	(180,000)	$0.343
Outstanding, end of period	**4,716,667**	**$0.321**	4,716,667	$0.321
Exercisable, end of period	**2,721,659**	**$0.361**	2,721,659	$0.267

(in 000's Canadian Dollars)

The following table summarizes the stock options to acquire common shares outstanding as at March 31, 2024:

Range of exercise prices	Options outstanding	Options exercisable	Weighted average remaining life (years)	Weighted average exercise price – options outstanding	Weighted average exercise price – options exercisable
$0.18 - $0.22	**1,375,000**	**450,000**	**1.42**	**0.19**	**0.20**
$0.23 - $0.39	**1,956,667**	**1,198,329**	**0.68**	**0.30**	**0.30**
$0.40 - $0.59	**1,385,000**	**1,073,330**	**1.54**	**0.48**	**0.50**
$0.18 - $0.59	**4,716,667**	**2,721,659**	**1.34**	**0.32**	**0.36**

The following table summarizes the stock options to acquire common shares outstanding as at December 31, 2023:

Range of exercise prices	Options outstanding	Options exercisable	Weighted average remaining life (years)	Weighted average exercise price – options outstanding	Weighted average exercise price – options exercisable
$0.18 - $0.22	1,375,000	450,000	1.63	0.19	0.20
$0.23 - $0.39	1,956,667	1,198,329	0.80	0.30	0.30
$0.40 - $0.59	1,385,000	1,073,330	1.72	0.48	0.50
$0.18 - $0.59	4,716,667	2,721,659	1.53	0.32	0.36

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

	2023
Estimated fair value per option	$0.122
Weighted average common share price	$0.185
Risk-free interest rate	3.63%
Expected life	5 years
Expected volatility in stock price	79%
Expected annual dividend yield	nil
Estimated forfeiture rate	5%

(in 000's Canadian Dollars)

B) Restricted share unit grants

The Company has an Omnibus Equity Incentive Plan ("OEI Plan") for the issue of up to 10% of the issued and outstanding common shares of the Company. Restricted Share Units ("RSU's") are part of the OEI Plan. Subject to the specific provisions of the RSU plan, eligibility, vesting period, terms of the RSU's and the number of RSU's granted are to be determined by the Board of Directors at the time of the grant. The purpose of the RSU grants is to reward and retain directors, management, and consultants important to the continued operation and growth of the Company.

The following table summarizes the changes in the Company's outstanding RSU's for the three months ended March 31, 2024, and year ended December 31, 2023:

(Number of RSU's)	**2024**	2023
Outstanding, beginning of period	**150,887**	980,695
Granted	**-**	513,513
Forfeited	**-**	(26,316)
Exercised *(note 12)*	**-**	(1,317,005)
Outstanding, end of period	**150,887**	150,887

The fair value of each RSU granted was determined by using the company's share price on the grant date. The estimated fair value of the RSU's granted is being recognized as an expense over the vesting period of the RSU's.

C) Stock-based compensation

Stock-based compensation for the three months ended March 31, 2024, of $38 (2023 - $132) was recognized in the consolidated statement of income (loss) and comprehensive income (loss) with an offsetting amount charged to contributed surplus. Stock-based compensation has no current period impact on the Company's cash position.

18. Change in non-cash working capital

The changes in non-cash working capital items - asset (increases) decreases and liability increases (decreases) - are outlined below for the three months ended March 31, 2024, and 2023:

		2024		2023
Trade and other receivables	**$**	**8,547**	$	1,553
Inventory		**172**		26
Prepaid expenses and deposits		**164**		109
Trade and other payables		**(4,969)**		(1,218)
	$	**3,914**	$	470

19. Financial instruments and risk management

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

Fair value of non-derivative financial instruments

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, bank 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.

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 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.

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

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

Risk management

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

(a) Interest rate risk

The BDC Financings, 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.

(b) Credit risk

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

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

(in 000's Canadian Dollars)

Financial instruments that subject the Company to credit risk consist primarily of cash and trade receivables. The Company's cash is held with large established financial institutions. The Company manages credit risk using credit approval and monitoring practices. Management is not materially concerned about the credit quality and collectability of accounts receivables, as our customers are predominantly large in scale and of high creditworthiness, and the concentration of credit risk is limited as our largest customers change year to year depending on which projects are being completed. At March 31, 2024, the Company had $7,877 of cash (December 31, 2023 - $3,288).

(c) Liquidity risk

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

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 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
Earnout liability	175	-	-	175
Long-term debt	915	915	99	1,929
Lease obligations	816	569	69	1,454
	$ 8,402	$ 1,484	$ 168	$ 10,054

(d) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to balances denominated in USD and the operations of its U.S. subsidiaries which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain. However, the management manages and mitigates foreign exchange risk by monitoring exchange rate trends and forecasted economic conditions.

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

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

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.

20. Capital management

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

The Company's current objective when managing capital is to increase the Company's capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the period ended March 31, 2024. The Company is subject to externally imposed financial covenants with its CIBC Credit Facility and long-term debt BDC loans.

The total capitalization as at March 31, 2024, and December 31, 2023, is outlined below:

		2024		2023
Long term debt *(note 10)*	**$**	**1,976**	$	1,929
Lease obligations *(note 11)*		**2,032**		1,315
Total debt		**4,008**		3,244
Shareholders' equity		**29,653**		28,723
	$	**33,661**	$	31,967

(in 000's Canadian Dollars)

21. Geographical segmented information

The Company has one operating segment, and its primary business is the supply and placement of cellular concrete. It currently markets its services in Canada and the U.S. The tables below, present the sales to external customers for the three months ended March 31, 2024, and 2023; and the total non-current assets attributable to the Company's geographical segments as at March 31, 2024, and December 31, 2023:

		2024		2023
Sales to external customers				
Canada	**$**	**3,089**	$	3,902
U.S.		**5,353**		3,280
	$	**8,442**	$	7,182

		2024		2023
Total non-current assets				
Canada	**$**	**4,077**	$	3,521
U.S.		**18,210**		17,886
	$	**22,287**	$	21,407