

**CEMATRIX™**

*Lightweight Fill Solutions*

**Q2 2024**

**CEMATRIX Corporation**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

for the three and six month periods ended  
June 30, 2024, and 2023

## Management's Discussion and Analysis

### Table of Contents

Forward looking statement.....	3
Purpose of the Company's MD&A.....	3
Highlights.....	4
Operations and overall performance .....	7
Outlook.....	11
Selected financial information and summary of financial results.....	12
Consolidated Statements of Financial Position .....	13
Consolidated Statement of Cash Flows.....	15
Liquidity and capital resources .....	17
Off Balance Sheet arrangements .....	18
Transactions with related parties .....	18
Critical accounting judgments, estimates and assumptions.....	18
Changes in accounting policies including initial adoption .....	19
Financial instruments .....	19
Disclosure of outstanding share data .....	22
Appendix A – Forward looking statements.....	23
Appendix B – Non-IFRS measures .....	23
Appendix C – Covenant calculations .....	25

*The following is the Management's Discussion and Analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three and six months ended June 30, 2024. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 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](http://www.sedarplus.com). CEMATRIX is listed on the TSX Exchange under the trading symbol "CEMX" (prior to July 16, 2024, the company was listed under 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 and six months ended June 30, 2024. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on August 7, 2024.

## Forward looking statement

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 and six months ended June 30, 2024, the Company’s financial condition as at June 30, 2024, and its future prospects.

## Highlights

### Solid Q2 revenue

The second quarter is the start of construction season in many of the key markets that the Company operates as winter ends and the weather warms. Revenue was slightly higher in the second quarter of 2024 compared to 2023. When combined with the record first quarter revenue; the Company posted record revenue for the first two quarters ended June 30, 2024.

Second quarter revenue was \$6.4 million versus \$6.2 million in the same quarter last year, which represents a 3% increase. The Company's financial metrics were also consistent in the second quarter as compared to 2023. These metrics included revenue, gross margins, gross margins percentage, operating income, adjusted EBITDA, and cashflow.

### Gross margins

There are two primary drivers of gross margins. Project margins on direct costs and fixed indirect costs. Strong estimating at time of bid plus successful execution in the field delivers good project margins. Project margins must cover all of our indirect costs in addition to the Company's SG&A expenses.

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.

### 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 16% of our revenue in the first quarter, 18% of our revenue in the second quarter, 38% of our revenue in the third quarter, and 28% 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.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**  
(in thousands of Canadian dollars, except per share amounts)

---

### **Full year 2024 forecast**

2024 is forecasted to be a solid year and is well supported by the backlog that the Company has in place and continues to add to. Our strong Q1 and consistent Q2 has given us a good head start on the year and has set us up for a successful 2024. Our sales teams repeatedly win projects; supported by our operations teams consistently delivering on time, on quality, and on budget.

The Company continues to see a strong bid pipeline and be awarded new projects. During the second quarter, the Company announced major contracts wins amounting to \$13.2 million. The Company continues to see increased activity in its bid pipeline which bodes well for 2024 and beyond.

### **Glavel loans conversion**

In the second quarter, the Company converted its two outstanding loans to Glavel plus the associated accrued interest into preferred shares of Glavel. The conversion was done as part of a larger refinancing being completed by Glavel. The value of the principal and accrued interest was \$0.9 million USD which was converted into 2,690,884 preferred shares of Glavel. The Company's investment in Glavel remains classified as a long-term asset on our balance sheet.

### **Summary financial review – second quarter**

Revenue was \$6.4 million for the second quarter of 2024, a marginal increase of \$0.2 million or 3%, compared to \$6.2 million in 2023.

Gross margin was \$1.1 million in the second quarter of 2024, similar to the \$1.1 million in the second quarter of 2023. Gross margin (as a percentage of revenue) decreased to 17% in the second quarter of 2024 compared to 18% in the comparative period. The decrease in gross margin percentage is partially due to the supply chain delays in the delivery of product on a large project.

Adjusted EBITDA was negative \$0.5 million in the second quarter of 2024 compared to negative \$0.4 million in the same period of 2023 a decrease of \$0.1 million. Cash flow used in operating activities was \$1.1 million in the second quarter of 2024, an improvement of \$0.5 million compared to cash flow used of \$1.6 million in the same period of 2023.

### **Summary financial review – year to date**

Revenue was a record of \$14.9 million in the first six months of 2024, an increase of \$1.5 million or 11% compared to 2023. The increase in revenue was mainly due to the record revenue achieved in the first quarter of 2024.

Gross margin and gross margin percentage were \$3.6 million and 24% respectively for 2024, compared to \$1.9 million or 14% in 2023, an increase of \$1.7 million. The change in the gross margins was due to higher revenues generating increased projects margins to offset fixed costs and higher margins on projects in 2024 compared to margins on projects in 2023.

Adjusted EBITDA in the first six months of 2024 was \$0.5 million, compared to negative \$1.1 million in the same period in 2023, an improvement of \$1.6 million, mainly due to higher revenues and higher gross margins.

Cash generated in operating activities of \$3.8 million in the first six months of 2024, an improvement of \$5.7 million compared to cash used in operating activities of \$1.9 million in the same period in 2023.

### **Subsequent event - TSX uplisting**

On July 16, 2024, the Company transitioned to the Toronto Stock Exchange ("TSX") from the TSX Venture Exchange ("TSXV"). Concurrent with the transition, the Company's ticker symbol changed to CEMX. On the market open, the Company's common shares cease traded on the TSXV and began trading on the TSX.

### **Subsequent event - private placement**

On July 29, 2024, the Company announced that it closed its "bought deal" private placement. The Company entered into an underwriting agreement (the "Underwriting Agreement") with a syndicate of underwriters (the "Underwriters"), whereby the Company issued a total of 14,667,000 units (the "Units") at a price of \$0.45 per Unit (the "Issue Price") for aggregate gross proceeds to the Company of \$6.6 million (the "Offering") pursuant to Part 5A (the "Listed Issuer Financing Exemption") of National Instrument 45-106 – Prospectus Exemptions (the "Offering"), including the full exercise of the Underwriters' option for gross proceeds of \$3.1 million.

Each Unit consists of one common share of the Company (a "Unit Share") and one half of one common share purchase warrant (each whole warrant, a "Warrant") of the Company. Each Warrant entitles the holder thereof to acquire one common share (a "Warrant Share") at a price per Warrant Share of \$0.60 for a period of 24 months from the closing of the Offering.

The securities issued under the Listed Issuer Financing Exemption are not subject to a hold period pursuant to applicable Canadian securities laws. The Offering remains subject to final approval of the Toronto Stock Exchange.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**  
(in thousands of Canadian dollars, except per share amounts)

**Operations and overall performance**

**Results of operations – second quarter**

	Three months ended June 30, 2024	Three months ended June 30, 2023	Change
Revenue	<u>\$ 6,437</u>	<u>\$ 6,185</u>	<u>\$ 252</u>
Gross margin	1,090	1,141	(51)
Operating expenses	<u>(2,195)</u>	<u>(2,094)</u>	<u>(101)</u>
Operating income (loss)	<u>(1,105)</u>	<u>(953)</u>	<u>(152)</u>
Stock-based compensation	(557)	(150)	(407)
Finance costs	(64)	(119)	55
Other income (expense)	87	71	16
Accretion costs	-	(28)	28
Income (loss) before income taxes	<u>(1,639)</u>	<u>(1,179)</u>	<u>(460)</u>
Provision of deferred taxes	78	231	(153)
Provision of current taxes	8	(15)	23
Income (loss) attributable to the common shareholder	<u>(1,553)</u>	<u>(963)</u>	<u>(590)</u>
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	180	(471)	651
Comprehensive income (loss)	<u>\$ (1,373)</u>	<u>\$ (1,434)</u>	<u>\$ 61</u>
Fully diluted gain (loss) per common shares	<u>\$ (0.011)</u>	<u>\$ (0.007)</u>	<u>\$ 0.004</u>

Revenue was \$6.4 million for the second quarter of 2024, an increase of \$0.2 million or 3%, compared to \$6.2 million in the second quarter of 2023. Revenue every quarter is always determined based on the mix of projects. The second quarter revenue was supported by several projects, and a large tunnel grouting project that started at the end of the quarter and will continue into the third quarter.

Gross margin was \$1.1 million in the first quarter of 2024, similar to the \$1.1 million in the second quarter of 2023. Gross margin percentage decreased to 17% in the second quarter of 2024 compared to 18% in the comparative period. The decrease in gross margin percentage is partially due to the supply chain delays in the delivery of product on a large project.

Operating expenses ("SG&A") were \$2.2 million in the second quarter of 2024 compared to \$2.1 million in the same period in 2023, an increase of 5%. 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.

Stock-based compensation expense of \$557 for the second quarter of 2024 compared to \$150 during the second quarter of 2023. The \$407 change relates primarily to an increase in restricted share units ("RSU's") grants related to 2023 performance incentives and management and director compensations, as well as an increase in stock option grants vesting over the next three years as compared to last year.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**

(in thousands of Canadian dollars, except per share amounts)

---

Finance costs were \$64 in the second quarter of 2024 compared to \$119 in the same period in 2023, a decrease of \$55 or 46%. 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 \$87 in the second quarter of 2024 compared to \$71 in the second quarter of 2023. In the second quarter of 2024, other income mainly consisted of a foreign exchange gain of \$19, interest income of \$56, and earn-out expense of \$10. For the same period in 2023 interest income of \$91, gain on sale of equipment of \$25, and partially offset by foreign exchange loss of \$47.

Accretion costs were \$nil in the second quarter of 2024 compared to \$28 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 2020 Convertible Debentures the Company does not expect to have accretion expense in the near future.

Unrealized foreign exchange gains and losses on the translation of foreign subsidiaries are recognized through other comprehensive income. MixOnSite ("MOS"), Pacific International Grout Company ("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 \$180. In the second quarter of 2023, the Company recorded an unrealized foreign exchange loss of \$471.



**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**  
(in thousands of Canadian dollars, except per share amounts)

**Results of operations – year to date**

	Six months ended June 30, 2024	Six months ended June 30, 2023	Change
Revenue	\$ 14,879	\$ 13,367	\$ 1,512
Gross margin	3,644	1,887	1,757
Operating expenses	(4,419)	(4,016)	(403)
Operating income (loss)	(775)	(2,129)	1,354
Stock-based compensation	(594)	(282)	(312)
Finance costs	(141)	(288)	147
Other income (expense)	193	(2)	195
Accretion costs	-	(138)	138
Fair value of derivatives	-	(21)	21
Income (loss) before income taxes	(1,317)	(2,860)	1,543
Provision of deferred taxes	115	243	(128)
Provision of current taxes	-	(15)	15
Income (loss) attributable to the common shareholder	(1,202)	(2,632)	1,430
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	722	(489)	1,211
Comprehensive income (loss)	\$ (480)	\$ (3,121)	\$ 2,641
Fully diluted gain (loss) per common shares	\$ (0.009)	\$ (0.020)	\$ 0.011

Revenue was a record \$14.9 million for the first half of 2024, an increase of \$1.5 million or 11%, compared to previous record of \$13.4 million in the first half of 2023. Year to date 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 in the first quarter of 2024.

Gross margin was \$3.6 million in the first half of 2024, compared to \$1.9 million in the first half of 2023, an increase of \$1.7 million. Gross margin percentage increased to 24% in the first half of 2024 compared to 14% in comparative period. The increase in gross margin and gross margin percentage is due to increased revenues from higher margin projects, which served to offset comparable fixed costs. The stronger margins on projects were realized mainly in the first quarter of 2024 compared to the first half of 2023.

Operating expenses (“SG&A”) were \$4.4 million in the first half of 2024 compared to \$4.0 million in the same period in 2023, an increase of 10%. The change in SG&A costs was primarily due to an increase in salaries and wages due to wage increases and the addition of a new salesperson in the US, consulting costs, marketing costs, and investor relations costs.

Stock-based compensation expense of \$594 for the first half of 2024 compared to \$282 during the first half of 2023. The \$312 change relates primarily to an increase in restricted share units (“RSU’s”) grants related to 2023 performance incentives and management and director compensations, as well as an increase in stock option grants vesting over the next three years as compared to last year.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**

(in thousands of Canadian dollars, except per share amounts)

---

Finance costs were \$141 in the first half of 2024 compared to \$288 in the same period in 2023, a decrease of \$147 or 51%. 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 BDC.

Other income was \$193 in the first half of 2024 compared to an expense of \$2 in the first half of 2023. Year-to-date 2024, other income mainly consisted of a foreign exchange gain of \$90 and interest income of \$91. For the same period in 2023, other income (expense) primarily consisted of interest income of \$212, gain on sale of equipment of \$29, and offset by foreign exchange loss of \$245.

Accretion costs were \$nil in the first half of 2024 compared to \$138 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 2020 Convertible Debentures the Company does not expect to have accretion expense in the near future.

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 appreciated resulting in an unrealized foreign exchange gain of \$722 for the first half of 2024. In the first half of 2023, the Company recorded an unrealized foreign exchange loss of \$489.

## Outlook

Management's outlook continues to remain very positive going into 2024 and beyond. A strong first half of the year has created a great head start for this year.

We have successfully grown revenue over the first six months. More importantly, we have also improved margins which has resulted in a significant year over year improvement in adjusted EBITDA. With the increase in margins, the Company has generated positive cashflow from operations (before working capital) of \$1.6 million. In addition, the Company generated an additional \$4.1 million in positive cash flow from working capital changes as we collected on our outstanding accounts receivables from our record 2023.

2024 should continue the trend 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 are always at risk of revenue sliding back to a later fiscal period due to delays in when our scope of work starts caused by factors out of our control. 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.

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.

On the capital markets side, we successfully uplisted to the TSX in July of this year. This graduation to the TSX is expected to further increase visibility of our story to more investors, including institutional investors, and provide additional liquidity. Subsequent to our successful uplisting to the TSX, the Company completed a \$6.6 million (gross proceeds) private placement with the majority of the new investors being institutional investors who are long-term, supportive investors.

Over the last three years, the Company has made significant improvements to its balance sheet and capital structure. 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 strong balance sheet and an improved share price will enable CEMATRIX to pursue other growth opportunities in the near future.

The Company continues to be focused on the execution of its strategic plan. Our plan remains to focus on sales and the successful continued growth and execution of our backlog. We know that delivering strong business results and continuing strong market awareness are the keys to sustainably increasing shareholder value.

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, clean capital structure and now stronger institutional participation.

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 delivered the best year in the history of the Company in 2023. We are working hard to repeat 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.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**  
(in thousands of Canadian dollars, except per share amounts)

**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 2024	Revenue	Comprehensive income (loss)	Income (loss) per share <sup>(1)</sup>	
			Basic	Diluted
March 31	\$ 8,442	\$ 892	\$ 0.003	\$ 0.003
June 30	6,437	(1,373)	(0.011)	(0.011)
<b>Total for year</b>	<b>\$ 14,879</b>	<b>\$ (480)</b>	<b>\$ (0.009)</b>	<b>\$ (0.009)</b>

Quarters ended 2023				
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
<b>Total for year</b>	<b>\$ 53,295</b>	<b>\$ 648</b>	<b>\$ 0.009</b>	<b>\$ 0.009</b>

<sup>(1)</sup> 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.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**  
(in thousands of Canadian dollars, except per share amounts)

**Consolidated Statements of Financial Position**

	June 30, 2024	December 31, 2023	Change
Current assets	\$ 13,110	\$ 17,872	\$ (4,762)
Non-current assets	23,193	21,407	1,786
Total assets	<u>\$ 36,303</u>	<u>\$ 39,279</u>	<u>\$ (2,976)</u>
Current liabilities	3,791	8,315	(4,524)
Non-current liabilities	3,567	2,241	1,326
Total liabilities	<u>\$ 7,358</u>	<u>\$ 10,556</u>	<u>\$ (3,198)</u>
Shareholders' equity	\$ 28,945	\$ 28,723	\$ 222
Total liabilities and shareholders' equity	<u>\$ 36,303</u>	<u>\$ 39,279</u>	<u>\$ (2,976)</u>

Total current assets decreased by \$4,762. This decrease in aggregate is summarized below:

- Cash increased by \$2,254 (See the discussion in Consolidated Statement of Cash Flows).
- Trade and other receivables decreased by \$6,513 as the Company collected on the record revenue generated in 2023 and the first half of 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 \$84 as foaming agent was purchased in late December 2023 for use in the production of cellular concrete in first half of 2024. Inventory levels have returned to the seasonal normal levels.
- Prepays, deposits, and short-term investments decreased by \$419 due to the conversion of the principal and interest on the Glavel promissory note and the amortization of insurance premiums.

Total non-current assets increased by \$1,786. This increase in aggregate is summarized below:

- Long-term investments increased by \$339 due to the conversion of the outstanding principal and accrued interest on the Glavel promissory notes into preferred shares in Glavel.
- Property and equipment decreased by \$360 due to depreciation expense of \$704, partially offset by \$278 foreign exchange gain on the translation of assets held by our foreign denominated subsidiaries and equipment additions of \$65.
- Right of use assets under finance lease increased by \$1,598 due to building and vehicle additions of \$1,931 and \$32 foreign exchange gain on the translation of assets held by our foreign denominated subsidiaries, offset by depreciation expense of \$365.
- Goodwill and intangibles assets increased by \$209 due to foreign exchange gain on the translation of assets held by our foreign denominated subsidiaries.

Total current liabilities decreased by \$4,524. This decrease in aggregate is summarized below:

- Trade and other payables decreased by \$3,581 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 decreased by \$915 as the Company prepaid the 2024 seasonal principal payments of \$951 partially offset by \$36 foreign exchange loss on translation of foreign denominated debt.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**

(in thousands of Canadian dollars, except per share amounts)

---

- Current portion of finance lease obligations increased by \$147 due to changes in finance leases on buildings and vehicles.
- Current portion of earn-out liability decreased by \$175 as the Company paid the amount outstanding in April 2024. There are no remaining earn-out payments associated with any past acquisition.

Total non-current liabilities increased by \$1,326. This decrease in aggregate is summarized below:

- Long term debt increased \$35 due to unrealized foreign exchange loss on the translation of foreign denominated debt.
- Finance lease obligations increased \$1,397 due to \$1,931 in building and vehicle additions and \$25 foreign exchange losses on the translation of foreign denominated debt, offset by \$412 in lease payments, and \$147 increase in current portion of finance lease obligations.
- Deferred tax liability decreased by \$106 primarily due \$115 deferred tax expense, offset by \$9 unrealized foreign exchange losses on the revaluation of the USD denominated balances.

Shareholders' Equity increased by \$222. This increase in aggregate is summarized below:

- Contributed surplus increased by \$503 due to \$594 amortization of stock-based compensation on options and RSU's, partially offset by \$91 reclassification of contributed surplus on the exercise of options and RSU's.
- Accumulated other comprehensive loss increased by \$722 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 \$1,202 due to the net income attributable to common shareholders in the first half of 2024.

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

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**  
(in thousands of Canadian dollars, except per share amounts)

**Consolidated Statement of Cash Flows**

**Cash flow – second quarter**

The cash position of the Company as at June 30, 2024, was \$5,542 compared to a cash position of \$3,519 in the same period of 2023.

The change in cash in the first quarter of 2024 was a decrease of \$2,335 as compared to a decrease of \$6,079 in the same period of 2023. This change is outlined in the table:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Change
Cash flow from operating activities	\$ (503)	\$ (457)	\$ (46)
Net change in non-cash working capital items	(556)	(1,173)	617
Cash generated (used) in operating activities	(1,059)	(1,630)	571
Cash used in investing activities	(13)	(419)	406
Cash used in financing activities	(1,294)	(4,027)	2,733
Foreign exchange effect on cash	31	(3)	34
Increase (decrease) in cash	(2,335)	(6,079)	3,744
Cash, beginning of period	7,877	9,598	(1,721)
Cash, end of period	\$ 5,542	\$ 3,519	\$ 2,023

Cash generated used in operating activities decreased by \$571 due to the following:

- Cash flow before non-cash working capital adjustments increased by \$46 primarily due to higher revenues and higher gross margins partially offset by higher SG&A costs.
- Net change in non-cash working capital items decreased by \$617, 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 \$406 due to the following:

- Property and equipment additions decreased by \$460 compared to the prior period.
- Proceeds from property and equipment dispositions decreased by \$54 compared to the prior period.

Cash used in financing activities decreased by \$2,733 due to the following:

- Repayment of finance lease obligations increased \$12 due to building and vehicle additions.
- Repayment of long-term debt increase of \$951 as the Company prepaid the 2024 seasonal principal payments on BDC loans.
- Repayment of the PIGCO earnout liability of \$175.
- Interest paid decreased by \$174 due to repayment of the convertible debentures and prepayment of the long-term debt, partially offset by rising interest rates and foreign denominated BDC loan payments.
- Proceeds on the exercise of options increased \$108.
- In the comparative period, the company repaid the April 2020 Convertible Debentures in the amount of \$3,589.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**

(in thousands of Canadian dollars, except per share amounts)

**Cash flow – year to date**

The cash position of the Company as at June 30, 2024, was \$5,542 compared to a cash position of \$3,519 in the same period of 2023.

The change in cash in the first half of 2024 was an increase of \$2,254 as compared to a decrease of \$7,163 in the same period of 2023. This change is outlined in the table:

	Six months ended June 30, 2024	Six months ended June 30, 2023	Change
Cash flow from operating activities	\$ 420	\$ (1,164)	\$ 1,584
Net change in non-cash working capital items	3,353	(707)	4,060
Cash generated (used) in operating activities	3,773	(1,871)	5,644
Cash used in investing activities	(64)	(980)	916
Cash used in financing activities	(1,571)	(4,299)	2,728
Foreign exchange effect on cash	116	(13)	129
Increase (decrease) in cash	2,254	(7,163)	9,417
Cash, beginning of period	3,288	10,682	(7,394)
Cash, end of period	\$ 5,542	\$ 3,519	\$ 2,023

Cash generated (used) in operating activities increased by \$5,644 due to the following:

- Cash flow before non-cash working capital adjustments increased by \$1,584 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 \$4,060, 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 \$916 due to the following:

- Property and equipment additions decreased by \$988 compared to the prior period.
- Proceeds from property and equipment dispositions decreased by \$72 compared to the prior period.

Cash used in financing activities decreased by \$2,728 due to the following:

- Repayment of finance lease obligations increased \$38 due to building and vehicle additions.
- Repayment of long-term debt increase of \$951 as the Company prepaid the 2024 seasonal principal payments on BDC loans.
- Repayment of the PIGCO earnout liability of \$175.
- Interest paid decreased by \$195 due to repayment of the convertible debentures and prepayment of the long-term debt, partially offset by rising interest rates and foreign denominated BDC loan payments.
- Proceeds on the exercise of options increased \$108.
- In the comparative period, the company repaid the April 2020 Convertible Debentures in the amount of \$3,589.



## 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 June 30, 2024, the Company had cash balance of \$5,542 versus \$3,288 as at December 31, 2023.

The Company's adjusted net working capital was \$4,653 on June 30, 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.

On June 24, 2024, CEMATRIX updated its asset-based credit facility (the "Credit Facility") financing arrangement with the Canadian Imperial Bank of Commerce (the "Bank" or "CIBC") that provides a maximum \$8,000 (\$3,000 prior to June 2024) borrowing limit. The Credit Facility bears interest at an amount equal to 1.25% above the Bank's prime lending rate, which is at 6.95% as of June 30, 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 Credit Facility, the Bank will advance up to \$8,000 (\$3,000 prior to June 2024) 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 June 30, 2024, was \$4,207 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 June 30, 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 December 31, 2023, 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.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**  
(in thousands of Canadian dollars, except per share amounts)

---

### **Capital resources**

The Company is currently well capitalized with a strong balance sheet. In addition, the Company was cashflow positive from operations in the first half of 2024 and expects to be for the remainder of the year. 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 22 - Capital Management, was \$32,853 on June 30, 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 June 30, 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 and six months ended June 30, 2024, the Company incurred costs of \$111 and \$220 respectively (\$89 and \$177 for the same periods in 2023) related to these rental leases. Lease obligations for the two buildings as at June 30, 2024, were in the amount of \$1,110 (December 31, 2023 - \$521).

### **Critical accounting judgments, 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.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**

(in thousands of Canadian dollars, except per share amounts)

---

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.

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 financing loans, which totaled \$1,049 on June 30, 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 \$10 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.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**  
(in thousands of Canadian dollars, except per share amounts)

The table below summarizes the maturity profile of the Corporation's financial liabilities at June 30, 2024, and December 31, 2023, based on contractual undiscounted payments.

<b>As at June 30, 2024</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 6 years</b>	<b>Total</b>
Trade and other payable	\$ 2,915	\$ -	\$ -	\$ 2,915
Long-term debt	-	947	102	1,049
Lease obligations	1,042	1,272	1,122	3,436
	<b>\$ 3,957</b>	<b>\$ 2,219</b>	<b>\$ 1,224</b>	<b>\$ 7,400</b>

<b>As at December 31, 2023</b>				
Trade and other payable	\$ 6,496	\$ -	\$ -	\$ 6,496
Earnout liability	175	-	-	175
Long-term debt	915	915	99	1,929
Lease obligations	816	569	69	1,454
	<b>\$ 8,402</b>	<b>\$ 1,484</b>	<b>\$ 168</b>	<b>\$ 10,054</b>

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.

The following balances are denominated in USD:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
<b>Assets</b>		
Cash and cash equivalent	\$ 1,197	\$ 1,347
Trade and other receivables	3,175	6,889
Prepaid expenses and deposits	68	96
Investments	1,958	1,921
<b>Liabilities</b>		
Trade and other payables	(1,467)	(3,190)
Earnout liability	-	(132)
Long-term debt	(467)	(933)
Lease obligations	(1,295)	(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 June 30, 2024, a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net income of approximately CAD \$43 excluding the effect of income taxes.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**  
(in thousands of Canadian dollars, except per share amounts)

**Disclosure of outstanding share data**

As at June 30, 2024, and August 7, 2024, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	<b>Authorized</b>	<b>Outstanding as at June 30, 2024</b>	<b>Outstanding as at August 7, 2024</b>
Voting or equity securities issued and outstanding	Unlimited Common Shares	135,759,486 Common Shares	150,426,486 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 5,803,334 Common Shares at an exercise price between \$0.185 - \$0.590	Stock options to acquire 5,803,334 Common Shares at an exercise price between \$0.185 - \$0.590
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 1,364,389 Common Shares	RSU's to acquire 1,364,389 Common Shares
Securities convertible or exercisable into voting or equity securities – share purchase warrants	As approved by the board	nil	Share purchase warrants to acquire 8,213,520 Common Shares at an exercise price between \$0.45 - \$0.60

## **Appendix A – Forward looking statements**

The forward-looking statements in the MD&A for the three months ended June 30, 2024, are outlined below:

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.

**CEMATRIX Corporation**  
**Management's Discussion & Analysis**  
**For the three and six month periods ended June 30, 2024 and 2023**  
(in thousands of Canadian dollars, except per share amounts)

**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.

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

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Current assets	\$ 13,110	\$ 17,872
Current liabilities	(3,791)	\$ (8,315)
Net working capital	<b>9,319</b>	9,557
Adjustments		
Cash and cash equivalents	(5,542)	(3,288)
Current portion of long-term debt	-	915
Current portion of lease obligations	876	729
Earn-out liability	-	175
Adjusted net working capital	<b>\$ 4,653</b>	<b>\$ 8,088</b>

**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 and six months ended June 30, 2024, and 2023 were as follows:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net income (loss)	\$ (1,553)	\$ 963	\$ (1,202)	\$ (2,632)
Finance costs	64	119	141	288
Depreciation and amortization	542	519	1,069	1,075
Provision of deferred / current taxes	(86)	(216)	(115)	(229)
<b>EBITDA</b>	<b>(1,033)</b>	<b>(541)</b>	<b>(107)</b>	<b>(1,498)</b>
Unrealized foreign exchange (gain)	(14)	(36)	(16)	(30)
Accretion costs	-	28	-	138
Revaluation of derivatives	-	-	-	21
Stock-based compensation	557	150	594	282
<b>Adjusted EBITDA</b>	<b>\$ (490)</b>	<b>\$ (399)</b>	<b>\$ 471</b>	<b>\$ (1,087)</b>



## Appendix C – Covenant calculations

### CIBC Covenants

#### Current ratio

	<b>June 30, 2024</b>
Current assets	\$ 13,110
Current liabilities	3,791
Current ratio (current assets ÷ current liabilities)	<b>3.46</b>
Covenant tested quarterly, not less than 1.25x	<b>1.25</b>
	<b>Compliant</b>

#### Debt to EBITDA ratio

	<b>June 30, 2024</b>
Adjusted debt	
Current portion – long-term debt	\$ -
Long-term debt	1,049
Adjusted long-term debt	<b>1,049</b>
Adjusted EBITDA (rolling 12-month)	<b>6,476</b>
Debt to EBITDA ratio (adjusted debt ÷ EBITDA)	<b>0.16</b>
Covenant tested quarterly, not to exceed 3.00x	<b>3.00</b>
	<b>Compliant</b>