CEMATRIX™

Lightweight Fill Solutions

2024
CEMATRIX Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and twelve month periods ended
December 31, 2024 and 2023

Management's Discussion and Analysis

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The following is the Management's Discussion and Analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three and twelve months ended December 31, 2024. This MD&A should be read in conjunction with the audited consolidated financial statements and the related notes thereto of the Company for the year ended December 31, 2024, (the "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 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in this MD&A are in Canadian dollars and all amounts are reported in thousands of Canadian dollars, except share and per share amounts or as otherwise stated. Certain comparative figures have been reclassified to conform to the MD&A presentation adopted for the current year.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedarplus.com. CEMATRIX is listed on the TSX 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 Consolidated Financial Statements and MD&A for the three and twelve months ended December 31, 2024. The Board of Directors of the Company reviewed and approved the Consolidated Financial Statements and MD&A on March 26, 2025.

Forward-looking information

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 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 twelve months ended December 31, 2024, the Company's financial condition as at December 31, 2024, and its future prospects.

Highlights

Solid Q4 results despite project delays

As previously disclosed, the Company has had several large projects delayed into 2025 that have materially impacted our financial results for the quarter and the year. The reasons these projects were delayed is not within the Company's control. Project delays are, unfortunately, common in the construction industry. None of these projects were lost, they were simply delayed into 2025. While these delays do not impact the overall financial heath of the Company, they can and do create significant short-term variations in our financial performance.

The fourth quarter is historically the second-best quarter of the year for the Company. Revenue was over $10 million in the fourth quarter with positive adjusted EBITDA, improved gross margins, and positive cashflow from operations. Revenue was lower than expectations due to the project delays discussed above.

Despite results in the fourth quarter being lower than last year, this is a solid quarter for financial results and the Company delivered positive adjusted EBITDA and positive cashflow from operations in Q4 2024; supporting the Company's second-best financial performance in its history.

Gross margins

There are two primary drivers of gross margins. The first is project margins which are based on direct variable costs. The second driver of gross margins are indirect costs. Project margins vary significantly depending on many factors including the size of the project, the complexity of the project, and competition. The Company's only true significant variable costs are cement / ready mix, foaming agent, mobilization / demobilization costs, and other project specific costs. Project margins depend on strong estimating at time of bid plus successful execution in the field. Project margins must cover all of our indirect costs in addition to the Company's SG&A expenses.

Much of the Company's indirect costs are fixed and include costs such as rent, equipment repairs and maintenance, training, and non-billable crew time (as examples). As a result, the Company requires a certain amount of revenue and project margins to cover these fixed indirect 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 improvement of many of the above factors, the Company has continued to deliver improved margins in the quarter and for 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. This also enables the Company to retain its highly qualified trained operating team.

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 five years, we have averaged 18% of our revenue in the first quarter, 18% of our revenue in the second quarter, 36% 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, projects on the west coast, or work in the southern United States have 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.

Backlog – Continue to win new contracts

The Company continues to see a strong bid pipeline and be awarded new projects. The Company continues to win new work / projects. Our successful project execution in the field – on time, on budget, on quality – brings customers back. Our investment in equipment and sales resources coupled with our sales strategies is providing a compelling story to new customers to choose cellular concrete and to choose CEMATRIX.

During Q4 2024, the Company announced major contracts wins amounting to $6.2 million to bring the total value of announced contracts in 2024 to $42.0 million. Subsequent to year end, CEMATRIX announced $11.2 million in new contract awards. The Company continues to see increased activity in its bid pipeline which bodes well into 2025 and beyond.

The following tables shows the Company's balances at the end of the following reporting period:

	December 31, 2024
Contracts in process [1]	$ 20,306
Backlog [1]	49,334
Total backlog	$ 69,640

	December 31, 2024
Opening backlog	$ 94,857
Awards and change orders	25,958
Adjustments to backlog [2]	(15,811)
Revenue	(35,364)
Ending backlog	$ 69,640

[1] Contracts in process and backlog are non-GAAP financial measure. See "Appendix B – non-GAAP measures" in this MD&A for more information on each non-GAAP measure.

[2] Adjustments to backlog include the effects of foreign currency translation and the one time reduction in scope of a tunnel project (please refer to the news release issued on April 24, 2024 on www.sedarplus.com for additional information).

New equipment purchased

In the fourth quarter of 2024, CEMATRIX purchased a new state of the art dry-mix equipment for a total capital expenditure of $1.9 million from a third-party vendor. This highly mobile unit will increase our overall dry-mix production capacity and provides the Company with an additional cost advantage versus competitors that rely on ready mix. The unit will be deployed within MixOnSite to support our growth plans in the USA.

Summary financial review – fourth quarter

Revenue was $10.4 million for the fourth quarter of 2024, a decrease of $9.2 million or 47%, compared to $19.6 million in 2023.

Gross margin was $3.0 million in the fourth quarter of 2024, a decrease of $2.4 million compared to $5.4 million in the fourth quarter of 2023. Gross margin (as a percentage of revenue) increased to 29% in the fourth quarter of 2024 compared to 27% in the comparative period. The increase in gross margin percentage is partially due to fewer large projects compared to the prior year. Small and medium size projects have higher margins compared to projects over $0.3 million in revenue.

Adjusted EBITDA was $1.4 million in the fourth quarter of 2024 compared to $2.9 million in the same period of 2023 a decrease of $1.5 million.

Cash flow generated from operating activities was $2.6 million in the fourth quarter of 2024, a decrease of $0.2 million compared to cash flow generated from operating activities of $2.8 million in the same period of 2023.

Summary financial review – year

Revenue was $35.4 million for the year ended December 31,2024, a decrease of $17.9 million or 34% compared to $53.3 million in 2023. The decrease in revenue was mainly due to several large projects that were delayed into 2025.

Gross margin and gross margin percentage were $9.4 million and 27% respectively for 2024, compared to $11.9 million or 22% in 2023, a decrease of $2.5 million. The change in the gross margins was due to lower activity in 2024 combined with fewer large projects compared to the prior year. Small and medium size projects have higher margins compared to projects over $0.3 million in revenue.

Adjusted EBITDA for the year ended December 31, 2024, was $3.3 million, compared to $4.9 million in the same period in 2023, a decrease of $1.6 million. The decrease in adjusted EBITDA was primarily due to a decrease in revenue in the current year.

Cash generated from operating activities of $4.9 million in year ended December 31, 2024, an improvement of $4.4 million compared to cash generated from operating activities of $0.5 million in the same period in 2023.

Full year 2025 forecast

2024 was the second-best year in the history of the company despite experiencing a number of projects that were delayed into 2025. As such, we expect 2025 to be a record year and a significant improvement versus 2024. This record year is not forecasted to start until Q2 of 2025 as Q1 is traditionally our slowest quarter due to seasonality. This forecast is supported by the backlog that the Company has in place and expects to execute in 2025. Furthermore, our sales teams continue to win projects as a result of our quality, innovation and competitiveness in our key markets. CEMATRIX continues to invest in sales resources and new equipment to expand geographically in markets that are close to our existing operations.

Corporate overview

Through its wholly-owned subsidiaries CEMATRIX (Canada) Inc., CEMATRIX (USA) Inc. ("Cematrix USA"), MixOnSite USA, Inc. ("MOS") and Pacific International Grout Co. ("PIGCO"), CEMATRIX uses specially developed equipment and foaming agents to produce and pour cellular concrete for various applications in the infrastructure, industrial and commercial construction markets.

Cellular concrete is a cement slurry-based product that is combined with air to result in a very lightweight, foamed concrete-like material that has thermal insulating qualities with moderate structural strength. It is generally lighter than water and is used as a replacement for rigid and other types of insulation and as a lightweight fill or a void fill, which includes tunnel grouting.

The Company's current market focus is the construction market for infrastructure in Canada and the United States of America. The infrastructure market sector primarily relates to work on public construction projects that are funded by provincial, state and federal governments. Some examples of this type of work are as follows: the insulation of road bases; the protection of permafrost under buildings, utilities, roads and runways; the insulation of shallow utility installations; industrial and commercial floor bases; the replacement of weak and/or unstable soils and soils that are subject to seismic, frost or permafrost conditions; mechanical stabilized earth ("MSE") panels, retaining wall and overpass or bridge abutment backfill; grouting; and tunnel backfill. Work in this sector generally requires the prior approval of the Company's various products and applications by local regulatory bodies.

The Company's revenue is recognized as the Company processes and places the cellular concrete on site, based on the number of cubic meters or cubic yards processed and placed.

The nature of the Company's sales is generally "one-off" type sales, meaning there is little in the way of carry over in sales from year to year with the same customer; except to the extent that the Company has repeat business related to a specific application or location, or a project is sufficiently large in scope, that it continues from one period into the next. The Company's work is generally as a sub-contractor to various engineering and construction firms who are awarded the prime contract from the owner of the particular project.

The Company has two distinct types of production equipment - dry mix and wet mix. Dry mix production equipment is automated and the cement slurry mixing process is done directly from cement and other dry powders. This equipment permits the production of high hourly volumes. The dry mix system enables the Company to improve the quality of its end product, while reducing its unit cost by up to 20% as compared to the wet mix process. However, the dry mix process is typically not suitable for small to medium sized projects because of the higher costs associated with mobilization together with the onsite space required for set up. Wet mix production equipment is partially automated, and the pre-designed cement slurry required is delivered by a Ready-Mix provider; this equipment has lower hourly production capability and is suitable for small volume projects or projects where there is no space for the larger dry mix units.

The Company's fleet of production equipment currently consists of eleven dry mix units that can produce up to 230 cubic metres per hour of cellular concrete and eight wet mix units that have the capability of producing from 50 to 100 cubic metres per hour of cellular concrete. The fleet is mobile and can be moved to any project in North America.

The value proposition that CEMATRIX offers to customers is as follows: CEMATRIX cellular concrete saves significant time and money for its customers and provides a better overall long term construction solution (the "Value Proposition").

The Company`s customer service solution is supported by acquired and internally developed technologies that enable the production of high volumes of consistent, low density insulating cellular concrete; commercially

available foaming agents and the Company's own foaming agent; the proprietary material mix design expertise; the technical support for thermal and structural design to assist engineering firms in the design of applications for cellular concrete; and internally designed and constructed specialty equipment for the production of cellular concrete.

Over the years the Company has invested in additional staff and equipment in order to prepare for what management believes will be a significant increase in annual sales, as the Company's product reaches the "tipping point' for a number of applications. Tipping point refers to the point in time where customers decide that they will use the Company's product, as opposed to alternative products, for certain applications (i.e. all bridge abutment work, or all MSE panel backfill or all the insulation of oil sand modules etc.). The cost of this investment, in terms of additional staff and equipment, has negatively affected the financial results over the past few years, however, it has helped to put the Company in a better position to achieve sales growth, as it occurs and to utilize its economies of scale with the acquisition of MixOnSite and Pacific International Grout Co. in the U.S.

In 2022, The Company made a strategic minority investment in Glavel Inc ("Glavel"). Glavel is a foam glass aggregate company based in Vermont, USA. Foamed glass is a lightweight bulk aggregate made from recycled glass. The investment was originally planned to be an entry point into environmentally friendly construction materials, which is a market segment that the Company expects to continue to grow in size in the future. Unfortunately, Glavel's requirements for capital was larger than originally anticipated and larger than CEMATRIX's capacity to provide capital. As a result, Glavel has sourced additional capital from third parties and as a result, there is no longer a path to CEMATRIX owing a majority position in Glavel.

The CEMATRIX head office is located in Calgary, Alberta, Canada.

Business strategy for growth and shareholder value creation

CEMATRIX's strategy is to increase shareholder value by expanding and continuing to be the leading supplier of competitively priced, high volume, high quality cellular concrete in North America. This business strategy is centered on the following key elements:

- Establish and maintain a strong financial position;
- Grow the business through:
  - Organic growth including the building of a foundation of key proven applications throughout North American markets;
  - Regional expansion, particularly in the United States where the cellular concrete market is experiencing significant growth. This may include the addition of one or more of our technologically advanced cellular concrete processing units; and
  - Value added acquisitions of other cellular concrete applicators, suppliers and/or complimentary companies;
- Attract and retain an experienced and focused management, operations and support teams;
- Continue to realize synergies by integrating acquisitions;
- Development and acquisition of technologies or products to maintain our position as market leaders and competitiveness; and
- Continued development of strategic alliances to support research and development, to supply raw materials and to develop new products and markets.

Since the development and implementation of this strategy, CEMATRIX has improved its financial position, increased its equipment fleet through the acquisitions of PIGCO and MOS; grown its infrastructure sales in both Canada and the U.S.; advanced its strategic alliances with Lafarge, Heidelberg and others; expanded regionally into the Canadian Prairies and in part to both the West Coast of Canada and the Ottawa/Montreal regions;

retained and added to its key management and support teams; have continued the development of its products and technologies and is now contemplating other complimentary acquisitions.

Key market drivers

The primary drivers in the marketplace that affect the demand for the Company's cellular concrete include the following:

Product acceptance through education of the market

CEMATRIX's mission statement is to gain broad market acceptance of its product for various applications throughout North America, with its main focus on Canadian infrastructure and U.S. infrastructure applications through its U.S. subsidiaries MOS and PIGCO.

The successful implementation of this vision is dependent on its product becoming accepted by more of the project design engineers and specifiers. These individuals are in charge of the engineering and design of infrastructure projects, the materials that can be used in various projects and the determination of whether cellular concrete can be considered for a particular application.

Extensive education and marketing to geotechnical and design engineers, particularly in Canada, continues to be completed by the Company to demonstrate its value proposition for cellular concrete for a number of applications.

The Company's ongoing education and marketing program, together with the experience generated from projects throughout its markets in Canada and the U.S., has improved the acceptance by a number of design engineers, particularly in Canada where CEMATRIX continues to develop new markets. For some applications in these new markets (primarily road work), cellular concrete will also need to be accepted and become an approved product by various municipal and provincial government departments. In this regard, in Canada, CEMATRIX has obtained, or is in the process of obtaining, the various approvals in the jurisdictions that the Company currently operates in.

In the U.S., cellular concrete is already an approved product for various infrastructure applications in most regions of the U.S. and in fact the market development in the U.S. is probably more than ten years ahead of the development of cellular concrete in Canada, a market which has been developed mostly by CEMATRIX on its own, since the early 2000's. The Canadian market is significantly different than the U.S. where there are a number of larger competitors, which had included MOS, PIGCO and significantly smaller producers, all of whom have been developing their markets for a long period.

Continued product acceptance by the engineering community, provincial/state transportation departments and project owners is the most important primary driver in generating the Company's sales growth.

Availability of capital for infrastructure construction

Government funded infrastructure construction throughout Canada and the U.S. is dependent on the capital funding that is made available to the various municipal, provincial/state and federal governments to make these types of investments. This also affects the timing of projects with which the Company's products could be applicable. Both the Canadian and the U.S. federal, provincial/state and municipal governments continue to allocate significant funds to infrastructure construction, however, the benefit, if any, to CEMATRIX, will be dependent on the type and location of projects to which the infrastructure funds will be allocated.

Key risks and uncertainties

For a comprehensive list of all risks associated with the business please see the Company's Annual Information Form ("AIF"). The risks identified below are the key risks of the business. Besides the issues discussed under the section Key Market Drivers, management has identified the following additional risks and uncertainties:

Supply chain challenges

CEMATRIX has historically been insulated from supply chain disruptions. However, in recent past the Corporation experienced some challenges in its supply chain, mainly driven by the COVID pandemic and the resulting impact on global supply chains. These supply chain challenges were exacerbated in some jurisdictions by extreme weather, labour disputes, and in the case of global commodities geopolitical crisis. To date the impacts of these supply chain challenges have been primarily increasing prices which as a result is increasing our cost of sales. In some cases, these increases can be passed along to customers and in other cases of firm commitments it results in reduced margins. Security of cement supply is our number one priority with respect to our supply chain.

Staffing requirements

Our industry, our product, our equipment, and our workforce are very specialized which can make finding and retaining staff more challenging. Given the uniqueness of CEMATRIX product and the proprietary nature of some of our equipment, finding and retaining our skilled work force is a key risk that we closely monitor and manage. Our past acquisitions and recent growth have enabled CEMATRIX to allocate underutilized operating and technical staff resources between its operating subsidiaries, subject to the limitation created by cross border issues. The Corporation is seeing significant wage inflation for all roles consistent with the increasing inflation.

Inflation

Inflation is now a concern due to the impacts of the many government programs and the associated spending to fund them which has created large government deficits in almost every jurisdiction. At the national level, this has resulted in increases to the money supply as well to fund some of these programs. The net result has been significant inflationary pressures on all parts of our business, and in particular on wages. The Company is managing this risk by passing along, to the extent possible, the increased costs to our customers.

Project scheduling

The Company has no control over the timing of contracted projects. Delays are common in the construction industry, particularly in the initial start dates. Delays in contracted work can occur at any time. Furthermore, delays in projects can also result in scheduling issues that could prove costly to the Company or result in the Company missing financial projections. The risks associated with scheduling changes will be an ongoing issue for the Company.

Increasing cement commodity prices

In previous years, the Company has experienced significant increases in the cost of its key raw materials, cement and fly ash. To date, the Company has been able to pass a significant portion of these price increases on to its customers. There is no certainty that this practice will continue, in which case this would reduce the Company's gross margin on sales. The Company is currently working towards reducing this risk by developing or purchasing more equipment that will reduce the need to rely on higher priced Ready-Mix products for its raw material supply for its projects.

Access to capital

CEMATRIX is currently very well-funded with a strong balance sheet and large cash position. The Corporation is actively searching for opportunities to invest this cash in accretive acquisitions that fit its strategy and in new equipment / regional expansion. In 2024, the Corporation increased its credit facility with the CIBC to $8 million to provide further financial flexibility (previously $5.0 million). Beginning in the last half of 2021 (and continuing) the overall capital markets for micro-cap companies (like CEMATRIX) has retreated and as a result Management's assessment is that it would be significantly more difficult to raise capital. As such, there is no guarantee that the Corporation will continue to have access to additional capital or be able to raise capital in the capital markets which may impair the ability of the Corporation to grow.

Competition

The Company is one of the leading suppliers of cellular concrete in North America. The market in Canada is still developing and is much smaller than the U.S. market. There are no other high volume cellular concrete competitors in the Canadian marketplace. The biggest competition to cellular concrete in Canada would be alternative products. Competition does exist in the low volume cellular concrete market space with a couple of smaller competitors in Ontario and British Columbia. There are several high-volume suppliers in the U.S. and other countries where the cellular concrete markets are more developed.

There are a significant number of competitors in the U.S., some of which compete with CEMATRIX in the higher volume market. Increased competition could result in lost sales or reduced gross margins.

The Company is positioning itself for competition with other suppliers by:

- Developing strong customer and supplier relationships;
- Ensuring that its costs are competitive in relation to costs being incurred by other companies in the industry;
- Developing new materials and processes that continue to place CEMATRIX ahead of the competition's capabilities;
- Striving to ensure that it provides the best in cellular concrete technology, including thermal modeling and structural design assistance, material mix designs, foaming agents and processing equipment.

Product warranties

The Company has not experienced warranty claims during its existence due to the nature of its product and does not accrue any expense related to possible warranty claims. Even though the Company's products are used in very low risk applications (i.e. replacement of dirt or rigid insulations), the potential exists for such warranty claims being made. The Company works to minimize this risk through ongoing material mix design, product and equipment development and by requiring highly trained quality control staff to be on hand for all projects to check and monitor all input and end product materials.

Tariffs

The potential imposition of tariffs by the United States can poses a risk to business operations and financial performance. Tariffs can increase the cost of imported goods and raw materials, leading to higher expenses and reduced profit margins. Additionally, tariffs may disrupt supply chains and cause delays and inefficiencies in manufacturing processes. Currently, the Company's product is manufactured and placed on site using locally supplied materials, consequently tariffs, when imposed would not have a material impact on the Corporation at this time. However, some clients could be impacted by tariffs measures, resulting in less spending on construction which could have an impact on projects such as delays and cancellations.

Operations and overall performance

Results of operations – fourth quarter

	Three months ended December 31, 2024	Three months ended December 31, 2023	Change
Revenue	**$ 10,351**	$ 19,553	$ (9,202)
Gross margin	**2,988**	5,350	(2,362)
Operating expenses	**(2,386)**	(2,966)	580
Operating income	**602**	2,384	(1,782)
Stock-based compensation	**(100)**	(45)	(55)
Finance costs	**(79)**	(100)	21
Other income (expense)	**579**	(190)	769
Share of (losses) of Glavel Inc.	**(80)**	(56)	(24)
Fair value adjustment of investments	**(257)**	-	(257)
Income before income taxes	**665**	1,993	(1,328)
Provision of deferred taxes	**187**	96	91
Provision of current taxes	**(88)**	(50)	(38)
Income attributable to the common shareholder	**764**	2,039	(1,275)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	**1,402**	(587)	1,989
Deferred tax (expense)	**(259)**	-	(259)
Comprehensive income	**$ 1,907**	$ 1,452	$ 455
Fully diluted earnings per common share	**$ 0.005**	$ 0.015	$ (0.010)

Revenue was $10.4 million for the fourth quarter of 2024, a decrease of $9.2 million or 47%, compared to $19.6 million in the fourth quarter of 2023. Fourth quarter revenue was negatively impacted by several large projects that were delayed into 2025.

Gross margin was $3.0 million in the fourth quarter of 2024, a decrease of $2.4 million compared to the $5.4 million in the fourth quarter of 2023. Gross margin percentage increased to 29% in the fourth quarter of 2024 compared to 27% in the comparative period. The change in the gross margins was due to fewer large projects in the fourth quarter of 2024 compared to the prior period. Small and medium size projects have higher margins compared to larger projects.

Operating expenses ("SG&A") totaled $2.4 million in the fourth quarter of 2024, down 20% from $3.0 million in the same period of 2023. The decline was primarily due to higher insurance costs in one of our businesses where the premium is directly tied to the revenue in Q4 2023, whereas no similar expense was required in the current period. Partially offsetting this reduction were increases in salaries and wages, consulting costs, and legal expenses.

Stock-based compensation expense increased by $55 in the fourth quarter compared to the same period in the prior year. The increase was due to options and RSU's granted in the fourth quarter of 2024, no similar grant occurred in the comparative period.

Finance costs decreased by $21 in the fourth quarter compared to the same period in the prior year. The decrease is attributable to the early principal repayment on the Company's long-term debt with the Business Development Bank of Canada ("BDC"), partially offset by a change in interest rates.

Other income was $579 in the fourth quarter of 2024 compared to an expense of $190 in the fourth quarter of 2023. In the fourth quarter of 2024, other income mainly consisted of interest income of $84, foreign exchange gain of $305, and $191 reduction of other accruals. For the same period in 2023 other income and expenses mainly consisted of interest income of $37, gain on sale of equipment of $34, offset by foreign exchange loss of $87, and other accruals of $175.

Unrealized foreign exchange gains and losses on the translation of foreign subsidiaries are recognized through other comprehensive income. MOS, PIGCO and CEMATRIX (USA) Inc. have a US dollar ("USD") functional currency. As the Canadian dollar weakened relative to the USD, the value of these assets appreciated during the fourth quarter of 2024 resulting in an unrealized foreign exchange gain of $1,402. In the fourth quarter of 2023, the Company recorded an unrealized foreign exchange loss of $587.

Results of operations – year

	Year ended December 31, 2024	Year ended December 31, 2023	Change
Revenue	**$ 35,364**	$ 53,295	$ (17,931)
Gross margin	**9,417**	11,879	(2,462)
Operating expenses	**(8,925)**	(9,139)	214
Operating income	**492**	2,740	(2,248)
Stock-based compensation	**(760)**	(329)	(431)
Finance costs	**(276)**	(474)	198
Other income (expense)	**901**	(144)	1,045
Share of (losses) of Glavel Inc.	**(80)**	(56)	(24)
Fair value adjustment of investments	**(257)**	-	(257)
Accretion costs	**-**	(139)	139
Fair value of derivatives	**-**	(21)	21
Income before income taxes	**20**	1,577	(1,557)
Provision of deferred taxes	**338**	(277)	356
Provision of current taxes	**(88)**	(65)	(23)
Income attributable to the common shareholder	**270**	1,235	(1,224)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	**1,805**	(587)	2,392
Deferred tax (expense)	**(259)**	-	(259)
Comprehensive income	**$ 1,816**	$ 648	$ 1,168
Fully diluted earnings per common shares	**$ 0.002**	$ 0.009	$ (0.007)

Revenue in 2024 was $35.4 million, compared to $53.3 million in the comparative period, a decrease of $17.9 million or 34%. Revenue was lower than last year due to several large projects scheduled for the second half of 2024 that were delayed to 2025.

Gross margin was $9.4 million in 2024, compared to $11.9 million in the comparative period, a decrease of $2.5 million. Gross margin percentage increased to 27% in 2024 compared to 22% in comparative period. The decrease in gross margin and increase in gross margin percentage is due to lower revenue in 2024 and fewer large projects compared to the prior year. Small and medium size projects have higher margins compared to larger projects.

Operating expenses were $8.9 million in 2024 compared to $9.1 million in the same period in 2023, a decrease of $0.2 million or 2%. The change in operating expenses was primarily due to decreases in insurance, partially offset by increases in salaries and wages, one-time costs related to uplisting to the TSX, consulting costs, and legal fees.

Stock-based compensation expense of $760 in 2024 compared to $329 in the same period in 2023. The $431 change relates primarily to the timing of RSU grants related to performance incentives and management and director compensation, as well as stock option grants vesting over the next three years as compared to last year.

Finance costs were $276 in 2024 compared to $474 in the same period in 2023, a decrease of $198 or 42%. The decrease is attributable to finance costs related to the 2020 Convertible Debentures, repaid in April 2023, as well as the early principal repayment on the Company's long-term debt with the BDC, partially offset by a change in interest rates.

Other income was $901 in 2024 compared to an expense of $144 in the comparative period. In 2024, other income mainly consisted of interest income of $241, gain on sale of equipment of $61, $202 reduction of other accruals, and a foreign exchange gain of $397. For the same period in 2023, other income primarily consisted of interest income of $293, gain on sale of equipment of $64, offset by other accruals of $158 and foreign exchange loss of $342.

Accretion costs were $nil in 2024 compared to $139 for the same period in 2023. Accretion expense is related to the host debt contract of the convertible debentures that were repaid in April 2023. With the repayment of the 2020 Convertible Debentures the Company does not expect to have accretion expense in the 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 weakened relative to the USD, the value of these assets appreciated resulting in an unrealized foreign exchange gain of $1,805 in 2024. In the 2023 comparative period, the Company recorded an unrealized foreign exchange loss of $587.

Outlook

Despite being impacted by delays in the start of our scope of work for several large projects, which has materially impacted our financial results in 2024, Management's outlook continues to remain very positive for 2025. Growth will not be in a straight line due to the impact of the timing of large projects, but the trend line is upwards and is very positive. Even in a down year the Company should be able to generate positive financial results.

2025 is on track for the best year in the history of the Company with strong margins, positive adjusted EBITDA, and positive cashflow from operations. The Company is always looking for opportunities to grow sales and continue its organic growth. 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. 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.

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. The Company also completed a $6.6 million (gross proceeds) private placement in the third quarter of 2024 that further improves our balance sheet and strengthens our shareholder base.

Over the last three years, the Company has made significant improvements to its balance sheet and capital structure including our recent uplisting and financing. 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.

The Company continues to be focused on the execution of its strategic plan. The plan remains to focus on sales and the successful continued growth and execution of our backlog. We know that delivering solid business results is the key 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. There is no timeline for an acquisition, but we are ready and able to capitalize on the right opportunity should it arise because of our strong balance sheet, clean capital structure and stronger institutional participation.

In summary, CEMATRIX's financial sustainability remains strong. The Company has a strong balance sheet, great lending partners and a strong shareholder backing. CEMATRIX continues to demonstrate 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 remain committed to our strategy and expect to see more of our efforts come to fruition into 2025 and beyond.

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:

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

	2023				**2024**			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Revenue	$ 7,182	$ 6,185	$ 20,375	$ 19,553	$ 8,442	$ 6,437	$ 10,135	**$ 10,351**
Comprehensive income (loss)	(1,687)	(1,434)	2,319	1,452	892	(1,373)	391	**1,907**
Adjusted EBITDA[2]	(687)	(399)	3,151	2,854	960	(490)	1,365	**1,442**
Comprehensive Income (loss) per share[1]								
Basic	(0.012)	(0.007)	0.014	0.015	0.003	(0.011)	0.005	**0.005**
Diluted	(0.012)	(0.007)	0.013	0.015	0.003	(0.011)	0.005	**0.005**

[1] Quarterly Income (loss) per share is calculated on a standalone quarterly basis and accordingly the sum of the quarterly amounts may not equal the total for the year.

[2] Adjusted EBITDA is a non-GAAP financial measure. See "Appendix B – non-GAAP measures" in this MD&A for more information on each non-GAAP measure.

Consolidated Statements of Financial Position

	December 31, 2024	December 31, 2023	Change
Current assets	**$ 18,460**	$ 17,872	$ 588
Non-current assets	**24,935**	21,407	3,528
Total assets	**$ 43,395**	$ 39,279	$ 4,116
Current liabilities	**3,577**	8,315	(4,738)
Non-current liabilities	**2,444**	2,241	203
Total liabilities	**$ 6,021**	$ 10,556	$ (4,535)
Shareholders' equity	**$ 37,374**	$ 28,723	$ 8,651
Total liabilities and shareholders' equity	**$ 43,395**	$ 39,279	$ 4,116

Total current assets increased by $588. This increase in aggregate is summarized below:

- Cash increased by $7,007 (see the discussion in Consolidated Statement of Cash Flows).
- Trade and other receivables decreased by $6,123 as the Company collected on the revenue generated in the last part of 2023 and 2024 collections due. Accounts receivables increase during periods of higher revenue and then decline in periods of lower revenue as the amounts are collected.
- Inventory decreased by $207 as foaming agent inventory levels have returned to the seasonal normal levels after foaming agent was purchased in late 2023 for use in the production of cellular concrete in 2024.
- Prepaids, deposits, and short-term investments decreased by $89 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 $3,528. This increase in aggregate is summarized below:

- Long-term investments increased by $230 primarily due to the conversion of the outstanding principal and accrued interest on the Glavel promissory notes into preferred shares in Glavel, partially offset by $80 share of losses in Glavel and a fair value adjustment. As a result of refinancing of Glavel Inc., the Company determined it does not have significant influence over Glavel and the investment in Glavel is classified as a financial asset to be measured at fair value in accordance with IFRS 9. The fair value of the Glavel equity was determined using the share price that investors participating in the refinancing paid, resulting in a fair value adjustment of $257.
- Property and equipment increased by $1,476 due to equipment additions of $1,993 and an exchange gain on the translation of assets held by our foreign denominated subsidiaries and equipment additions of $993, partially offset by depreciation expense of $1,510.
- Right of use assets under finance lease increased by $1,294 due to building and vehicle additions of $1,930 and $140 foreign exchange gain on the translation of assets held by our foreign denominated subsidiaries, offset by depreciation expense of $776.
- Goodwill and intangibles assets increased by $528 due to foreign exchange gain on the translation of assets held by our foreign denominated subsidiaries.

Total current liabilities decreased by $4,738. This decrease in aggregate is summarized below:

- Trade and other payables decreased by $4,849 as a result of accounts payables that increase during periods of higher revenue and then decline in future periods of lower revenue as the amounts are paid.

- Current portion of long-term debt increased by $80 due to exchange losses on the translation of US Dollar denominated debt.
- Current portion of finance lease obligations increased by $31 due to changes in finance leases on buildings and vehicles plus exchange losses on the translation of USD denominated leases.

Total non-current liabilities increased by $203. This increase in aggregate is summarized below:

- Long term debt decreased $906 as the Company repaid a portion of the outstanding debt, partially offset by unrealized foreign exchange loss on the translation of foreign denominated debt.
- Finance lease obligations increased $1,139 due to $1,924 in building and vehicle additions and $108 in foreign exchange losses on the translation of foreign denominated debt, offset by $862 principal reduction and $31 increase in current portion of finance lease obligations.
- Deferred tax liability decreased by $30 primarily due $79 deferred tax expense, offset by $49 unrealized foreign exchange losses on the revaluation of the USD denominated balances.

Shareholders' Equity increased by $8,651. This increase in aggregate is summarized below:

- Common shares increased by $5,224 due primarily to the private placement of $5,025. Additionally, proceeds on common shares issued on conversion of options of $108 plus a reclassification from contributed surplus of $91.
- Contributed surplus increased by $1,611 due to the issuance of $942 of warrants and broker warrants as part of the private placement, $760 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 income increased by $1,546 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 $270 due to the net income attributable to common shareholders in 2024.

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

Consolidated Statement of Cash Flows

Cash flow – fourth quarter

The cash position of the Company as at December 31, 2024, was $10,295 compared to a cash position of $3,288 in the same period of 2023.

The change in cash in the fourth quarter of 2024 was an increase of $363 as compared to an increase of $1,378 in the same period of 2023. This change is outlined in the table:

	Three months ended December 31, 2024	Three months ended December 31, 2023	Change
Cash flow from operating activities			
Before non-cash working capital adjustment	**$ 1,354**	$ 2,750	$ (1,396)
Net change in non-cash working capital items	**1,212**	13	1,199
Cash generated (used) in operating activities	**2,566**	2,763	(197)
Cash used in investing activities	**(1,942)**	(561)	(1,381)
Cash generated (used) in financing activities	**(304)**	(782)	478
Foreign exchange effect on cash	**43**	(42)	85
Increase (decrease) in cash	**363**	1,378	(1,015)
Cash, beginning of period	**9,932**	1,910	8,022
Cash, end of period	**$ 10,295**	$ 3,288	$ 7,007

Cash generated used in operating activities decreased by $197 due to the following:

- Cash flow before non-cash working capital adjustments decreased by $1,396 primarily due to lower revenues partially offset by higher gross margins.
- Net change in non-cash working capital items increased by $1,199, 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 increased by $1,381 due to the following:

- Property and equipment additions increased by $1,464 compared to the prior period.
- Proceeds from property and equipment dispositions decreased by $33 compared to the prior period.
- Purchase of investments decreased by $116 compared to the prior period.

Cash used in financing activities decreased by $478 due to the following:

- Repayment of finance lease obligations increased $10 due to building and vehicle additions.
- Repayment of long-term debt decrease of $469 as the Company prepaid in the prior quarter the 2024 seasonal principal payments.
- Interest paid decreased by $21 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.
- Proceed from private placement increased by $1 due to adjustments to transaction costs associated with the equity offering.
- Proceeds from the exercise of options decreased by $3.

Cash flow – year

The cash position of the Company as at December 31, 2024, was $10,295 compared to a cash position of $3,288 in the same period of 2023.

The change in cash in 2024 was an increase of $7,007 as compared to a decrease of $7,394 in the same period of 2023. This change is outlined in the table:

	Three months ended December 31, 2024	Three months ended December 31, 2023	Change
Cash flow from operating activities			
Before non-cash working capital adjustment	**$ 3,080**	$ 4,716	$ (1,636)
Net change in non-cash working capital items	**1,816**	(4,213)	6,029
Cash generated (used) in operating activities	**4,896**	503	4,393
Cash used in investing activities	**(2,020)**	(2,033)	13
Cash generated (used) in financing activities	**3,980**	(5,816)	9,796
Foreign exchange effect on cash	**151**	(48)	199
Increase (decrease) in cash	**7,007**	(7,394)	14,401
Cash, beginning of period	**3,288**	10,682	(7,394)
Cash, end of period	**$ 10,295**	$ 3,288	$ 7,007

Cash generated by operating activities increased by $4,393 due to the following:

- Cash flow before non-cash working capital adjustments decreased by $1,636 primarily due to lower revenues, mostly offset by higher gross margins.
- Net change in non-cash working capital items increased by $6,029, 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 $13 due to the following:

- Property and equipment additions increased by $30 compared to the prior period.
- Proceeds from property and equipment dispositions decreased by $73 compared to the prior period.
- Purchase of investments decreased by $116 compared to the prior period.

Cash generated by financing activities increased by $9,796 due to the following:

- Net proceeds from the private placement increased by $5,967.
- Repayment of finance lease obligations increased $93 due to building and vehicle additions.
- Repayment of long-term debt increase of $18 due to foreign exchange differences in the payment of USD denominated debt.
- Interest paid decreased by $246 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 by $105.
- 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 December 31, 2024, the Company had cash balance of $10,295 versus $3,288 as at December 31, 2023.

The Company's adjusted net working capital was $6,343 on December 31, 2024, compared to $8,088 on December 31, 2023. The decrease is primarily related to the change in volume year-over-year.

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 5.45% as of December 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 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 December 31, 2024, was $4,002 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 December 31, 2024, there were $404 in letters of credit outstanding ($865 – December 31, 2023).

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

- Current ratio not less than 1.25, tested quarterly. This is the ratio of current assets to current liabilities.
- Debt to EBITDA ratio of not more than 3.0 times, tested quarterly. This is a ratio of all long-term debt divided by the rolling 12 months adjusted EBITDA. The calculation for adjusted EBITDA is illustrated in Appendix B.
- Debt Service Coverage ratio of not less than 1.50 times, tested annually. This ratio is calculated by taking adjusted EBITDA divided by the sum of all debt service costs (principle, interest, cash taxes, dividends and distributions).
- The BDC USD financing loans have a consolidated fixed charge coverage ratio financial covenant which is tested annually. As at December 31, 2024, the Company was compliant with this covenant.

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

Capital resources

The Company is currently well capitalized with a strong balance sheet. In addition, the Company was cashflow positive from operations in 2024 and expects to be cash flow positive for 2025. 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 27 - Capital Management, was $40,962 on December 31, 2024, as compared to $31,967 on December 31, 2023 (see section Consolidated Statements of Financial Position for details).

Off Balance Sheet arrangements

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

Transactions with related parties

Two of the buildings that the Company operates out of are owned by entities that are owned or controlled by certain officers or consultants of the Company. During the year ended December 31, 2024, the Company incurred costs of $449 (December 31, 2023 - $382) related to these rental leases. Lease obligations for the two buildings as at December 31, 2024, were in the amount of $721 (December 31, 2023 - $521).

Controls and procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Particularly during the period in which the annual filings are being prepared, and information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation has been recorded, processed, summarized and reported within the time periods specified in the securities legislation.

An evaluation of the effectiveness of the design of the Company's disclosure controls and procedures was carried out under the supervision of management, including the CEO and CFO, with oversight by the Board of Directors and Audit Committee, as at December 31, 2024. Based on this evaluation, the Company's CEO and CFO have concluded that the design of the Company's disclosure controls and procedures, as defined in NI-52-109, Certification of Disclosures in Issuers' Annual and Interim Filings, was effective as at December 31, 2024.

Internal Controls over financial reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Absolute assurance cannot be provided that all misstatements have been detected because of inherent limitations in all control systems. The Company's management is responsible for designing and maintaining adequate control over financial reporting for the Company.

An evaluation of the effectiveness of the design of the Company's internal controls over financial reporting was carried out under the supervision of management, including the CEO and CFO, with oversight by the Board of Directors and Audit Committee, as at December 31, 2024, using the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework (2013). Based on this evaluation, the Company's CEO and CFO have concluded that the design and operating effectiveness of the Company's internal controls over financial reporting, as defined in NI 52-109, was effective as at December 31, 2024.

There have been no material changes in the Company's internal controls over financial reporting during the year ended December 31, 2024, that materially affected, or are reasonably likely to materially effect, the Company's internal controls over financial reporting.

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, 2024. There have been no changes since that date.

Changes in accounting policies including initial adoption

New accounting policies

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2025, that have not been applied in preparing the financial statements for the year ended December 31, 2024. Except as disclosed below, these standards and interpretations are not expected to have a material impact on the Company's Financial Statements.

Future accounting pronouncements

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1. IFRS 18 applies to annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The Company is currently assessing the impact and efforts related to adopting IFRS 18.

On May 30, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets);

and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). These amendments apply to annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The Company is currently assessing the impact and efforts related to the amendments to IFRS 9 and IFRS 7.

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 is 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, 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, trade and other receivables, bank operating loan, debt, and trade and other payables approximate their carrying values due to the relatively short periods to maturity of these instruments. Investments are carried at FVTPL and are categorized as Level 2.

The fair value of the long-term debt approximate their carrying value as the debt rate floats with prime and is representative of market rates offered to the Company.

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

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

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

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

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

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market data.

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 Company's long-term debt, which totaled $1,103 on December 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 $11 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's review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before the Company extends credit. The Company monitors its trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk.

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

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

Liquidity risk

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

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

As at December 31, 2024	**Less than 1 year**	**1 to 2 years**	**2 to 6 years**	**Total**
Trade and other payable	**$ 1,822**	**$ -**	**$ -**	**$ 1,822**
Long-term debt	**1,079**	**114**	**-**	**1,193**
Lease obligations	**950**	**1,170**	**893**	**3,013**
	$ 3,851	**$ 1,284**	**$ 893**	**$ 6,028**
As at December 31, 2023				
Trade and other payable	$ 6,671	$ -	$ -	$ 6,671
Long-term debt	915	915	99	1,929
Lease obligations	816	569	69	1,454
	$ 8,402	$ 1,484	$ 168	$ 10,054

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to balances denominated in 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:

	December 31, 2024	December 31, 2023
Assets		
Cash	**$ 1,636**	$ 1,347
Trade and other receivables	**3,926**	6,889
Other current assets	**139**	96
Investments	**63**	1,921
Liabilities		
Trade and other payables	**(929)**	(3,322)
Debt	**(467)**	(933)
Lease obligations	**(1,079)**	(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 December 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 $47 excluding the effect of income taxes.

Disclosure of outstanding share data

As at March 26, 2025, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding as at March 26, 2025
Voting or equity securities issued and outstanding	Unlimited common shares	150,459,819 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 6,145,000 common shares at an exercise price between $0.185 - $0.590
Securities convertible or exercisable into voting or equity securities – Restricted Stock Units	Incentive equity plans up to 10% of outstanding common shares	RSU's to acquire 2,101,902 common shares
Securities convertible or exercisable into voting or equity securities – share purchase warrants	As approved by the board	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 and twelve months ended December 31, 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 2025; sales forecasts include work which is under contract or verbally awarded for 2025, 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-GAAP 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. The following table shows the Company's balances at the end of the following reporting period:

	December 31, 2024
Contracts in process	$ 20,306
Backlog	49,334
Total backlog	$ 69,640

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 December 31, 2024, and 2023, were as follows:

	December 31, 2024	December 31, 2023
Current assets	$ 18,460	$ 17,872
Current liabilities	(3,577)	$ (8,315)
Net working capital	14,883	9,557
Adjustments		
Cash and cash equivalents	(10,295)	(3,288)
Current portion of long-term debt	995	915
Current portion of lease obligations	760	729
Earn-out liability	-	175
Adjusted net working capital	$ 6,343	$ 8,088

Adjusted EBITDA

Adjusted EBITDA is calculated as EBITDA as defined above, adjusted for unrealized foreign exchange gain (loss), accretion costs, share of losses of Glavel Inc., fair value adjustments of investments, and stock-based compensation.

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

	Three months ended December 31,		twelve months ended December 31,	
	2024	2023	**2024**	2023
Net income (loss)	**$ 764**	$ 2,039	**$ 270**	$ 1,235
Finance costs	**79**	101	**276**	474
Depreciation and amortization	**568**	570	**2,209**	2,246
Provision of deferred / current taxes	**(99)**	(46)	**(250)**	342
EBITDA	**1,312**	2,664	**2,505**	4,297
Unrealized foreign exchange (gain)	**(307)**	89	**(323)**	77
Accretion costs	**-**	-	**-**	139
Share of losses of Glavel Inc.	**80**	56	**80**	56
Fair value adjustment of investments	**257**	-	**257**	-
Revaluation of derivatives	**-**	-	**-**	21
Stock-based compensation	**100**	45	**760**	329
Adjusted EBITDA	**$ 1,442**	$ 2,854	**$ 3,279**	$ 4,919

Appendix C – Covenant calculations

CIBC Covenants

Current ratio		**December 31, 2024**
Current assets	$	**18,460**
Current liabilities		**3,577**
Current ratio (current assets ÷ current liabilities)		**5.16**
Covenant tested quarterly, not less than 1.25x		**1.25**
		Compliant

Debt to EBITDA ratio		**December 31, 2024**
Adjusted debt		
Current portion – long-term debt	$	**995**
Long-term debt		**108**
Adjusted long-term debt		**1,103**
Adjusted EBITDA (rolling 12-month)		**3,279**
Debt to EBITDA ratio (adjusted debt÷ EBITDA)		**0.34**
Covenant tested quarterly, not to exceed 3.00x		**3.00**
		Compliant

Debt service coverage ratio		**2024**
Rolling 12-month adjusted EBITDA	$	**3,279**
Interest paid		**276**
Repayment of finance lease obligations		**868**
Repayment of long-term debt		**951**
Current taxes		**88**
Total interest, principal repayments, and cash taxes		**2,183**
Debt service coverage ratio		**1.50**
Covenant tested annually, not less than 1.5x		**1.50**
		Compliant

BDC Covenant

Debt service coverage ratio		**2024**
Rolling 12-month adjusted EBITDA	$	**3,279**
Interest paid		**276**
Repayment of finance lease obligations		**868**
Repayment of long-term debt		**951**
Current taxes		**88**
Total interest, principal repayments, and cash taxes		**2,183**
Debt service coverage ratio		**1.50**
Covenant tested annually, not less than 1.1x		**1.10**
		Compliant