CEMATRIX
Lightweight Fill Solutions

CEMATRIX Corporation

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2024 and 2023
(in 000’s Canadian dollars)

To the Shareholders of Cematrix Corporation:

Opinion

We have audited the consolidated financial statements of Cematrix Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the recoverable amount of goodwill

Key Audit Matter Description

The Company's total net carrying amount of goodwill as at December 31, 2024 amounted to $6,531,000. At the end of each reporting period, management assesses whether there is an indication that an asset or group of assets within a cash generating unit (CGU) may be impaired. When impairment indicators exist, management estimates the recoverable amount of the asset or CGU and compares it against the asset or CGU's carrying amount. CGUs to which goodwill has been allocated are tested for impairment annually.

As at December 31, 2024, the carrying amount of the identified CGUs did not exceed their recoverable amounts, which resulted in no impairment charge.

We identified the assessment of the recoverable amount of goodwill as a key audit matter due to the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the group of CGUs. The Company used the discounted future cash flow model to estimate the recoverable amount, which requires management to make significant estimates and assumptions. Changes in these assumptions could have a significant impact on either the recoverable amount, the amount of any impairment charge, or both.

Significant assumptions included:

- Forecasted income before finance costs, taxes, depreciation and amortization, share based compensation, and certain other income and expenses;
- Revenue growth rates; and,
- Discount rate.

Audit Response

We responded to this matter by performing audit procedures in relation to the assessment of the recoverable amount of goodwill. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the reasonableness of forecast operating margin by comparing the forecasts to historical operating margins, internal communications to management and the Board of Directors and whether these assumptions were consistent with evidence obtained in other areas of the audit.
- With the assistance of internal valuation group we evaluated the reasonableness of the discount rate by developing a range of independent estimates and comparing those to the discount rate selected by management.
- With the assistance of external valuation expert we evaluated the reasonableness of the management's calculation of the fair value of fixed assets related to the Canadian CGU.
- Assessed management's estimate of the recoverable amount by comparing management's implied valuation multiple to market multiples for comparable entities.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Scott Laluk.

Calgary, Alberta

March 26, 2025

MNP LLP

Chartered Professional Accountants

CEMATRIX Corporation
Consolidated Statement of Financial Position
As at December 31, 2024, and December 31, 2023
(in thousands of Canadian dollars)

	Note	2024	2023
ASSETS			
Current assets			
Cash		**$ 10,295**	$ 3,288
Trade and other receivables	7	**6,742**	12,865
Inventory	8	**832**	1,039
Other current assets		**591**	680
Total current assets		**18,460**	17,872
Non-current assets			
Long-term investments	9	**2,571**	2,341
Property and equipment	10	**13,147**	11,671
Right of use assets	11	**2,686**	1,392
Goodwill and intangibles	12	**6,531**	6,003
Total non-current assets		**24,935**	21,407
TOTAL ASSETS		**$ 43,395**	$ 39,279
LIABILITIES			
Current liabilities			
Trade and other payables	14	**$ 1,822**	$ 6,671
Current portion of long-term debt	15	**995**	915
Current portion of lease obligations	16	**760**	729
Total current liabilities		**3,577**	8,315
Non-current liabilities			
Long-term debt	15	**108**	1,014
Lease obligations	16	**1,725**	586
Deferred tax liability	21	**611**	641
Total non-current liabilities		**2,444**	2,241
TOTAL LIABILITIES		**6,021**	10,556
SHAREHOLDERS' EQUITY			
Share capital	17	**47,865**	42,641
Contributed surplus		**9,849**	8,238
Accumulated other comprehensive income (loss)		**1,522**	(24)
Deficit		**(21,862)**	(22,132)
Total shareholders' equity		**37,374**	28,723
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 43,395**	$ 39,279

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

Approved on behalf of the Board of Directors

/s/ Minaz Lalani
Minaz Lalani
Chairman of the Board

/s/ Steve Bjornson
Steve Bjornson
Audit Committee Chair

CEMATRIX Corporation
Consolidated Statement of Income and Comprehensive Income
For the years ended December 31, 2024, and 2023
(in thousands of Canadian dollars, except per share amounts)

	Note	2024	2023
Revenue	28	**$ 35,364**	$ 53,295
Cost of sales	18	**(25,947)**	(41,416)
Gross margin		**9,417**	11,879
Operating expenses			
Selling, general and administrative		**(8,925)**	(9,139)
Operating income		**492**	2,740
Stock-based compensation	23	**(760)**	(329)
Finance costs	19	**(276)**	(474)
Accretion costs	19	**-**	(139)
Other income (expenses)	20	**901**	(144)
Fair value adjustment of investments	9	**(257)**	-
Share of net loss in Glavel Inc.	9	**(80)**	(56)
Fair value adjustment of derivatives		**-**	(21)
Income before income taxes		**20**	1,577
Provision of deferred taxes	21	**338**	(277)
Provision of current taxes	21	**(88)**	(65)
Income for the year		**270**	1,235
Other Comprehensive Income			
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		**1,805**	(587)
Deferred tax (expense)	21	**(259)**	-
Comprehensive income for the year		**$ 1,816**	$ 648
Earnings per common share	22		
Basic		**0.002**	0.009
Diluted		**0.002**	0.009

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

CEMATRIX Corporation
Consolidated Statement of Changes in Equity
For the years ended December 31, 2024, and 2023
(in thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Convertible debt	Deficit	Total equity
Balance at December 31, 2022		$ 42,404	$ 7,611	$ 563	$ 532	$ (23,368)	$ 27,742
Common shares issued	17	3	-	-	-	-	3
Reclassification of contributed surplus	17	234	(234)	-	-	-	-
Stock-based compensation	23	-	329	-	-	-	329
Warrant expiration	17	-	532	-	(532)	-	-
Net income for the year		-	-	-	-	1,235	1,235
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		-	-	(587)	-	-	(587)
Balance at December 31, 2023		$ 42,641	$ 8,238	$ (24)	$ -	$ (22,132)	$ 28,723
Private placement	17	**5,025**	**942**				**5,967**
Common shares issued	17	**108**	**-**	**-**	**-**	**-**	**108**
Reclassification of contributed surplus	17	**91**	**(91)**	**-**	**-**	**-**	**-**
Stock-based compensation	23	**-**	**760**	**-**	**-**	**-**	**760**
Net income for the year		**-**	**-**	**-**	**-**	**270**	**270**
Deferred taxes	21			**(259)**			**(259)**
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		**-**	**-**	**1,805**	**-**	**-**	**1,805**
Balance at December 31, 2024		**$ 47,865**	**$ 9,849**	**$ 1,522**	**$ -**	**$ (21,862)**	**$ 37,374**

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

CEMATRIX Corporation
Consolidated Statement of Cash Flows
For the years ended December 31, 2024, and 2023
(in thousands of Canadian dollars)

	Note		2024		2023
Cash flow from (used in) operating activities					
Net income for the year		**$**	**270**	$	1,235
Items not involving cash:					
Provision for deferred taxes	21		**(338)**		277
Depreciation and amortization	10 & 11		**2,209**		2,246
Finance and accretion costs	19		**276**		613
(Gain) on sale of equipment			**(61)**		(64)
Stock-based compensation	23		**760**		329
Unrealized foreign exchange loss (gain)			**(323)**		77
Non-cash interest income			**(50)**		(74)
Fair value adjustment of investments	9		**257**		-
Share of net loss of Glavel	9		**80**		56
Fair value adjustment of derivatives			**-**		21
Cash flows from operations before changes in non-cash working capital			**3,080**		4,716
Net change in non-cash working capital items	24		**1,816**		(4,213)
Net cash generated from operating activities			**4,896**		503
Cash flow from (used in) investing activities					
Purchase of property and equipment	10		**(1,993)**		(1,963)
Proceeds on sale of property and equipment			**61**		134
Purchase of investments	9		**(88)**		(204)
Net cash used in investing activities			**(2,020)**		(2,033)
Cash flow from (used in) financing activities					
Repayment of long-term debt	15		**(951)**		(933)
Repayment of finance lease obligations	16		**(868)**		(775)
Interest paid			**(276)**		(522)
Proceeds from Private Placement, net of costs	17		**5,967**		-
Proceeds from exercise of options	17		**108**		3
Repayment of convertible debentures			**-**		(3,589)
Net cash flow from (used in) financing activities			**3,980**		(5,816)
Effects of foreign exchange on cash balances			**151**		(48)
Net increase (decrease) in cash during the year			**7,007**		(7,394)
Cash, beginning of the year			**3,288**		10,682
Cash, end of the year		**$**	**10,295**	$	3,288

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

Table of Contents – Notes to the Condensed Consolidated Financial Statements

1. Corporate information

CEMATRIX Corporation ("CEMATRIX" or the "Company") is a limited company incorporated in the province of Alberta, Canada whose common shares were publicly traded in Canada on the TSX Exchange under the symbol "CEMX" and in the United States on the OTCQB under the symbol "CTXXF". On July 16, 2024, the Company uplisted to the Toronto Stock Exchange ("TSX") from the TSX Venture Exchange ("TSXV"). Concurrent with the uplisting, the Company's ticker symbol changed to CEMX. The Company is domiciled in Canada with its registered office at 9727 – 40th Street S.E., Calgary, Alberta, Canada.

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

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. These financial statements were authorized for issue on March 26, 2025, by the Company's Board of Directors.

Basis of measurement and going concern

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

Functional and presentation currency

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

Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

3. Accounting judgements, estimates, and assumptions

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

Impairment of non-financial assets

The Company assesses impairment on its non-financial assets when it has determined that a potential indicator of impairment exists, or annually in the case of goodwill and indefinite life intangibles. The assessment of the existence of impairment indicators is based on various internal and external factors and involves management's judgement. When an impairment test is performed on an asset or a cash generating unit ("CGU"), management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal ("FVLCD") or its value in use ("VIU"). These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, gross margin, pre-tax discount rate (weighted average cost of capital or "WACC") and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge (if required) recorded in the consolidated statement of income and comprehensive income. A description of key assumptions used in the impairment tests and a sensitivity analysis of recoverable amounts are presented in note 12.

Stock-based compensation

The Company measures the cost of stock-based compensation transactions with employees and consultants by reference to the fair value of the equity instruments. Estimating fair value for stock-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, forfeiture rate, volatility, and dividend yield of the share option.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Fair value of financial instruments

The fair value of financial instruments is determined wherever possible based on observable market data. If not available, the Company uses third-party models, independent price publications, market exchanges, investment dealer quotes and valuation methodologies that utilize observable data. Actual values may significantly differ from these estimates.

Useful life of property and equipment, right of use assets, and intangible assets

Depreciation and amortization are calculated using a systematic and rational basis, which are based upon an estimate of each assets' useful life and residual value. The estimated useful life and residual value chosen are the Company's best estimate of such and are based on industry norms, historical experience, market conditions and other estimates that consider the period and distribution of future cash inflows.

Incremental borrowing rates for leases and lease terms

The incremental borrowing rates are based on judgements including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term. In addition, lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Identification of CGU's

A CGU is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations. Management has determined that the appropriate CGUs for the Company are CEMATRIX Canada and CEMATRIX USA, where the CEMATRIX USA CGU includes both MOS and PIGCO.

Going concern

Management has assessed and concluded that the going concern assumption is appropriate for a period of at least twelve months following the end of the reporting period. Management has applied significant judgement in arriving at this conclusion including:

- The amount of new sales orders and total revenue to be generated to provide sufficient cash flows to continue to fund operations and other committed expenditures;
- The timing of generating those new sales and the timing of the related cash flows; and
- The strength of the financial position of the Company.

Given the judgement involved, actual results may lead to a materially different outcome.

4. Material accounting policies

The material accounting policies of the Company are outlined on the following pages:

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CEMATRIX (Canada) Inc. and its subsidiaries: CEMATRIX (USA) Inc. (99.99% owned), MOS (100% owned), PIGCO (100% owned) and Canadian Cellular Concrete Services Inc. (100% owned). Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. The Company has consolidated the assets, liabilities, revenues, and expenses of its subsidiaries after the elimination of inter-company transactions and balances.

Cash

Cash includes short-term investments with original maturities of three months or less which are considered to be cash equivalents and are recorded at cost, which approximates fair market value.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business.

The inventory consists mainly of foaming agents used in the production of the Company’s product, cellular concrete. Inventory is reviewed on a regular basis to ensure the carrying value does not exceed net realizable value. If the carrying value exceeds net realizable value, a write-down is recognized immediately. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer to exist.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the consolidated statement of income and comprehensive income as incurred.

Depreciation is calculated on a straight-line basis to recognize the cost less estimated residual value over the estimated useful life of the assets as follows:

Equipment and cellular material processors	3-20 years
Vehicles	7-15 years
Office and computer equipment	5-10 years

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Right of use assets and leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgement is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company does not recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of twelve months or less. The lease payments are recognized in expenses over the lease term.

On the date that the leased asset becomes available for use, the Company recognizes a right of use ("ROU") asset and a corresponding lease obligation. Finance costs associated with the lease obligation are charged to the statement of income over the lease period with a corresponding increase to the ROU liability. The ROU liability is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the asset's useful life and the lease term on a straight-line basis.

Process Equipment	3-5 years
Vehicles	3-5 years
Buildings	5-9 years

Depreciation of the ROU asset is recognized as part of costs of sales or general and administrative expenses, depending on the nature of the leased asset.

ROU assets and liabilities are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include fixed lease payments, variable lease payments that are based on an index or a rate, amounts expected to be payable under residual value guarantees, and payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the ROU liability, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and liabilities assumed in a business combination. Goodwill is not amortized but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's CGUs expected to benefit from the synergies of the business combination.

CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than it's carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, goodwill and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of FVLCD and VIU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income and comprehensive income.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years.

A reversal of an impairment loss is recognized immediately in consolidated statement of income and comprehensive income. An impairment loss on intangible assets with an indefinite life and on any goodwill is not reversed.

Revenue from contracts with customers

IFRS 15 sets out a five-step model for revenue recognition. The core principle is that revenue should be recognized to depict the transfer of goods and services to customers in an amount that reflects the consideration that the Company expects to be entitled for those goods and services.

The Company principally generates revenue from the onsite production and placement of cellular concrete (the “Product”) pursuant to contractual arrangements with its customers. This revenue is recognized when control or title of the Product is transferred from the Company and collection is reasonably assured in accordance with specified contract terms. All revenue is generally earned at a point in time and is based on the consideration that the Company expects to receive for the transfer of the Product to the customer.

Revenue is measured based on the consideration specified in a contract with its customers. Payment terms with customers are generally 30 days from the date of the invoice. The Company generally does not have any sales contracts where the period between the transfer of the Product to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money.

The Company enters contracts with customers that have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year or less, or for performance where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer on the Company’s performance to date.

Contract modifications with the Company’s customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification in writing. Contract modifications are generally accounted for as part of the existing contract prospectively over the remaining term of the contract.

Stock-based compensation

The Company operates an equity-settled non-cash stock-based compensation plan under which it receives services from employees and consultants as consideration for equity instruments of the Company.

For equity-settled plans, expense is based on the fair value of the awards granted, net of expected forfeitures, on the date of grant. Fair values are determined using observable share prices and/or pricing models such as the Black-Scholes option-pricing model. The expense is recognized over the vesting period, which is the period over which all the specified vesting conditions are satisfied with a corresponding credit to contributed surplus. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

For grants that are exercised, the Company records a reclassification to share capital of the stock-based compensation previously recorded to contributed surplus.

At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statement of income and comprehensive income.

Earnings per common share

Basic earnings per common share is calculated by dividing the net income attributable to common shareholders (the numerator) by the weighted average number of common shares outstanding (the denominator) during the year. The denominator (number of units) is calculated by adjusting the shares issued at the beginning of the year by the number of shares bought back or issued during the year, multiplied by a time-weighting factor.

Diluted earnings per common share is calculated by adjusting the denominator for the effects of dilutive share purchase options and any other potential dilutive items. The effects of anti-dilutive potential units are ignored in calculating diluted income per common share. All share purchase options are considered anti-dilutive when the Company is in a loss position, or the average exercise price of the options exceeds the average trading price of the Company's common shares.

Taxes

Tax expenses comprise current and deferred tax. Taxes are recognized in the consolidated statement of income and comprehensive income except to the extent it relates to items recognized directly in equity.

<u>Current tax</u>

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible and recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

<u>Deferred tax</u>

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the consolidated statement of financial position and their corresponding tax bases used in the computation of taxable profit and are accounted for using the liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Share capital

The proceeds from the exercise of share options and warrant and issuance of shares from treasury are recorded as share capital in the amount for which the option, warrant, or treasury share enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value on the date the shares are issued. Commissions paid to underwriters, and other related share issue costs, such as legal, auditing and printing, on the issue of the Company's shares are charged to share capital.

The proceeds from the issue of units consisting of a common share and a share purchase warrant is allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, wherein, the fair value of the common shares is based on the market closing price on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

Foreign currency translation

Foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the date of the consolidated statement of financial position for monetary items. Revenues and expenses are translated using exchange rates prevailing at the dates of the transaction. Any exchange gain or loss that arises on translation is included in the consolidated statement of income and comprehensive income for the year.

The Company translates the accounts of PIGCO, MOS, and CEMATRIX (USA) Inc. into Canadian dollars using the closing rate of exchange for both monetary and non-monetary assets and liabilities and the average exchange rate for revenues and expenses. The Company records the exchange differences on the translation of net assets whose functional currency is the USD in unrealized foreign exchange gain (loss) on translation of foreign subsidiaries in other comprehensive income.

Financial instruments

<u>Classification</u>

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). For long-term investments that are not held for trading, gains and losses will be recorded in profit or loss, unless, the Company has made an irrevocable election at the time of initial recognition to account for the investment at fair value through other comprehensive income. These long-term investments in equity, convertible notes, or convertible debentures are subsequently measured at fair value, and gains or losses, including interest income or dividend income, are recognized in profit or loss. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains or losses are either recorded in net income or other comprehensive income.

The Company reclassifies financial assets when one of the following occurs; (i) when its business model for managing those assets changes; (ii) the Company's investment has significant influence over the associate when it holds equity securities giving it the power to participate in the financial and operating policy decisions of the investee, without having control or joint control over those policies. Financial liabilities are not reclassified.

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

All financial instruments are initially measured at fair value. The following table summarizes the subsequent measurement for the Company's financial assets and liabilities under IFRS 9:

Financial instrument	Subsequent measurement
Financial asset:	
Cash	Amortized cost
Trade and other receivables	Amortized cost
Equity investments	FVTPL
Financial liabilities:	
Bank operating loan	Amortized cost
Trade and other payables	Amortized cost
Long-term debt	Amortized cost

Impairment

When assessing impairment of financial assets measured at amortized cost, the Company applies the simplified approach to provide for expected losses prescribed by IFRS 9, which requires the use of the lifetime expected credit losses. In estimating the lifetime expected loss provision, the Company considers historical internal and industry default rates as well as credit ratings of major customers.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Financial liabilities are derecognized when the obligation is discharged, cancelled, or expired.

5. New accounting standards, amendments and interpretations adopted

The Company has adopted amendments effective January 1, 2024, related to IAS 1 Presentation of Financial Statements relating to the classification of liabilities, and IFRS 16 Leases, that did not have a material impact on the Company's financial statements.

6. Future accounting changes

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.

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.

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

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.

7. Trade and other receivables

		2024		2023
Trade receivables	**$**	**5,098**	$	10,802
Holdbacks		**1,743**		2,053
Other receivables		**12**		54
Expected credit loss		**(111)**		(44)
	$	**6,742**	$	12,865

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

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

The aging of the trade receivables were as follows:

		2024		2023
1-30 days	**$**	**1,519**	$	3,029
31-60 days		**2,093**		3,283
61-90 days		**818**		3,729
Greater than 90 days		**668**		761
	$	**5,098**	$	10,802

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

8. Inventory

Inventory consists of raw materials (foaming agent) which was $832 at December 31, 2024 (December 31, 2023 - $1,039). Inventory expensed as part of cost of sales was $1,105 for the year ended December 31, 2024 ($1,587 for the same period in 2023).

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

9. Investments

		2024		2023
Equity investment in Glavel	**$**	**2,480**	$	1,396
Convertible notes investment in Glavel		**-**		945
Promissory note investment in Glavel		**-**		201
Other investment at FVTPL		**91**		-
Total Investments		**2,571**		2,542
Less current portion		**-**		(201)
Long-term investment	**$**	**2,571**	$	2,341

Equity investment in Glavel

		2024		2023
Equity investments – January 1	**$**	**1,396**	$	1,486
Conversion of Convertible Notes		**1,006**		-
Conversion of Promissory Note		**224**		-
Share of the net (loss)		**(80)**		(56)
Fair value adjustment		**(257)**		-
Unrealized foreign exchange gain (loss)		**191**		(34)
Equity investments – December 31	**$**	**2,480**	$	1,396

Prior to November 29, 2024, the Company determined that it had significant influence over Glavel from the combination of existing and potential voting rights, representation on the Board of Directors and participation in the decisions over relevant activities. The investment was accounted for using the equity method.

As a result of the refinancing of Glavel Inc. in 2024, and the addition of new investors to Glavel, the Company no longer has a combination of existing and potential voting rights to support significant influence Glavel. On November 29, 2024, the Company's representation on the Glavel Board of Directors ceased and the Company no longer participates in the decisions over the relevant activities of Glavel.

On November 30, 2024, 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 (December 31, 2023 - $nil).

On December 31, 2024, after the conversion of the Convertible Notes and the Promissory Note, the Company held 3,229,445 common and preferred shares of Glavel Inc. (December 31, 2023 – 538,561 shares) with the Canadian dollar equivalent value of $2,480 (December 31, 2023 - $1,396).

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

Convertible notes investment in Glavel

	December 31, 2024			December 31, 2023		
	Number of units		**Amortized Cost**	Number of units		Amortized Cost
Convertible notes, beginning of year	**625,000**	**$**	**945**	625,000	$	896
Accrued interest income	**-**		**32**	-		71
Convertibles notes converted	**(625,000)**		**(1,006)**	-		-
Unrealized foreign exchange gain (loss) on translation	**-**		**29**	-		(22)
Convertible notes, end of year	**-**	**$**	**-**	625,000	$	945

On April 11, 2022, the Company loaned Glavel USD $625 or CAD $800 in the form of convertible notes. The convertible notes carried an interest rate of 8% and matured on April 29, 2025. The Company has accrued interest income of $nil and $32 for the three and nine months ended September 30, 2024, respectively ($18 and $53 for the same periods in 2023).

On June 3, 2024, as part of the refinancing of Glavel Inc, the Company agreed to convert the outstanding convertible notes and accrued interest of USD $737 or CAD $1,006 for 2,200,523 preferred shares.

On December 31, 2024, the Canadian dollar equivalent of these convertible notes after the conversion was $nil (December 31, 2023 - $967).

Promissory note investment in Glavel

On December 11, 2023, the Company loaned Glavel USD $150 or CAD $204 in the form of short-term unsecured promissory note. The promissory note carried an interest rate of 20% and was redeemed on June 3, 2024, for shares of Glavel valued at USD $164 or CAD $224.

The Company has accrued interest income of $nil and $17 for the three and nine months ended September 30, 2024, respectively ($nil and $nil for the same periods in 2023).

On June 3, 2024, as part of the refinancing of Glavel Inc., the Company agreed to convert its outstanding promissory note and accrued interest of USD $164 or CAD $224 for 490,361 preferred shares.

On December 31, 2024, the Canadian dollar equivalent of the promissory note after conversion was $nil (December 31, 2023 - $201).

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

10. Property and equipment

	Equipment	Vehicles	Office & Computer Equipment	Total
Cost				
At December 31, 2023	**$ 19,583**	**$ 761**	**$ 244**	**$ 20,588**
Additions	**1,993**	**-**	**-**	**1,993**
Dispositions	**(35)**	**(38)**	**-**	**(73)**
Exchange difference	**1,355**	**44**	**11**	**1,410**
At December 31, 2024	**22,896**	**767**	**255**	**23,918**
Accumulated depreciation				
At December 31, 2023	**(8,321)**	**(421)**	**(175)**	**(8,917)**
Depreciation	**(1,384)**	**(108)**	**(18)**	**(1,510)**
Dispositions	**35**	**38**	**-**	**73**
Exchange difference	**(387)**	**(18)**	**(12)**	**(417)**
At December 31, 2024	**(10,057)**	**(509)**	**(205)**	**(10,771)**
Net book value				
At December 31, 2024	**$ 12,839**	**$ 258**	**$ 50**	**$ 13,147**

	Equipment	Vehicles	Office & Computer Equipment	Total
Cost				
At December 31, 2022	$ 18,194	$ 939	$ 239	$ 19,372
Additions	1,927	28	8	1,963
Dispositions	(207)	(193)	-	(400)
Exchange difference	(331)	(13)	(3)	(347)
At December 31, 2023	19,583	761	244	20,588
Accumulated depreciation				
At December 31, 2022	(7,191)	(461)	(143)	(7,795)
Depreciation	(1,397)	(136)	(32)	(1,565)
Dispositions	187	170	-	357
Exchange difference	80	6	-	86
At December 31, 2023	(8,321)	(421)	(175)	(8,917)
Net book value				
At December 31, 2023	$ 11,262	$ 340	$ 69	$ 11,671

As at December 31, 2024, Equipment & Cellular Material Processors included $1,879 (December 31, 2023 - $1,566) of capital assets that were not yet in service and therefore not amortized.

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

11. Right of use assets

	Equipment	Vehicles	Buildings	Total
Cost				
At December 31, 2023	**$ 87**	**$ 903**	**$ 2,782**	**$ 3,772**
Additions	**-**	**469**	**1,461**	**1,930**
Exchange difference	**6**	**71**	**196**	**273**
At December 31, 2024	**93**	**1,443**	**4,439**	**5,975**
Accumulated depreciation				
At December 31, 2023	**(66)**	**(268)**	**(2,046)**	**(2,380)**
Depreciation	**(19)**	**(215)**	**(542)**	**(776)**
Exchange difference	**(4)**	**(17)**	**(112)**	**(133)**
At December 31, 2024	**(89)**	**(500)**	**(2,700)**	**(3,289)**
Net book value				
At December 31, 2024	**$ 4**	**$ 943**	**$ 1,739**	**$ 2,686**

	Equipment	Vehicles	Buildings	Total
Cost				
At December 31, 2022	$ 89	$ 653	$ 2,168	$ 2,910
Additions	-	314	658	972
Dispositions	-	(51)	-	(51)
Exchange difference	(2)	(13)	(44)	(59)
At December 31, 2023	87	903	2,782	3,772
Accumulated depreciation				
At December 31, 2022	(48)	(180)	(1,554)	(1,782)
Depreciation	(19)	(113)	(519)	(651)
Dispositions	-	22	-	22
Exchange difference	1	3	27	31
At December 31, 2023	(66)	(268)	(2,046)	(2,380)
Net book value				
At December 31, 2023	$ 21	$ 635	$ 736	$ 1,392

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

12. Goodwill

Goodwill

Goodwill was created as a result of the MOS acquisition and arises principally from the ability to leverage the larger base of operations, the assembled workforce, future growth and the potential to realize synergies in the form of cost savings.

The movement in the net carrying amounts for goodwill, which resides entirely in the CEMATRIX US CGU, for the years ending December 31, 2024, and 2023 is outlined below:

		2024		2023
Net book value – January 1	**$**	**6,003**	$	6,148
Unrealized foreign exchange gain (loss)		**528**		(145)
Net book value – December 31	**$**	**6,531**	$	6,003

Impairment

For the purposes of impairment testing of goodwill, the recoverable amounts have been determined based on a Value in Use ("VIU") calculation using cash flow projections from financial forecasts approved by senior management covering a five-year discounted future cash flow model plus a terminal value. There is a significant amount of uncertainty with respect to estimating the recoverable amount given the necessity of making key economic projections related to the following key assumptions: future cash flows, industry growth opportunities, including general economic risk assumptions, gross margins, terminal value and discount rate.

The key assumptions used, by CGU, in the calculation of recoverable amounts are gross margin and the discount rates:

	CEMATRIX USA		CEMATRIX Canada	
	2024	2023	**2024**	2023
Gross margin	**22%**	27%	**25%**	27%
Pre-tax discount rate	**15%**	11%	**15%**	11%

Near term (1 year) sales growth assumptions are based on contracted and verbally awarded projects (including backlogs), as well as probability adjusted forecasts (range of 10% to 90%) for projects on which the Company has placed or will place bids, where the probabilities applied are based on management's assessment of a particular project based on historical experience and the stage that the project is in the sales cycle. Management has also considered its relationships with customers, the competitive landscape and changes in its business strategy. With regard to gross margins, consideration is given to historical operating margins in the end markets where prospective work opportunities are most significant and changes in the Company's business. A 2% change in gross margin in isolation would not result in an impairment charge. The terminal value was calculated using a discount rate of 15% and annual growth of 3% in the terminal year.

Pre-tax discount rates used reflect management's assessment of the risks of the CGU or group of CGUs and its past experience in raising capital. The Company's pre-tax discount rate has been applied based on the WACC and reflects the current market assessments of the time value of money and the risks specific to the CGU. Furthermore, suitable sensitivity tests are also applied in conjunction with cash flow forecasts for the CGU in question. A change in the absolute discount rate of 2% in isolation would not result in an impairment charge.

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

13. Bank operating loan

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 contains three financial covenants. The three financial covenants are the current ratio, debt to EBITDA ratio, and debt service coverage ratio. The current ratio and debt to EBITDA ratios are tested quarterly and the debt service coverage ratio is tested annually. As at December 31, 2024, CEMATRIX was in compliance with all financial covenants.

14. Trade and other payables

		2024		2023
Trade payables	**$**	**929**	$	4,498
Accruals		**767**		1,788
Payroll remittance and goods and services tax		**126**		385
	$	**1,822**	$	6,671

15. Long-term debt

Long-term debt	**Maturity**	**Interest rate**		**2024**		2023
Loan 4	August 1, 2026	Floating	**$**	**432**	$	694
Loan 5	December 1, 2025	Floating		**671**		1,235
Long-term debt				**1,103**		1,929
Less: current portion				**(995)**		(915)
Long-term debt			**$**	**108**	$	1,014

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

Reconciliation of long-term debt

		2024		2023
Long-term debt, beginning of year	**$**	**1,929**	$	2,912
Repayment of long-term debt		**(951)**		(933)
Long-term debt, before unrealized foreign exchange effects		**978**		1,979
Effect of unrealized foreign exchange loss (gain) on income		**47**		(17)
Effect of unrealized foreign exchange loss (gain) on translation		**78**		(33)
Long-term debt, end of year	**$**	**1,103**	$	1,929

Loan agreement terms

In May 2018 the Company entered into an agreement with the BDC for a loan of $1,800 USD to fund a portion of the purchase price of the MOS acquisition. The interest, which is currently 10.3% and is payable monthly, is set at 1.60% above the BDC floating USD base rate of 8.7%. The loan is repayable over eight years, with seasonal payments of principal required. Payments of principal of $38 USD are required from for the years 2019 to August 2026. In May 2024, the Company prepaid the 2024 seasonal payments of $225 USD at no additional costs.

In October 2019, the Company's wholly-owned subsidiary, CEMATRIX (USA) Inc. entered into an agreement with the BDC for a loan of $2,800 USD to fund the purchase price of the PIGCO acquisition. The interest, which is currently 10.3% and is payable monthly, is set a 1.60% above the BDC floating USD base rate of 8.7%. The loan is repayable over six years, with seasonal payments of principal required. A principal repayment of $78 USD is required from July to December from years 2020 to 2025. In May 2024, the Company prepaid the 2024 seasonal payments of $466 USD at no additional costs.

The loans may be prepaid, on each anniversary date, up to 15% of the then outstanding principal amount but if not used the prepayment privilege for that anniversary date ceases. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable. The prepayment option is considered to be an embedded derivative with a fair value, which is nominal in nature as at December 31, 2024 and 2023.

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

The BDC Financing loans have a consolidated fixed charge coverage ratio financial covenant which is tested annually. At December 31, 2024, the Company was in compliance with this covenant.

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

16. Lease obligations

	Note	2024	2023
Lease obligations, beginning of year		**$ 1,315**	$ 1,164
Additions		**1,924**	970
Lease payments (including interest)		**(983)**	(878)
Interest expense	19	**121**	81
Foreign exchange		**108**	(22)
Lease obligations, end of year		**2,485**	1,315
Less: current portion		**(760)**	(729)
Lease obligations, non-current		**$ 1,725**	$ 586

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

The Company recognizes lease expense over the term of the lease using the rate implicit in the lease, or the Company's incremental borrowing rate which range between (4.2% - 11.0%), if the implicit rate could not be readily determined.

17. Share capital

Commons shares authorized

Unlimited number of no-par value voting common shares.

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

Common shares issued

		2024		2023	
	Note	Number of shares	Amount	Number of shares	Amount
Common shares, January 1		**135,279,048**	**$ 42,641**	133,948,710	$ 42,404
Private placement, net of issuance costs		**14,667,000**	**5,025**	-	-
Exercise of options and RSUs	23	**480,438**	**199**	1,330,338	237
Common shares, December 31		**150,426,486**	**$ 47,865**	135,279,048	$ 42,641

Private placement

On July 29, 2024, the Company closed its private placement financing, 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").

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 "Private Placement Warrant") of the Company. Each Private Placement 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.

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

Warrants

	December 31, 2024		December 31, 2023	
	Number of warrants	**Weighted average price**	Number of warrants	Weighted average price
Warrants, beginning of year	**-**	**$ -**	3,739,068	$ 0.589
Private placement warrants issued	**7,333,500**	**0.60**	-	-
Broker warrants issued	**880,020**	**0.45**	-	-
Broker warrants expired	**-**	**-**	(3,739,068)	0.589
Warrants, end of year	**8,213,520**	**$ 0.58**	-	$ -

On July 29, 2024, the Company issued 7,333,500 private placement warrants. Concurrently, the Company issued 880,020 broker warrants of the Company to agents equal to 6% of the units issued under the Private Placement. Each broker warrant entitles the holder to acquire one unit of the Company at $0.45 for a period of 24 months from the closing of the Offering. The broker warrants and private placement warrants mentioned above were valued at $942 in total, which was reclassified to contributed surplus.

The fair value per share purchase warrant was determined using the following weighted average assumptions at the time of issuance using the Black-Scholes option pricing model:

	2024
Estimated fair value per warrant	**$ 0.154 – 0.117**
Warrants exercise common share price	**$ 0.45 – 0.60**
Risk-free interest rate	**3.50%**
Expected life	**2 years**
Expected volatility in stock price	**67%**
Expected annual dividend yield	**nil**
Estimated forfeiture rate	**5%**

18. Cost of sales

Cost of sales for the manufacture of cellular concrete consists of the following components:

	2024	2023
Materials	**$ 14,607**	$ 27,422
Labour	**6,306**	7,119
Variable and fixed overhead	**3,159**	4,964
Depreciation	**1,875**	1,911
	$ 25,947	$ 41,416

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

19. Finance costs

The finance costs incurred during the period are as follows:

	Note	2024	2023
Long-term debt	15	**$ 152**	$ 293
Lease obligations	16	**121**	81
Other		**3**	12
Convertible debt		**-**	88
		$ 276	$ 474

The accretion costs incurred during the period are as follows:

	2024	2023
Convertible debt	**-**	139
	$ -	$ 139

20. Other income (expenses)

	2024	2023
Interest income	**$ 241**	$ 293
Foreign exchange gain (loss)	**397**	(342)
Gain on sale of equipment	**61**	64
Other	**202**	(159)
	$ 901	$ (144)

21. Income taxes

Current taxes

The provision for income tax differs from that which would be obtained by applying the statutory rates to income before tax. The components of the tax expense were as follows:

	2024	2023
Income before taxes	**$ 20**	$ 1,577
Combined statutory tax rate	**25%**	23%
Computed “expected” tax expense	**5**	363
Differences resulting from:		
Stock-based compensation	**191**	70
Change in enacted rate and other	**371**	(195)
Change in deferred tax assets not recognized	**(817)**	104
Income tax expense (recovery)	**$ (250)**	$ 342

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

Income tax rate reconciliation

	2024	2023
Combined federal and provincial income tax rate	**25%**	23%
Increase (reduction) applicable to:		
Non-taxable items	**-**	-
Other	**(2%)**	-
Effective rate	**$ 23%**	$ 23%

The Company's statutory tax rate is the combined federal and provincial tax rates in the jurisdictions in which the Company operates.

Deferred taxes

The tax effects of deductible and taxable temporary differences that give rise to the Company's deferred tax assets and liabilities were as follows:

2024 Deferred taxes

Canada	**December 31, 2023**	**Deferred tax recovery**	**Charged to OCI**	**December 31, 2024**
Non-capital losses	**$ 76**	**$ 277**	**$ -**	**$ 353**
Property and equipment	**-**	**-**	**-**	**-**
Convertible debt	**-**	**-**	**-**	**-**
Other	**(76)**	**(18)**	**(259)**	**(353)**
Net deferred tax asset (liability)	**$ -**	**$ 259**	**$ (259)**	**$ -**

U.S.A.	**December 31, 2023**	**Deferred tax recovery**	**Foreign exchange**	**December 31, 2024**
Net operating losses	**$ 1,538**	**$ (20)**	**$ 135**	**$ 1,653**
Property and equipment	**(2,637)**	**(181)**	**(200)**	**(3,018)**
Intangibles	**(16)**	**-**	**2**	**(14)**
Other	**474**	**280**	**14**	**768**
Net deferred tax asset (liability)	**$ (641)**	**$ 79**	**$ (49)**	**$ (611)**

2023 Deferred taxes

Canada	December 31, 2022	Deferred tax Expense	Foreign exchange	December 31, 2023
Non-capital losses	$ 167	$ (91)	$ -	$ 76
Property and equipment	(9)	9	-	-
Convertible debt	(26)	26	-	-
Other	(132)	56	-	(76)
Net deferred tax asset (liability)	$ -	$ -	$ -	$ -

U.S.A.	December 31, 2022	Deferred tax recovery	Foreign exchange	December 31, 2023
Net operating losses	$ 1,916	$ (320)	$ (58)	$ 1,538
Property and equipment	(2,485)	(194)	42	(2,637)
Intangibles	(16)	-	-	(16)
Other	224	237	13	474
Net deferred tax liability	$ (361)	$ (277)	$ (3)	$ (641)

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

Temporary differences

Deferred taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deductible temporary differences are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Management estimates future taxable income using forecasts based on the best available current information. Based on current estimates, there is currently insufficient evidence that deferred tax asset will be recovered; therefore, the Company has not recognized any deferred tax asset in relation to Canada in the current year. The deferred tax asset will only be recognized with improved certainty and quantification of taxable profits related to these assets.

Canada	2024	2023
Non-capital losses	**$ 10,343**	$ 10,983
Issuance costs	**1,580**	2,173
Intangibles	**249**	281
Property, equipment, and other	**579**	302
Net deferred tax asset	**$ 12,751**	$ 13,739

The Company has not recognized a deferred tax asset in respect to $10,343 of non-capital losses in Canada. These losses expire between 2029 and 2044.

22. Earnings per common share

	2024	2023
Basic	**$ 0.002**	$ 0.009
Diluted	**$ 0.002**	$ 0.009

The number of common shares included in the computation of basic and diluted earnings per common share for the period are as follows:

	2024	2023
Weighted average common shares outstanding, basic	**141,861,605**	134,429,677
Effect of dilutive instruments	**2,286,556**	2,717,553
Weighted average common shares outstanding, diluted	**144,148,161**	137,147,230

23. Stock-based compensation

Stock option grants

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

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

The following table summarizes the changes in options for the period:

	Note	2024 Number of options	2024 Amount	2023 Number of options	2023 Amount
Outstanding, beginning of year		**4,716,667**	**$ 0.321**	4,465,000	$ 0.336
Granted		**2,625,000**	**0.349**	750,000	0.185
Exercised	17	**(471,666)**	**0.227**	(13,333)	0.250
Expired		**(300,000)**	**0.200**	(305,000)	0.200
Forfeited		**(391,668)**	**0.296**	(180,000)	0.343
Outstanding, end of year		**6,178,333**	**0.348**	4,716,667	0.321
Exercisable, end of year		**3,101,653**	**$ 0.377**	2,721,659	$ 0.267

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

Range of exercise prices	Options outstanding	Options exercisable	Weighted average remaining life (years)	Weighted average exercise price – options outstanding	Weighted average exercise price – options exercisable
$0.18 - $0.22	**875,000**	**491,662**	**2.09**	**0.20**	**0.20**
$0.23 - $0.39	**3,618,333**	**1,224,992**	**3.34**	**0.33**	**0.33**
$0.40 - $0.59	**1,685,000**	**1,384,999**	**2.06**	**0.47**	**0.48**
$0.18 - $0.59	**6,178,333**	**3,101,653**	**2.53**	**0.35**	**0.38**

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

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

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

	2024	2023
Estimated fair value per option	**$ 0.141 – 0.259**	$ 0.122
Options exercise common share price	**$ 0.262 – 0.430**	$ 0.185
Risk-free interest rate	**3.05%-4.27%**	3.63%
Expected life	**5 years**	5 years
Expected volatility in stock price	**66%-79%**	79%
Expected annual dividend yield	**nil**	nil
Estimated forfeiture rate	**5%-10%**	5%

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

Restricted share units grants

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

	Note	2024	2023
Number of RSU's outstanding, beginning of year		**150,887**	980,695
Granted		**1,989,275**	513,513
Forfeited		**(29,487)**	(26,316)
Exercised	17	**(8,773)**	(1,317,005)
Number of RSU's outstanding, end of year		**2,101,902**	150,887

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

Stock-based compensation

Stock-based compensation for the year ended December 31, 2024, of $760 (December 31, 2023 - $329) was recognized in the consolidated statement of income and comprehensive income with an offsetting amount charged to contributed surplus. Stock-based compensation has no current period impact on the Company's cash position.

24. Change in non-cash working capital

The changes in non-cash working capital items - asset (increases) decreases and liability increases (decreases) - are outlined below:

	2024	2023
Trade and other receivables	**$ 6,794**	$ (5,918)
Inventory	**230**	(31)
Prepaid expenses and deposits	**(100)**	48
Trade and other payables	**(5,108)**	1,688
	$ 1,816	$ (4,213)

25. Related party transactions

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).

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

Compensation of key management personnel

The remuneration of directors and other members of key management personnel (Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, President MOS, and former President PIGCO) during the years ended December 31, 2024, and 2023 were as follows:

	2024	2023
Short-term and post employment benefits	**$ 1,276**	$ 1,598
Stock-based compensation	**687**	219
	$ 1,963	$ 1,817

26. Financial instruments and risk management

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

Fair value of non-derivative financial instruments

The fair values of cash, 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 approximates their carrying value as the debt rate floats with prime and is representative of market rates offered to the Company.

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

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

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

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

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

Risk management

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

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

Interest rate risk

The Company's 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 income 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 trade receivables. The Company's cash is held with large established financial institutions. The Company manages credit risk using credit approval and monitoring practices. Management is not materially concerned about the credit quality and collectability of accounts receivables, as our customers are predominantly large in scale and of high creditworthiness, and the concentration of credit risk is limited as our largest customers change year to year depending on which projects are being completed. At December 31, 2024, the Company had $10,295 of cash (December 31, 2023 - $3,288).

Liquidity risk

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

The table below summarizes the maturity profile of the Company's financial liabilities, 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.

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

The following balances are denominated in USD:

		2024		2023
Cash	**$**	**1,636**	$	1,347
Trade and other receivables		**3,926**		6,889
Other current assets		**139**		96
Investments		**63**		1,921
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.

27. Capital management

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

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

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

	Note		2024		2023
Long-term debt	15	**$**	**1,103**	$	1,929
Lease obligations	16		**2,485**		1,315
Total debt			**3,588**		3,244
Shareholder's equity			**37,374**		28,723
		$	**40,962**	$	31,967

28. Geographical segmented information

The Company has one operating segment, and its primary business is the supply and placement of cellular concrete. It currently markets its services in Canada and the U.S.

The following balances present the sales to external customers attributable to the Company's geographical segments:

		2024		2023
Canada	**$**	**7,892**	$	20,922
U.S.		**27,472**		32,373
	$	**35,364**	$	53,295

The following balances present the total non-current assets attributable to the Company's geographical segments:

	2024	2023
Canada	**$ 2,138**	$ 3,521
U.S.	**22,797**	17,886
	$ 24,935	$ 21,407