CEMATRIX™

Lightweight Fill Solutions

Q1 2025
CEMATRIX Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three month periods ended
March 31, 2025, and 2024

Management's Discussion and Analysis

Table of Contents

The following is the Management's Discussion and Analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three months ended March 31, 2025. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2025, (the "Interim Condensed Consolidated Financial Statements") and the related notes thereto (the "Consolidated Financial Statements") and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2024, and related notes thereto. The Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in this MD&A are in Canadian dollars and all amounts are reported in thousands of Canadian dollars, except share and per share amounts or as otherwise stated. Certain comparative figures have been reclassified to conform to the MD&A presentation adopted for the current year.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedarplus.com. CEMATRIX is listed on the TSX Exchange under the trading symbol "CEMX".

The Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Condensed Consolidated Financial Statements and MD&A for the three months ended March 31, 2025. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on May 7, 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 for the year ended December 31, 2024, the significant market drivers and risk factors that affect its business and could cause actual results to differ materially from the forward-looking information disclosed herein. The Company cautions the reader that these factors are not exhaustive. The risk factors that could lead to differences in business results and which could cause actual results to differ materially from the forward-looking information disclosed herein include, without limitation, legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where the Company operates, results of financing efforts, changes in counterparty risk and the impact of accounting standards issued by the International Accounting Standards Board ("IASB").

The Company is not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of the risks, uncertainties and assumptions contained herein, prospective investors should not place undue reliance on forward-looking statements or disclosures. The foregoing statements expressly qualify any forward-looking information contained herein.

Purpose of the Company's MD&A

The purpose of this MD&A is to provide a narrative explanation, through the eyes of management, to assist the reader in understanding the Company's performance for the three months ended March 31, 2025, the Company's financial condition as at March 31, 2025, and its future prospects.

Highlights

Q1 revenue as expected

The first quarter is historically the slowest revenue quarter for the Company due to construction seasonality as a result of the impact of winter on construction activity. Our revenues for the first quarter were $6.6 million compared to $8.4 million last year (record Q1) and $7.2 million in 2023 (record year). Given the lower activity levels, our crews were able to focus on equipment maintenance to ensure that the Company is ready for the start of the busy spring construction season.

Q1 sales success

While revenue tends to be lower in the first quarter, contract awards tend to be higher in the first quarter as general contractors and owners start to prepare and plan for the beginning of the spring construction season, we tend to see an increase in awards for new projects and increased scopes of work on ongoing projects. To date in 2025, the Company has announced $20.9 million in new backlog (contracts and contracts in process) (see backlog reconciliation below). These new awards continue to demonstrate the confidence our customers have in CEMATRIX's sales and operations teams to deliver a quality solution to their geotechnical constructions needs.

Gross margins

Gross margins declined in the quarter compared to the prior year as a result of lower revenues. Gross margins compared to historical figures in the first quarter were strong once again highlighting that we have hit an inflection point in the business where even on lower results we are still producing positive numbers. We expect gross margins to improve back over the course of the year as revenue increases and we surpass breakeven revenue thresholds each quarter.

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.

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 have 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 to 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.

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

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.

Capital management

In the first quarter, the Company repaid its remaining USD long-term debt that was outstanding with the BDC (approximately $1.1 million CAD). This long-term debt was the final part of the purchase price for the MixOnSite and Pacific International Grout acquisitions that were made in 2018 and 2019 respectively. The early repayment of this debt helps to reduce interest costs and better allocate excess cash in search of higher returns.

In addition, the Company entered into an equipment financing loan for $1.6 million CAD for its two most recent purchases of new dry mix equipment which were purchased in prior years. The equipment financing was at a significantly lower rate than our long-term debt and was part of our capital management strategy to match financing with assets and ensure that we have "dry powder' to capitalize on an acquisition opportunity should one present itself.

Backlog grows in Q1 with sales success

During Q1 2025, the Company announced major contracts wins amounting to $11.2 million. Subsequent to March 31, 2025, CEMATRIX announced $9.7 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 periods:

	March 31, 2025	December 31, 2024
Contracts in process [1]	**$ 26,614**	$ 20,306
Backlog [1]	**53,128**	49,334
Total backlog	**$ 79,742**	$ 69,640
Opening backlog	**$ 69,640**	$ 94,857
Awards and change orders	**16,797**	25,958
Adjustments to backlog [2]	**(65)**	(15,811)
Revenue	**(6,630)**	(35,364)
Ending backlog	**$ 79,742**	$ 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).

Normal course issuer bid ("NCIB")

Subsequent to quarter end, on April 15, 2025, the Company's announced its intention to implement a NCIB. Under the NCIB, the Company may purchase for cancellation a maximum of 13,508,235 Common Shares of the Company, representing 10% of the public float (as defined by the TSX) as of April 8, 2025. On April 8, 2025, CEMATRIX had 150,459,819 Shares issued and outstanding. The NCIB commenced on April 17, 2025, and will terminate upon the earliest of (i) April 16, 2026, (ii) the Company purchasing the maximum of 13,508,235 Shares, and (iii) the Company terminating the NCIB. CEMATRIX believes that the market price of its Shares may not, from time to time, accurately reflect their underlying value. Accordingly, purchasing the Shares for cancellation under the NCIB may represent an attractive investment opportunity for the Company to enhance long-term shareholder value, in line with CEMATRIX's overall capital structure management strategy.

The Company was in a "black-out" period when the NCIB was first approved and as a result has not yet been able to purchase any shares under the NCIB. CEMATRIX cautions shareholders that there is no guarantee that it will purchase shares or how many shares the Corporation will purchase. The Company does expect to begin purchasing shares in the market once the black-out period ends.

Summary financial review – first quarter

Revenue was $6.6 million for the first quarter of 2025, a decrease of $1.8 million or 21%, compared to $8.4 million in 2024.

Gross margin for the first quarter of 2025 was $1.4 million, a decrease of $1.2 million from $2.6 million in the same period of 2024. Gross margin as a percentage of revenue declined to 22%, compared to 30% in the prior year. This decrease was primarily driven by fixed operating costs - particularly related to field staff - who experienced increased standby time due to reduced activity levels. During this period, our field staff focused on repairs and maintenance of equipment in preparation for the mobilization of large-scale projects scheduled for the second quarter.

Adjusted EBITDA was negative $0.1 million in the first quarter of 2025 compared to $1.0 million in the same period of 2024 a decrease of $1.1 million.

Cash flow used in operating activities (before changes in non-cash working capital) was $0.1 million in the first quarter of 2025, a decrease of $1.0 million compared to cash flow generated from operating activities of $0.9 million in the same period of 2024.

Full year 2025 forecast

We expect 2025 to be a record year. This record year is not forecasted to start until Q2 of 2025. 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.

Outlook

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 implemented a NCIB to provide us with the flexibility to purchase for cancellation up to 13.5 million shares. We believe that the market price of our share is not reflecting our underlying value, accordingly this NCIB represents a potential opportunity for us to enhance long-term shareholder value.

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 try 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.

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

Operations and overall performance

Results of operations – first quarter

	Three months ended March 31, 2025	Three months ended March 31, 2024	Change
Revenue	**$ 6,630**	$ 8,442	$ (1,812)
Gross margin	**1,441**	2,553	(1,112)
Operating expenses	**(2,148)**	(2,224)	76
Operating (loss) income	**(707)**	329	(1,036)
Stock-based compensation	**(313)**	(38)	(275)
Finance costs	**(82)**	(78)	(4)
Other income (expense)	**49**	105	(56)
(Loss) income before income taxes	**(1,053)**	318	(1,371)
Provision of deferred taxes	**147**	39	108
Provision of current taxes	**-**	(8)	8
(Loss) income attributable to the common shareholder	**(906)**	349	(1,225)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	**(21)**	543	(564)
Comprehensive (loss) income	**$ (927)**	$ 892	$ (1,819)
Fully diluted (loss) earnings per common share	**$ (0.006)**	$ 0.003	$ (0.009)

Revenue was $6.6 million for the first quarter of 2025, a decrease of $1.8 million or 21%, compared to $8.4 million in the first quarter of 2024. First quarter revenue returned to normal levels of seasonal activity following an unusually active comparative period anchored by the wrap up of a few large projects.

Gross margin for the first quarter of 2025 was $1.4 million, a decrease of $1.2 million from $2.6 million in the same period of 2024. Gross margin as a percentage of revenue declined to 22%, compared to 30% in the prior year. This decrease was primarily driven by fixed operating costs - particularly related to field staff - who experienced increased standby time due to reduced activity levels. During this period, our field staff focused on repairs and maintenance of equipment in preparation for the mobilization of large-scale projects scheduled for the second quarter.

Operating expenses ("SG&A") totaled $2.1 million in the first quarter of 2025, down 5% from $2.2 million in the same period of 2024. The decline was primarily due to lower insurance costs in one of our businesses where the premium is directly tied to revenue, partially offset by an increase in consulting costs and legal expenses.

Stock-based compensation expense increased by $275 in the first quarter compared to the same period in the prior year. The increase was due to RSU's granted in the first quarter of 2025, no similar grant occurred in the comparative period.

Finance costs decreased by $4 in the first 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, partially offset by additional finance costs related to lease obligations.

Other income was $49 in the first quarter of 2025 compared to $105 in the first quarter of 2024. In the first quarter of 2025, other income mainly consisted of interest income of $56, partially offset by a foreign exchange loss of $4. For the same period in 2024 other income mainly consisted of interest income of $35, plus a $71 foreign exchange gain.

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 strengthen relative to the USD, the value of these assets depreciated during the first quarter of 2025 resulting in an unrealized foreign exchange loss of $21. In the first quarter of 2024, the Company recorded an unrealized foreign exchange gain of $543.

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				**2025**
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue	$ 6,185	$ 20,375	$ 19,553	$ 8,442	$ 6,437	$ 10,135	$ 10,351	**$ 6,630**
Comprehensive income (loss)	(1,434)	2,319	1,452	892	(1,373)	391	1,907	**(927)**
Adjusted EBITDA[(2)]	(399)	3,151	2,854	960	(490)	1,365	1,442	**(63)**
Comprehensive Income (loss) per share[(1)]								
Basic	(0.007)	0.014	0.015	0.003	(0.011)	0.005	0.005	**(0.006)**
Diluted	(0.007)	0.013	0.015	0.003	(0.011)	0.005	0.005	**(0.006)**

(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.

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

Consolidated Statements of Financial Position

	March 31, 2024	December 31, 2024	Change
Current assets	**$ 17,822**	$ 18,460	$ (638)
Non-current assets	**24,702**	24,935	(233)
Total assets	**$ 42,524**	$ 43,395	$ (871)
Current liabilities	**2,179**	3,577	(1,398)
Non-current liabilities	**3,579**	2,444	1,135
Total liabilities	**$ 5,758**	$ 6,021	$ (263)
Shareholders' equity	**$ 36,766**	$ 37,374	$ (608)
Total liabilities and shareholders' equity	**$ 42,524**	$ 43,395	$ (871)

Total current assets decreased by $638. This increase in aggregate is summarized below:

- Cash decreased by $1,816 (see the discussion in Consolidated Statement of Cash Flows).
- Trade and other receivables increased by $1,319 as the increased activity in later half of the quarter. Accounts receivables increase during periods of higher revenue and then decline in periods of lower revenue as the amounts are collected.
- Inventory decreased by $120 as we used foaming agent on projects that was purchased in late 2023 for use in the production of cellular concrete last year and beyond.
- Prepaids, deposits, and short-term investments decreased by $21, mainly due to the amortization of insurance premiums.

Total non-current assets decreased by $233. This increase in aggregate is summarized below:

- Long-term investments decreased by $2 due to foreign exchange on US Dollar denominated investments.
- Property and equipment increased by $4 due to equipment additions of $383, partially offset by depreciation expense of $369, and an exchange loss on the translation of assets held by our foreign denominated subsidiaries and equipment additions of $10.
- Right of use assets under finance lease decreased by $229 due to depreciation expense of $225, and $4 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries.
- Goodwill and intangibles assets decreased by $6 due to foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries.

Total current liabilities decreased by $1,398. This decrease in aggregate is summarized below:

- Trade and other payables decreased by $394 as a result of accounts payables that increase during periods of higher revenue and then decline in future periods of lower revenue as the amounts are paid.
- Current portion of long-term debt decreased by $995 due to the early repayment of the Company's long-term debt at a cost of $1,104, partially offset by $109 exchange losses on the translation of USD denominated debt.

- Current portion of equipment finance loan increased by $108 due to the March 2025 loan proceeds that financed the purchase of two dry-mix units.
- Current portion of obligations decreased by $117 due to changes in leases on buildings and vehicles and an exchange gain on the translation of USD denominated leases.

Total non-current liabilities increased by $1,135. This increase in aggregate is summarized below:

- Long term debt decreased $108 as the Company repaid all of its outstanding debt, partially offset by unrealized foreign exchange loss on the translation of foreign denominated debt.
- Equipment finance loan increased $1,512 due to $1,620 proceeds from the equipment finance loan, partially offset by $108 current portion.
- Lease obligations decreased $121 due to $238 principal reduction, offset by $117 change in the current portion of lease obligations.
- Deferred tax liability decreased by $148 primarily due $157 deferred tax expense, offset by $9 unrealized foreign exchange gain on the revaluation of the USD denominated balances.

Shareholders' Equity decreased by $608. This increase in aggregate is summarized below:

- Common shares increased by $10 due to proceeds on common shares issued on conversion of options of $6 plus a reclassification from contributed surplus of $4.
- Contributed surplus increased by $309 due to $313 amortization of stock-based compensation on options and RSU's, partially offset by $4 reclassification of contributed surplus on the exercise of options and RSU's.
- Accumulated other comprehensive income decreased by $21 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 increased by $906 due to the net loss attributable to common shareholders in the first quarter of 2025.

For additional information please see the Consolidated Statements of Shareholders' Equity included in the Annual Audited Consolidated Financial Statements and the Interim Condensed Consolidated Financial Statements for the period.

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

Consolidated Statement of Cash Flows

Cash flow – first quarter

The cash position of the Company as at March 31, 2025, was $8,479 compared to a cash position of $7,877 in the same period of 2024.

The change in cash in the first quarter of 2025 was a decrease of $1,816 as compared to an increase of $4,589 in the same period of 2024. This change is outlined in the table:

	Three months ended March 31, 2025	Three months ended March 31, 2024	Change
Cash flow from (used) in operating activities			
Before non-cash working capital adjustment	**$ (63)**	$ 920	$ (983)
Net change in non-cash working capital items	**(1,564)**	3,914	(5,478)
Cash (used) in operating activities	**(1,627)**	4,834	(6,461)
Cash used in investing activities	**(383)**	(52)	(331)
Cash generated (used) in financing activities	**202**	(278)	480
Foreign exchange effect on cash	**(8)**	85	(93)
Increase (decrease) in cash	**(1,816)**	4,589	(6,405)
Cash, beginning of period	**10,295**	3,288	7,007
Cash, end of period	**$ 8,479**	$ 7,877	$ 602

Cash used in operating activities decreased by $6,461 due to the following:

- Cash flow before non-cash working capital adjustments decreased by $983 primarily due to lower revenues and gross margins.
- Net change in non-cash working capital items decreased by $5,478, 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 $331 due to the following:

- Property and equipment additions increased by $330 compared to the prior period.
- Proceeds from property and equipment dispositions increased by $1 compared to the prior period.

Cash generated from financing activities increased by $480 due to the following:

- Repayment of lease obligations increased by $38 due to building and vehicle additions.
- Repayment of long-term debt increased by $1,104 as the Company prepaid in full the long-term debt.
- Interest paid increased by $4 primarily due to interest payments associated with the vehicle and building leases, offset by savings on the prepayment of the long-term debt.
- Proceeds from equipment finance loan increased by $1,620.
- Proceeds from the exercise of options increased by $6.

Liquidity and capital resources

Liquidity

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

On March 31, 2025, the Company had cash balance of $8,479 versus $10,295 as at December 31, 2024.

The Company's adjusted net working capital was $7.915 on March 31, 2025, compared to $6,343 on December 31, 2024. The change is primarily related to a rise in receivables as activities increased in the last half of the quarter.

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 borrowing limit. The Credit Facility bears interest at an amount equal to 1.25% above the Bank's prime lending rate, which is at 4.95% as of March 31, 2025, 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 based on 75% of trade receivables less than ninety days outstanding at the end of each month and 50% of inventories. The calculated availability of the Credit Facility on March 31, 2025, was $4,747 of which $nil was outstanding ($nil – December 31, 2024). The actual availability of the credit facility is reduced by the value of letters of credit that are currently issued and outstanding on the facility. As of March 31, 2025, there were $404 in letters of credit outstanding ($404 – December 31, 2024).

The Credit Facility has three financial covenants that must be maintained on a consolidated basis (refer to Appendix C for detailed calculations). The three financial covenants are the current ratio, debt to EBITDA ratio, and debt service coverage ratio. The current ratio and debt to EBITDA ratios are tested quarterly and the debt service coverage ratio is tested annually. As at March 31, 2025, 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, that have been repaid in Q1 2025, had a consolidated fixed charge coverage ratio financial covenant which was 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 22 - Capital Management of the Company's Q1 2025 interim condensed consolidated financial statements, was $40,635 on March 31, 2025, as compared to $40,962 on December 31, 2024 (see section Consolidated Statements of Financial Position for details).

Off Balance Sheet arrangements

There were no off balance sheet arrangements on March 31, 2025.

Transactions with related parties

Two of the buildings that the Company operates out of are owned by entities that are owned or controlled by certain officers or consultants of the Company. During the three months ended March 31, 2025, the Company incurred costs of $120 (March 31, 2024 - $109) related to these rental leases. Lease obligations for the two buildings as at March 31, 2025, were in the amount of $876 (December 31, 2024 - $721).

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 March 31, 2025. 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, was effective as at March 31, 2025.

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 internal 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 March 31, 2025, 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 of the Company's internal controls over financial reporting, as defined in NI 52-109, was effective as at March 31, 2025.

There have been no material changes in the Company's internal controls over financial reporting during the period beginning January 1, 2025, and ending on March 31,2025, 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

The Company has adopted amendments effective January 1, 2025, related to IAS 21 the Effects of Changes in Foreign Exchange Rates relating to using a spot exchange rate when translating a foreign currency transaction where one currency cannot be exchanged into another. This amendment does not 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.

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 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 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 period.

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk to the extent that its credit facility and BDC long-term debt are subject to floating market rates. As of March 31, 2025, the Company does not have significant exposure to variable interest rate instruments because the Company's credit facility and long-term debt were fully repaid.

The company is not exposed to interest rate risk on the equipment finance loan or lease obligations because the interest rate on these borrowings is fixed over the repayment period.

At March 31, 2025, a one percent change in the interest rate applied to the Company's floating rate credit facility and BDC long-term debt would change annual income before income taxes by approximately $nil (2024 – $20).

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. At March 31, 2025, the Company had $8,479 of cash (December 31, 2024 - $10,295).

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.

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

The table below summarizes the maturity profile of the Corporation's financial liabilities, based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at March 31, 2025				
Trade and other payable	**$ 1,428**	**$ -**	**$ -**	**$ 1,428**
Equipment finance	**108**	**324**	**1,188**	**1,620**
Lease obligations	**817**	**1,145**	**758**	**2,720**
	$ 2,353	**$ 1,469**	**$ 1,946**	**$ 5,768**
As at December 31, 2024				
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

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:

	March 31, 2025	December 31, 2024
Assets		
Cash	**$ 527**	$ 1,636
Trade and other receivables	**4,707**	3,926
Other current assets	**205**	139
Investments	**63**	63
Liabilities		
Trade and other payables	**(696)**	(929)
Debt	**-**	(467)
Lease obligations	**(956)**	(1,079)

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at March 31, 2025, a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net income of approximately CAD $55 excluding the effect of income taxes.

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

Disclosure of outstanding share data

As at May 7, 2025, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding as at May 7, 2025
Voting or equity securities issued and outstanding	Unlimited common shares	150,906,173 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 6,136,667 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 2,448,091 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 months ended March 31, 2025, 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.

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

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 periods:

	March 31, 2025	December 31, 2024
Contracts in process [1]	$ 26,614	$ 20,306
Backlog [1]	53,128	49,334
Total backlog	$ 79,742	$ 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 equipment finance loan, current portion of lease obligations, current portion of earn-out liabilities and current portion of convertible debt.

Adjusted net working capital on March 31, 2025, and December 31, 2024, were as follows:

	March 31, 2025	December 31, 2024
Current assets	$ 17,822	$ 18,460
Current liabilities	(2,179)	$ (3,577)
Net working capital	15,643	14,883
Adjustments		
Cash and cash equivalents	(8,479)	(10,295)
Current portion of long-term debt	-	995
Current portion of equipment finance loan	108	-
Current portion of lease obligations	643	760
Adjusted net working capital	$ 7,915	$ 6,343

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

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 months ended March 31, 2025, and 2024 were as follows:

	Three months ended March 31,	
	2024	2023
Net income (loss)	**$ (906)**	$ 349
Finance costs	**82**	78
Depreciation and amortization	**594**	527
Provision of deferred / current taxes	**(147)**	(31)
EBITDA	**(377)**	923
Unrealized foreign exchange (gain)	**1**	(1)
Stock-based compensation	**313**	38
Adjusted EBITDA	**$ (63)**	$ 960

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

Appendix C – Covenant calculations

CIBC Covenants

Current ratio		**March 31, 2025**
Current assets	$	**17,822**
Current liabilities		**2,179**
Current ratio (current assets ÷ current liabilities)		**8.18**
Covenant tested quarterly, not less than 1.25x		**1.25**
		Compliant

Debt to EBITDA ratio		**March 31, 2025**
Adjusted debt		
Current portion – long-term debt	$	**-**
Long-term debt		**-**
Adjusted long-term debt		**-**
Adjusted EBITDA (rolling 12-month)		**2,258**
Debt to EBITDA ratio (adjusted debt÷ EBITDA)		**-**
Covenant tested quarterly, not to exceed 3.00x		**3.00**
		Compliant