CEMATRIX™

Lightweight Fill Solutions

CEMATRIX CORPORATION

Condensed Consolidated Financial Statements

(in 000's Canadian dollars)

March 31, 2023

To the Shareholders:

CEMATRIX CORPORATION

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

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

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

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

May 10, 2023

Signed "Randy Boomhour"
Randy Boomhour, CPA, CMA
Chief Financial Officer

CEMATRIX CORPORATION

Condensed Consolidated Statements of Financial Position

As at March 31, 2023 (unaudited) and December 31, 2022 (audited)
(in 000's Canadian Dollars)

ASSETS		**2023**		2022
Current Assets				
Cash	**$**	**9,598**	$	10,682
Trade and other receivables *(note 5)*		**5,710**		7,337
Inventory *(note 6)*		**987**		1,010
Prepaid expenses and deposits		**424**		532
		16,719		19,561
Non-Current Assets				
Long-term investments		**2,397**		2,382
Property and equipment		**11,733**		11,577
Right of use assets		**1,164**		1,128
Goodwill and intangibles		**6,143**		6,148
Convertible debt – derivative asset *(note 11)*		**-**		21
		21,437		21,256
Total Assets	**$**	**38,156**	$	40,817
LIABILITIES and EQUITY				
Current Liabilities				
Trade and other payables *(note 8)*	**$**	**3,847**	**$**	5,139
Current portion of long-term debt *(note 9)*		**936**		937
Current portion of lease obligations *(note 10)*		**604**		590
Current portion of convertible debt – host debt *(note 11)*		**3,679**		3,499
		9,066		10,165
Non-Current Liabilities				
Long-term debt *(note 9)*		**1,973**		1,975
Lease obligations *(note 10)*		**582**		574
Deferred tax liability		**348**		361
		2,903		2,910
Total Liabilities		**11,969**		13,075
Subsequent event *(note 22)*				
SHAREHOLDERS' EQUITY				
Share capital *(note 12)*		**42,420**		42,404
Contributed surplus		**7,727**		7,611
Convertible debt – equity component *(note 11)*		**532**		532
Accumulated other comprehensive income (loss)		**545**		563
Deficit		**(25,037)**		(23,368)
Total Shareholders' Equity		**26,187**		27,742
Total Liabilities and Shareholders' Equity	**$**	**38,156**	$	40,817

Approved on behalf of the Board

Signed "Jeffrey Kendrick" **Director**

Signed "Steve Bjornson" **Director**

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

CEMATRIX CORPORATION

Condensed Consolidated Statements of Loss and Comprehensive Loss

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

		2023		2022
Revenue *(note 21)*	**$**	**7,182**	$	5,122
Cost of sales *(note 13)*		**(6,436)**		(5,191)
Gross margin		**746**		(69)
Operating expenses				
Selling, general and administrative		**(1,922)**		(1,749)
Operating income (loss)		**(1,176)**		(1,818)
Stock-based compensation *(note 17)*		**(132)**		(129)
Finance costs *(note 14)*		**(169)**		(162)
Accretion costs *(note 14)*		**(110)**		(90)
Other income (expenses) *(note 15)*		**(73)**		(40)
Fair value adjustment of derivatives *(note 11)*		**(21)**		-
Loss before income taxes		**(1,681)**		(2,239)
Provision for deferred taxes		**12**		28
Loss attributable to the common shareholders		**(1,669)**		(2,211)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		**(18)**		37
Comprehensive loss for the year	**$**	**(1,687)**	$	(2,174)
Loss per common share *(note 16)*				
Basic and diluted	**$**	**(0.012)**	$	(0.017)
Weighted average number of common shares *(note 16)*				
Basic and diluted		**133,994,222**		133,939,938

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

CEMATRIX CORPORATION

Condensed Consolidated Statements of Changes in Shareholders' Equity

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

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Convertible Debt	Deficit	Total Shareholders' Equity
Balance at December 31, 2021	$ 42,403	$ 7,002	$ (549)	$ 532	$ (17,807)	$ 31,581
Reclassification of contributed surplus to share capital *(note 12)*	1	(1)	-	-	-	-
Stock-based compensation *(note 17)*	-	610	-	-	-	610
Net income attributable to common shareholders	-	-	-	-	(5,561)	(5,561)
Unrealized foreign exchange loss on translation of foreign subsidiaries	-	-	1,112	-	-	1,112
Balance at December 31, 2022	**$ 42,404**	**$ 7,611**	**$ 563**	**$ 532**	**$ (23,368)**	**$ 27,742**
Reclassification of contributed surplus to share capital *(note 12)*	**16**	**(16)**	**-**	**-**	**-**	**-**
Stock-based compensation *(note 17)*	**-**	**132**	**-**	**-**	**-**	**132**
Net loss attributable to common shareholders	**-**	**-**	**-**	**-**	**(1,669)**	**(1,669)**
Unrealized foreign exchange loss on translation of foreign subsidiaries	**-**	**-**	**(18)**	**-**	**-**	**(18)**
Balance at March 31, 2023	**$ 42,420**	**$ 7,727**	**$ 545**	**$ 532**	**$ (25,037)**	**$ 26,187**

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

CEMATRIX CORPORATION
Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2023 (unaudited)
(in 000's Canadian Dollars)

	2023	2022
Cash generated from (used in):		
Operating activities		
Net loss attributable to common shareholders	**$ (1,669)**	$ (2,211)
Add (deduct) non-cash items		
Provision for deferred taxes	**(13)**	(28)
Depreciation and amortization	**556**	440
Gain on sale of equipment	**(4)**	(43)
Finance and accretion costs (*note 14)*	**279**	252
Stock-based compensation *(note 17)*	**132**	129
Unrealized foreign exchange loss (gain) *(note 15)*	**7**	(18)
Non-cash interest income	**(17)**	-
Fair value adjustment of derivatives *(note 11)*	**21**	-
	(708)	(1,479)
Net change in non-cash working capital items *(note 18)*	**470**	779
Cash generated from (used in) operating activities	**(238)**	(700)
Investing activities		
Purchase of long-term investments	**-**	(712)
Purchase of property and equipment	**(580)**	(530)
Proceeds on sale of property and equipment	**19**	49
Cash used in investing activities	**(561)**	(1,193)
Financing activities		
Repayment of finance lease obligations *(note 19)*	**(175)**	(146)
Interest paid	**(98)**	(92)
Cash (used in) generated from financing activities	**(273)**	(238)
Foreign exchange effect on cash	**(12)**	188
Decrease in cash	**(1,084)**	(1,943)
Cash beginning of period	**10,682**	20,232
Cash end of period	**$ 9,598**	$ 18,289

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

1. Corporate information

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

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

The condensed consolidated financial statements of the Company for the three months ended March 31, 2023, were authorized for issue in accordance with a resolution of the Board of Directors on May 10, 2023.

2. Basis of preparation

Statement of compliance

These condensed consolidated financial statements for the three months ended March 31, 2023, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretation Committee ("IFRIC").

Basis of measurement and going concern

These 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. The Company has also reclassified certain comparative figures to conform to the financial statement presentation adopted for the current year.

Use of estimates and judgements

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 and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Functional and presentation currency

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

(in 000's Canadian Dollars)

3. Significant accounting judgements, estimates and assumptions

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

The key sources of these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2022. There have been no changes since that date.

4. Significant accounting policies

The significant accounting policies of the Company are outlined in Note 4 of the audited consolidated financial statements for the year ended December 31, 2022. There have been no changes since that date.

5. Trade and other receivables

Trade and other receivables consist of the following components as at March 31, 2023, and December 31, 2022:

		2023		2022
Trade receivables	**$**	**4,778**	$	5,951
Holdbacks		**1,002**		1,459
Other receivables		**12**		11
Expected Credit Loss		**(82)**		(82)
	$	**5,710**	$	7,337

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; however, holdbacks can be outstanding much longer if the holdback release is tied to the completion of the entire project by the general contractor. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more.

The aging of the trade receivables were as follows as at March 31, 2023, and December 31, 2022:

		2023		2022
1-30 days	**$**	**1,829**	$	2,928
31-60 days		**2,185**		1,961
61-90 days		**334**		862
Greater than 90 days		**430**		200
	$	**4,778**	$	5,951

(in 000's Canadian Dollars)

5. Trade and other receivables (Continued)

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

6. Inventory

Inventory consists of raw materials (foaming agent) was $987 (December 31, 2022 - $1,010). Inventory expensed as part of cost of sales was $193 and $249 for the three months ended March 31, 2023, and 2022, respectively.

7. Bank operating loan

CIBC Credit Facility

In February 2022, CEMATRIX entered into a financing arrangement with the Canadian Imperial Bank of Commerce (the "Bank" or "CIBC") which provides a $5,000 asset-based credit facility (the "Credit Facility"). The Credit Facility bears interest at an amount equal to 1.5% above the Bank's prime lending rate, which is currently at 6.45% 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 $5,000 based on 75% of trade receivables less than ninety days outstanding at the end of each month and 50% of inventories. The calculated availability of the Credit Facility on March 31, 2023 was $3,898 of which $nil was outstanding ($nil – December 31, 2022). 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, 2023, there were $206 in letters of credit outstanding ($1,387 – December 31, 2022).

The Credit Facility contains three financial covenants. The three financial covenants are the current ratio, debt to EBITDA ratio, and debt service coverage ratio. The current ratio and debt to EBITDA ratios are tested quarterly and the debt service coverage ratio is tested annually. As at March 31, 2023, CEMATRIX was in compliance with the current ratio financial covenant, but not in compliance with the debt to EBITDA ratio. CIBC provided a waiver for this covenant breach for the period up to and including March 31, 2023.

8. Trade and other payables

Trade and other payables consist of the following components as at March 31, 2023, and December 31, 2022:

	2023	2022
Trade payables	**$ 3,116**	$ 4,413
Accrued interest	**24**	24
Other accruals	**277**	215
Payroll remittance and goods and services tax	**428**	487
	$ 3,845	$ 5,139

(in 000's Canadian Dollars)

9. Long-term debt

Long-term debt consists of the following components as at March 31, 2023, and December 31, 2022:

	Maturity	Interest rate		2023		2022
BDC financing						
Loan 4	August 1, 2026	Floating	**$**	**1,015**	$	1,016
Loan 5	December 1, 2025	Floating		**1,894**		1,896
				2,909		2,912
Less current portion				**(936)**		(937)
			$	**1,973**	$	1,975

Reconciliation of Long-term debt

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

		2023		2022
Long-term debt, beginning of period,	**$**	**2,912**	$	3,603
Repayment of long-term debt		**-**		(926)
		2,912		2,677
Effect of unrealized foreign exchange loss (gain) on income		**-**		85
Effect of unrealized foreign exchange loss (gain) on translation		**(3)**		150
Long-term debt, end of period,	**$**	**2,909**	$	2,912

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

Loan 4 – In May 2018 the Company entered into an agreement with the BDC for a loan of $1,800 USD to fund a portion of the purchase price of the MOS acquisition. The interest, which is currently 9.95% and is payable monthly, is set at 1.60% above the BDC floating USD base rate of 8.35%. The loan is repayable over eight years, with seasonal payments of principal required. Payments of principal of $38 USD were required from September to December 2018. Payments of principal of $38 USD are required from July to December for the years 2019 to 2025 and from July to August 2026. On May 31, 2018, the Canadian dollar equivalent of this loan was $2,333. On March 31, 2023, the Canadian dollar equivalent of this was $1,015. The difference being $1,318 which is due to principal repayments of $1,269 and unrealized foreign exchange gain of $49 being recognized in the statement of loss and comprehensive loss.

Loan 5 – In October 2019, the Company's wholly-owned subsidiary, CEMATRIX (USA) Inc. entered into an agreement with the BDC for a loan of $2,800 USD to fund the purchase price of the PIGCO acquisition. The interest, payable monthly, was initially set at 3.70% above the BDC floating USD base rate. Subsequently, in the first quarter of 2021, the interest rate was renegotiated to 1.60% above the BDC floating USD base rate and therefore, currently at 9.95%. 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. On October 1, 2019, the Canadian dollar equivalent of this loan was $3,708. On March 31, 2023, the Canadian dollar equivalent of this was $1,894. The difference being $1,814, which is the combination of principal repayments of $1,579 and unrealized foreign exchange gain of $235 being recognized on the translation of foreign subsidiaries.

(in 000's Canadian Dollars)

9. Long-term debt *(continued)*

Loans 4 and 5 may be prepaid, on each anniversary date, up to 15% of the then outstanding principal amount but if not used the prepayment privilege for that anniversary date ceases. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable. The prepayment option is considered to be an embedded derivative with a fair value, which is nominal in nature as at March 31, 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 Loan 4 and Loan 5 have a consolidated fixed charge coverage ratio financial covenant which is tested annually. At December 31, 2022, the Company was not in compliance with this covenant. On the same date, the BDC provided a tolerance for this covenant breach for the period up to and including December 31, 2022.

10. Lease obligations

Lease obligations consist of the following components as at March 31, 2023, and December 31, 2022:

		2023		2022
Lease obligations, beginning of period	**$**	**1,164**	$	1,684
Additions		**194**		50
Lease payments (including interest)		**(197)**		(746)
Interest expense *(note 14)*		**24**		115
Foreign exchange		**1**		61
Lease obligations, end of period		**1,186**		1,164
Less current portion		**(604)**		(590)
Lease obligations - non-Current	**$**	**582**	$	574

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

11. Convertible debt

2020 Convertible debenture

On April 22, 2020, the Company issued unsecured convertible debenture with a total principal amount of $5,720 at a price of $1,000 per debenture. The convertible debenture bears interest at a rate of 8% per year, payable semi-annually, till its maturity date of April 22, 2023. At the option of the holder, each debenture is convertible into 2,500 units of the Company at a conversion price of $0.40 per unit, prior to the maturity date. Each unit consists of one common share of the Company and one-half of a share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.45 for a period of 36 months, following the date of its issuance. The Company may force the conversion of outstanding debentures, upon 30 days written notice, after a period of 12 months, in the event the Company's common share price exceeds $0.80 per share for the preceding twenty consecutive trading days.

(in 000's Canadian Dollars)

11. Convertible debt *(continued)*

The 2020 convertible debentures are compound financial instruments, trifurcated into a forced conversion feature, host debt contract and equity feature. The forced conversion feature is an embedded derivative as its value is not closely related with the value of the host debt contract.

The forced conversion feature is measured at fair value, with changes being recognized in profit or loss. The fair value of the forced conversion feature was determined using a modified Black-Scholes valuation model. The host debt contract was initially measured at its fair value and subsequently measured at amortized cost over the term to maturity, using an effective interest rate of 20.61%.

The equity feature is comprised of a base conversion feature and brokers warrants. The base conversion feature is valued on a residual basis after accounting for the host debt and forced conversion features and represents the 14,300,000 units that are issuable on the conversion of $5,720 convertible debentures. The broker warrants are valued on a fair value basis and represents the 1,100,000 units that were issued on close and included in the transaction costs allocated to the various components. The fair value of the brokers' warrants was also determined using a modified Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 65.0%, which is based on historical volatility, risk free interest rate of 0.39% and an expected maturity of 3 years.

Transaction costs of $639 in cash, $220 in additional debentures and 1,100,000 brokers' warrants valued at $300 were incurred on the issuance and have been allocated pro rata to the various components, based on actual allocation of proceeds upon initial recognition. The transaction costs allocated to forced conversion feature was expensed in profit or loss, while the transaction costs allocated to host debt and equity feature were recorded against their respective components. The $220 transaction cost in additional debentures was included with the principal offering for a total consideration of $5,720. The additional debentures have a price of $1,000 per debenture and convertible into units in the same manner as mentioned above for principal offering. The brokers' warrants entitle the holder to acquire one unit of the Company at a conversion price of $0.40 per unit at any time before three years, following the date of this transaction. Each unit consists of one common share and one-half of a share purchase warrant with the same exercise price and expiry term for warrants as mentioned above for principal offering.

At March 31, 2023, and December 31, 2022, the following assumptions were used for forced conversion feature:

	2023	2022
Estimated fair value per common share	**$-**	$0.058
Common share price	**$-**	$0.23
Risk-free interest rate	**-%**	4.07%
Expected life	**<1 month**	4 months
Expected volatility in stock price	**-%**	83.5%

(in 000's Canadian Dollars)

11. Convertible debt *(continued)*

The 2020 convertible debenture consists of the following components as at March 31, 2023, and December 31, 2022:

	Host Debt Contract	Forced Conversion	Equity Feature	Total
At December 31, 2021	$ 3,107	$ (27)	$ 532	$ 3,612
Interest expense (*note 14)*	287	-	-	287
Accretion expense (*note 14)*	391	-	-	391
Interest payment	(286)	-	-	(286)
Fair value adjustment loss	-	6	-	6
At December 31, 2022	**3,499**	**(21)**	**532**	**4,010**
Interest expense (*note 14)*	**70**	**-**	**-**	**70**
Accretion expense (*note 14)*	**110**	**-**	**-**	**110**
Interest payment	**-**	**-**	**-**	**-**
Fair value adjustment loss	**-**	**21**	**-**	**21**
At March 31, 2023	**$ 3,679**	**$ -**	**$ 532**	**$ 4,211**

Net proceeds of $4,836 were received on the issuance of convertible debenture, which was equal to the gross amount of $5,720 less: 1) cash transaction costs of $639, which were allocated to all the components of the convertible debenture; 2) additional convertible debentures of $220, which were included in the gross amount of the offering, for which no cash was received and considered as part of the transaction costs and; 3) cash transaction costs of $25 which were expensed immediately to profit or loss.

The following table summarizes the changes in convertible debenture and broker warrants units of the Company for three months ended March 31, 2023, and year ended December 31, 2022:

	Number Of Convertible Debenture Units	Amount	Number Of Broker Warrants Units	Amount
At December 31, 2021	8,972,500	$ 3,589	908,300	$ 247
Conversion of warrants	-	-	-	-
At December 31, 2022	**8,972,500**	**3,589**	**908,300**	**247**
Conversion of warrants	**-**	**-**	**-**	**-**
At March 31, 2023	**8,972,500**	**$ 3,589**	**908,300**	**$ 247**

Each unit can be converted into one common share of the Company and one-half of a share purchase warrant.

12. Share capital

A) Common shares authorized

Unlimited number of no par value voting common shares

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

B) Common shares issued

The following table summarizes the changes in the issued common shares of the Company for three months ended March 31, 2023, and year ended December 31, 2022:

	2023			2022		
	Number of Shares		Amount ($000's)	Number of Shares		Amount ($000's)
Common shares, January 1,	**133,948,710**	**$**	**42,404**	133,939,938	$	42,403
Exercise of RSUs	**87,150**		**16**	8,772		1
Common shares, end of period,	**134,035,860**	**$**	**42,420**	133,948,710	$	42,404

C) Share Purchase Warrants

The following table reflects the issuance of warrants for the three months ended March 31, 2023, and year ended December 31, 2022, which is recorded in contributed surplus:

	2023		2022	
	Number of Warrants	Weighted average price	Number of Warrants	Weighted average price
Warrants, January 1	**20,067,717**	**$0.779**	**20,067,717**	**$0.779**
Warrants expired	**(18,399,992)**	**$0.81**	**-**	**-**
Warrants, end of period	**1,667,725**	**$0.45**	20,067,717	$0.779

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

	August 14, 2019	August 23, 2019	March 18, 2021
Estimated fair value per share purchase warrant	**$0.10**	**$0.10**	**$0.27**
Common share price	**$0.20**	**$0.20**	**$0.63**
Exercise price	**$0.30**	**$0.30**	**$0.65**
Risk-free interest rate	**1.38%**	**1.38%**	**0.27%**
Expected life	**2 years**	**2 years**	**2 years**
Expected volatility in stock price	**111.0%**	**112.0%**	**81%**
Expected annual dividend yield	**nil**	**nil**	**Nil**

(in 000's Canadian Dollars)

12. Share capital *(continued)*

The fair value of these warrants was determined at the time of the issuance of convertible debenture using a modified Black-Scholes valuation model with the following assumptions:

	Warrants issued upon conversion of convertible debt	Warrants issued upon conversion of broker warrants
Estimated fair value per share purchase warrant	**$0.21**	**$0.20**
Common share price	**$0.40**	**$0.40**
Exercise price	**$0.45**	**$0.45**
Risk-free interest rate	**0.39%**	**0.39%**
Expected life	**3 years**	**3 years**
Expected volatility in stock price	**65%**	**65%**
Expected annual dividend yield	**nil**	**nil**

D) Broker Warrants

The following table reflects the issuance of broker warrants units for the three months ended March 31, 2023, and year ended December 31, 2022:

	2023		2022	
	Number of Units	Weighted average price	Number of Units	Weighted average price
Broker warrants, January 1	**3,739,068**	**$0.589**	3,739,068	$0.589
Broker warrants expired	**(2,830,768)**	**$0.65**	-	-
Broker warrants, end of period	**908,300**	**$0.40**	**3,739,068**	**$0.589**

13. Cost of sales

Cost of sales consists of the following components for the three months ended March 31, 2023, and 2022:

	2023	2022
Manufacture of cellular concrete:		
Materials	**$ 3,882**	$ 2,575
Direct labour	**1,227**	1,279
Variable and fixed overhead	**856**	985
Depreciation	**471**	352
	$ 6,436	$ 5,191

(in 000's Canadian Dollars)

14. Finance costs

The finance costs incurred for the three months ended March 31, 2023, and 2022, are as follows:

		2023		2022
Interest				
BDC financings *(note 9)*	**$**	**75**	$	57
Convertible debt *(note 11)*		**70**		71
Lease obligations *(note 10)*		**24**		33
Other		**-**		1
	$	**169**	$	162

The accretion costs incurred for the three months ended March 31, 2023, and 2022, are as follows:

		2023		2022
Accretion				
Convertible debt *(note 11)*		**110**		90
	$	**110**	$	90

15. Other income (expenses)

Other income (expenses) for the three months ended March 31, 2023, and 2022, consists of the following:

		2023		2022
Interest income	**$**	**121**	$	-
Foreign exchange gain (loss)		**(198)**		(109)
Gain on sale of equipment		**4**		43
Other		**-**		26
	$	**(73)**	$	(40)

(in 000's Canadian Dollars)

16. Loss per common share

Loss per common share for the three months ended March 31, 2023, and 2022, are as follows:

		2023		2022
Loss per common share				
Basic and diluted	**$**	**(0.012)**	$	(0.017)

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The number of common shares included in the computation of basic and diluted loss per common share for the three months ended March 31, 2023, and 2022, is as follows:

	2023	2022
Weighted average common shares outstanding - basic	**133,994,222**	133,939,938
Effect of dilutive instruments	-	-
	133,994,222	133,939,938

The dilutive securities for the three months ended March 31, 2023, and 2022 have no dilutive effect as the Company incurred losses in these periods.

17. 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.

The following table summarizes the changes in options for the three months ended March 31, 2023, and year ended December 31, 2022:

	2023		2022	
	Number of Options	**Weighted average price**	Number of Options	Weighted average price
Outstanding, beginning of year	**4,465,000**	**$0.336**	4,075,000	$0.355
Granted	**-**	**$-**	1,145,000	$0.238
Expired	**-**	**$-**	(655,000)	$0.243
Forfeited	**-**	**$-**	(100,000)	$0.570
Outstanding, end of period	**4,465,000**	**$0.336**	4,465,000	$0.336
Exercisable, end of period	**1,959,999**	**$0.331**	1,959,999	$0.331

(in 000's Canadian Dollars)

17 Stock-based compensation (continued)

The following table summarizes the stock options to acquire common shares outstanding as at March 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
$0.19 - $0.22	**955,000**	**605,000**	**2.33**	**$0.20**	**$0.20**
$0.23 - $0.39	**2,025,000**	**710,000**	**1.18**	**$0.30**	**$0.28**
$0.40 - $0.59	**1,485,000**	**644,999**	**2.29**	**$0.48**	**$0.50**
$0.19 - $0.59	**4,465,000**	**1,959,999**	**2.14**	**$0.34**	**$0.33**

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:

	2022
Estimated fair value per option	$0.30 - $0.41
Weighted average common share price	$0.24
Risk-free interest rate	2.27% - 3.09%
Expected life	5 years
Expected volatility in stock price	90%
Expected annual dividend yield	nil
Estimated forfeiture rate	nil

Restricted share unit grants

The Company has an Omnibus Equity Incentive Plan ("OEI Plan") for the issue of up to 10% of the issued and outstanding common shares of the Company. Restricted Share Units ("RSU's") are part of the OEI Plan. In the second quarter of 2021, the Company issued RSU's under the OEI plan. Subject to the specific provisions of the RSU plan, eligibility, vesting period, terms of the RSU's and the number of RSU's granted are to be determined by the Board of Directors at the time of the grant. The purpose of the RSU grants is to reward and retain directors, management, and consultants important to the continued operation and growth of the Company.

The following tables summarizes the changes in Company's outstanding RSU's for the three months ended March 31, 2023, and year ended December 31, 2022:

(Number of RSU's)	**2023**	**2022**
Outstanding, beginning of period	**980,695**	184,212
Granted	**-**	805,255
Exercised *(note 12)*	**(87,150)**	(8,772)
Outstanding, end of period	**893,545**	980,695

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 three years vesting period of the RSU's.

Stock-based compensation

Stock-based compensation for the three months ended March 31, 2023, of $132 (March 31, 2022 - $129) was recognized in the consolidated statement of loss and comprehensive loss with an offsetting amount charged to contributed surplus. Stock-based compensation has no current period impact on the Company's cash position.

(in 000's Canadian Dollars)

18 Change in non-cash working capital

The changes in non-cash working capital items - asset (increases) decreases and liability increases (decreases) - are outlined below for the three months ended March 31, 2023, and 2022:

		2023		2022
Trade and other receivables	**$**	**1,553**	$	571
Inventory		**26**		33
Prepaid expenses and deposits		**109**		111
Trade and other payables		**(1,218)**		64
	$	**470**	$	779

19 Financial instruments and risk management

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

Fair value of non-derivative financial instruments

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, bank operating loan, US operating loan, and trade and other payables approximate their carrying values due to the relatively short periods to maturity of these instruments.

The fair value of the BDC Financing loans approximate their carrying value as the debt rate floats with prime and is representative of market rates offered to the Company.

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

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

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of 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. The long-term investment in convertible notes *(note 7b),* embedded derivatives related to the forced conversion, prepayment and conversion features on the convertible debt are measured based on level 2 *(note 11)*.

19. Financial instruments and risk management *(continued)*

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

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

Risk management

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

(a) Interest Rate Risk

The BDC Financings, which totaled $2,909 on March 31, 2023, are subject to floating market rates. Based on the floating rate debt outstanding, a 1% increase/decrease in interest rates would result in an increase/decrease in net loss attributable to common shareholders of approximately $29 excluding the effect of income taxes.

(b) Credit Risk

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

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

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, 2023, the Company had $9,598 of cash (December 31, 2022 - $10,682).

(c) Liquidity Risk

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

19. Financial instruments and risk management *(continued)*

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2023, and December 31, 2022, based on contractual undiscounted payments:

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at March 31, 2023				
Trade and other payables	**$ 3,845**	**$ -**	**$ -**	**$ 3,845**
Long-term debt	**936**	**864**	**1,109**	**2,909**
Lease obligations	**604**	**33**	**549**	**1,186**
Convertible debt	**3,679**	**-**	**-**	**3,679**
	$ 9,064	**$ 897**	**$ 1,658**	**$ 11,619**
As at December 31, 2022				
Trade and other payables	$ 5,139	$ -	$ -	$ 5,139
Long-term debt	937	864	1,111	2,912
Lease obligations	590	545	29	1,164
Convertible debt	3,499	-	-	3,499
	$ 10,165	$ 1,409	$ 1,140	$ 12,714

(d) Foreign Exchange Risk

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

As at March 31, 2023, and December 31, 2022, the following balances are denominated in USD:

(in 000's US Dollars)	**2023**	2022
Cash and cash equivalents	**$ 284**	$ 361
Trade and other receivables	**3,398**	3,879
Prepaid expenses and deposits	**88**	122
Long-term investments	**1,771**	1,759
Trade and other payables	**1,972**	2,849
Long term debt	**1,400**	1,400
Lease obligations	**$ 497**	$ 574

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at March 31, 2023, a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net loss of approximately CAD $23 excluding the effect of income taxes.

(in 000's Canadian Dollars)

20. Capital management

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

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

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the period ended March 31, 2023. The Company is subject to externally imposed financial covenants with its bank operating loan and long-term debt loans 4 and 5.

The total capitalization as at March 31, 2023, and December 31, 2022, is outlined below:

		2023		2022
Long term debt *(note 9)*	**$**	**2,909**	$	2,912
Lease obligations *(note 10)*		**1,186**		1,164
Convertible debt – host debt and derivative liability *(note 11)*		**3,679**		3,499
Total debt		**7,774**		7,575
Shareholders' equity		**26,187**		27,742
	$	**33,961**	$	35,317

21. Geographical segmented information

The Company has one operating segment, and its primary business is the supply and placement of cellular concrete. It currently markets its services in Canada and the U.S. The tables below, present the sales to external customers for the three months ended March 31, 2023, and 2022; and the total non-current assets attributable to the Company's geographical segments as at March 31, 2023, and December 31, 2022:

		2023		2022
Sales to external customers				
Canada	**$**	**1,480**	$	1,259
U.S.		**5,702**		3,863
	$	**7,182**	$	5,122

		2023		2022
Total non-current assets				
Canada	**$**	**2,961**	$	2,630
U.S.		**18,476**		18,626
	$	**21,437**	$	21,256

22. Subsequent events

In April 2023, the Company repaid on the maturity date the April 2020 Convertible Debentures still outstanding (see Note 11) in the amount of $3,589.

In May 2023, CIBC and the Company have amended its credit facility to waive the quarterly Debt to EBTIDA covenant for Q1 2023 to Q3 2023 and to reduce the maximum borrowing amount available under the credit facility from $5 million to $3 million. The balance outstanding on the credit facility remains at zero.