CEMATRIX
Cellular Concrete Solutions

CEMATRIX CORPORATION
Management's Discussion and Analysis
For the Three Months Ended March 31, 2022
(in 000's Canadian dollars)

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ended March 31, 2022

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, 2022. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2022, (the "Interim Consolidated Financial Statements") and the related notes thereto and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2021, and related notes thereto. The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. All dollar figures included therein and in this MD&A are in Canadian dollar 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.sedar.com. CEMATRIX is listed on the TSX Venture Exchange under the trading symbol "cvx".

The Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Consolidated Financial Statements and MD&A for the three months ended March 31, 2022. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on May 11, 2022.

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Forward Looking Statements

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 Section D. – Key Market Drivers and in Section E. – Key Risks and Uncertainties of its MD&A for the year ended December 31, 2021, 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.

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.

A. 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, 2022, the Company's financial condition as at March 31, 2022, and its future prospects.

B. Highlights

Investment in Glavel Inc ("Glavel")

In February 2022, CEMATRIX announced a $4.0 million USD strategic investment commitment in Glavel. Glavel manufactures an ultra-lightweight fill material from recycled glass and began production in 2022. CEMATRIX made the first phase of its investment in Glavel in February purchasing 265,061 shares at $2.11 USD for a total investment of $560 USD or $712 Cdn. Foamed glass is expected to be highly sought-after product in its niche markets. It is especially appealing for end customers seeking to be more environmentally conscious. The Company is very excited about the potential for this product and it's overall fit within our strategic plan. CEMATRIX plans to move forward with the additional phases of its investment commitment in Glavel in the second quarter and then again in late 2022 or early 2023.

New Credit Facility

CEMATRIX has entered into a financing arrangement with the Canadian Imperial Bank of Commerce (the "Bank" or "CIBC") to provide 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 3.2% and is secured by a general security agreement providing a first secured interest on the receivables and inventory of CEMATRIX (Canada) Inc, PIGCO, and MOS. 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 actual availability of the Credit Facility on March 31, 2022, was $2,569 of which $nil was outstanding ($nil – December 31, 2021).
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 EBTIDA ratios are tested quarterly and the debt service coverage ratio is tested annually. As at March 31, 2022, CEMATRIX was in compliance with the financial covenants that are tested quarterly.

This new credit facility replaces the previous credit facility that was in place with the CWB. The new credit facility allows the Company to borrow against the receivables and inventory of both its Canadian and US operating subsidiaries. As a result, the new Credit Facility is now better sized and better aligned with the overall Company. The planned use for the Credit Facility is to allow the Company to manage short-term working capital increases associated with the inherent seasonality of the business. Management does not expect at this time to use the Credit Facility to finance acquisitions, other investments or the purchases of new equipment.

Strong Backlog

The Company continues to see a strong bid pipeline and be awarded new projects. The Company announced new projects awards of $4.1 million on April 6, 2022 with a total backlog of $82.1 million. The Company continues to see increased activity in its bid pipeline and with construction season starting we expect to see that activity continue. Several of the larger projects in backlog are expected to start in 2022.

Financial Review

For the first quarter of 2022, revenues were $5.1 million, an increase of $0.6 million or 14%, compared to $4.5 million in the first quarter of 2020. The revenue generated in the first quarter of 2022 from the US operating entities was $3.9 million, while Canadian sales amounted to $1.2 million. The increase in sales in the quarter was due to a large tunnel project in California.

Gross Margin and Gross Margin Percentage were negative $0.1 million and negative 1% respectively for 2021 compared to $0.4 million or 10%, when compared to 2021, a decrease of $0.5 million. The reduced gross margins were primarily the result of lower gross margins on a large tunnel project in California.

Adjusted EBITDA in the first quarter of 2022 was a negative $1.4 million, compared with Adjusted EBITDA of negative $0.5 million in the same period in 2021. The change in Adjusted EBITDA was primarily from lower gross margins and higher SG&A expenses.

Cash used in operating activities of $0.7 million in the first quarter of 2022, compared to cash generated in operating activities of $0.4 million in the same period in 2021. This change in cashflow from operations was primarily due to lower net income due to lower gross margins and higher SG&A expenses.

C. Operations and Overall Performance

Results of Operations

Comparison of the Three Months Ended March 31, 2022, and March 31, 2021:

	Three Months Ended March 31		
	2022	2021	Change
Revenue	**$ 5,122**	$ 4,509	$ 613
Gross margin	**$ (69)**	$ 431	$ (500)
Operating expenses (SG&A)	**(1,749)**	(1,567)	(182)
Operating loss	**(1,818)**	(1,136)	(682)
Non-cash stock based compensation	**(129)**	(42)	(87)
Finance costs	**(162)**	(369)	207
Other income (loss)	**(40)**	219	(259)
Amortization of intangibles	**-**	(181)	(181)
Accretion costs	**(90)**	(81)	(9)
Non-cash fair value of derivatives	**-**	1,621	(1,621)
Income (loss) before income taxes	**(2,239)**	31	(2,270)
Provision of deferred taxes	**28**	204	(176)
Provision of current taxes	**-**	-	-
Net income (loss) attributable to the common shareholder	**(2,211)**	235	(2,446)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	**37**	(150)	187
Comprehensive income (loss)	**$ (2,174)**	$ 85	**$** (2,259)
Fully diluted gain (loss) per common share	**$ (0.017)**	$ 0.003	$ (0.020)

Revenue was $5,122 the first quarter of 2022 compared to $4,509 in the first quarter of 2021, an increase of 14% or $613. The increase was mainly due to higher sales in PIGCO and in Canada, offset partially by lower sales in MOS.

As a percentage of revenues, the Gross Margin Percentage was negative 1% compared to 10% in 2021. The change in the gross margins was due in large part to the first quarter of 2022 we completed a large project in California which incurred lower margins.

Operating expenses (SG&A) were $1,749 in the first quarter of 2022 compared to $1,567 in the comparative period in 2021 or $182k (12%) higher due to the aggregate of the following:

- Salaries and benefits increased $52 as a result of annual increases and new hires.
- Legal and audit fees increased $65 as a result of costs incurred related to the new CIBC Credit Facility;
- Insurance costs increased $55 as a result of premium increases.

Non-cash stock-based compensation expense was $129 in the first quarter of 2022 compared to $42 in the prior period. The increase of $87 was largely due to new stock option grants to employees in April, August, and November 2021. In addition, the Company issued RSU's in the second quarter of 2021, which also resulted in an increase in stock-based compensation expense in the current period.

Finance costs were $162 in the first quarter of 2022 compared to $370 in the same period in 2021, a decrease of $208. The decrease can be mainly attributed to lower finance costs as a result of repayment of principal of BDC loans, the repayment of the secured debenture, the repayment of the US operating loan in 2021, and the conversion of the MOS convertible note.

Other loss was $40 in the first quarter of 2022 compared to an income of $219 in the first quarter of 2021. The decrease of $259 was largely due to:

- Decrease of $38 in unrealized foreign exchange gains and $256 increase in realized foreign exchange losses caused by swings in foreign exchange rates on US Dollar denominated balances.
- the prior period inclusion of $98 in government wage and rent subsidies in relation to the COVID-19 pandemic.
- $43 gain on sale of vehicles.
- $90 increase in interest income due to the short term investments of excess cash.

Amortization of intangibles was $nil in the first quarter of 2022 compared to $181 in the first quarter of 2021. The expense originated from the acquisitions of MOS and PIGCO where intangible assets of $639 and $1,706 were attributed to the value of the sales backlog on the business combination and was being amortized into income. MOS sales backlog has been fully amortized as of September 30, 2019, while PIGCO sales backlog has been fully amortized as of December 31, 2021.

Accretion costs were $90 in the first quarter of 2022 compared to $81 for the same period in 2021. In the first quarter of 2022, the accretion expense entirely related to the host debt contract of the convertible debenture. In 2021, accretion expense also included accretion relating to the remaining tranches of the earn-out liability and convertible note, both originated from the acquisition of MOS.

The convertible debenture, which was issued in April 2020 was trifurcated into a host debt contract, prepayment and equity features, of which the prepayment feature is accounted for as a derivative and revaluated at every reporting period. Based upon the modified Black-Scholes option pricing model, the fair value of the prepayment feature of the convertible debenture increased by $nil in the first quarter of 2022. In the first quarter of 2021, the fair value gain of $1,621 also included the change in value of derivative features of the convertible note issued upon acquisition of MOS.

Unrealized foreign exchange gains and losses on the translation of foreign subsidiaries are recognized through other comprehensive income. MOS, PIGCO and CEMATRIX (USA) Inc. have a USD functional currency and as the Canadian dollar strengthened relative to the USD, the value of these assets depreciated resulting in an unrealized foreign exchange gain of $37, in the first quarter of 2022. The opposite effect occurred in the first quarter of 2021 which resulted in an unrealized foreign exchange loss of $150.

D. Selected Quarterly 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. The Company continues pursuing other markets where seasonality is less of an issue. This seasonality is reflected in the quarterly results summarized in the table below:

Quarters Ended		Revenues		Comprehensive Income (Loss)		Income (Loss) Per Share Basic		Income (Loss) Per Share Diluted
2022 Year								
March 31	**$**	**5,122**	**$**	**(2,174)**	**$**	**(0.017)**	**$**	**(0.017)**
Total for year	**$**	**5,122**	**$**	**(2,174)**	**$**	**(0.017)**	**$**	**(0.017)**
2021 Year								
March 31	$	4,509	$	85	$	0.003	$	0.003
June 30		4,017		(571)		(0.004)		(0.004)
September 30		7,127		169		(0.001)		(0.001)
December 31		6,948		(1,623)		(0.009)		(0.009)
Total for year	$	22,601	$	(1,940)	$	(0.016)	$	(0.016)

Note 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

E. Consolidated Statements of Financial Position

		March 31 2022		December 31 2021		Change
Current assets	**$**	**23,745**	$	26,437	$	(2,692)
Non current assets		**18,585**		17,952		633
Total assets	**$**	**42,330**	$	44,389	$	(2,059)
Current liabilities	**$**	**4,724**	$	4,659	$	65
Non current liabilities		**8,070**		8,149		(79)
Total liabilities	**$**	**12,794**	$	12,808	$	(14)
Shareholders' equity	**$**	**29,536**	$	31,581	$	(2,045)

Total current assets decreased by $2,692. This increase in aggregate is summarized below:

- Cash decreased by $1,943 (See the discussion in Section F - Consolidated Statement of Cash Flows);
- Trade and other receivables decreased by $598 due to timing differences in the collections of trade receivables and sales;
- Inventory decreased by $37 as a result of the use of foaming agent in the execution of work;
- Prepaids and deposits decreased by $115 as these balances are amortized to expenses over their useful life;

Total non-current assets increased by $633. This increase in aggregate is summarized below:

- Property and equipment increased by $8 as a result of expenditures on capital purchases and deposits on assets under construction of $530, offset by depreciation expense of $440, a $76 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries, and $6 net book value of asset sold.
- Right of use assets decreased by $5 as a result of a $55 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries, offset by $50 building lease extension.
- Goodwill and intangibles assets decreased by $82 as a result of foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries. All intangible assets subject to amortization have been fully depreciated.

Total current liabilities increased by $65. This decrease in aggregate is summarized below:

- Trade and other payables increased by $34 as a result of the timing difference in payments;
- Current portion of long-term debt decreased by $13 as a result of unrealized foreign exchange gains on the revaluation of the USD denominated BDC loans.
- Current portion of lease obligations increased $43 primarily as a result of a $7 unrealized foreign exchange gains on the translation of foreign denominated leases offset by $50 the additional lease payments on the building lease extension.

Total non-current liabilities decreased by $79. This decrease in aggregate is summarized below:

- Long term debt decreased by $40 due to the unrealized foreign exchange gains on the revaluation of the USD denominated BDC loans;
- Lease obligations decreased by $155 as a result of lease payments and unrealized foreign exchange gains on the translation of foreign denominated leases;
- 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 with a maturity of April 22, 2023. On issuance, the convertible debenture was trifurcated into a host debt contract, forced conversion and equity features. At March 31, 2022, the convertible debenture host debt contract had an aggregate carrying value of $3,268. The convertible debenture increased by $161 due to accrued interest of $71 and accretion of $90.
- The deferred tax liability decreased by $45 due primarily to the unrealized foreign exchange gains on the revaluation of the USD denominated balances.

Shareholders' Equity decreased by $2,045. This increase in aggregate is summarized below:

- Contributed surplus increased by $129 due to the amortization of non-cash stock-based compensation for employee issued options and RSUs.
- Accumulated other comprehensive loss decreased by $37 due to the unrealized foreign exchange loss on the translation of MOS, PIGCO and CEMATRIX (USA) Inc. for the quarter ended March 31, 2022;
- The Deficit increased by $2,211 due to the net loss to common shareholders for the first quarter ended March 31, 2022.

See the Condensed Consolidated Statements of Shareholders' Equity included in the Condensed Consolidated Financial Statements.

F. Consolidated Statements of Cash Flows

Comparison of the Three Months ended March 31, 2022, and March 31, 2021

The cash position of the Company as at March 31, 2022, was $18,289 compared to a cash position of $22,447 (consisting of cash in the bank of $22,161 and restricted cash of $286) at March 31, 2021.

The change in cash in the first quarter of 2022 was a decrease of $1,943 as compared to an increase of $19,686 in the same period of 2021. This change is outlined in the table:

	Three Months Ended March 31		
	2022	2021	Change
Cash generated from (used in) operating activities			
Before non-cash working capital adjustment	**$ (1,478)**	$ (513)	$ (965)
Net change in non-cash working capital items	**778**	883	(105)
	(700)	370	(1,070)
Cash used in investing activities	**(1,193)**	(94)	(1,099)
Cash generated from (used in) financing activities	**(238)**	19,440	(19,678)
Foreign exchange effect on cash	**188**	(30)	218
Increase (decrease) in cash	**(1,943)**	19,686	(21,629)
Cash at beginning of period	**20,232**	2,761	17,471
Cash at end of period	**$ 18,289**	$ 22,447	$ (4,158)

- Cash used in operating activities increased by $1,070.
  - Cash flow before non-cash working capital adjustments decreased by $965 mainly as a result lower gross margins and higher SG&A expenses when compared to the comparative period.
  - Net change in non-cash working capital items decreased by $105, primarily due to the level of trade receivables generated in the respective periods and the timing of their collection.
- Cash used in investing activities increased by $1,099.
  - Property and equipment additions increased by $437 due primarily to deposits paid for assets under construction.
  - Proceeds on the sale of vehicles of $49.
  - Purchase of the long-term investment in Glavel Inc. of $712
- Cash used in financing activities increased by $19,678.
  - In the first quarter of 2022 the Company used $147 repayment of lease obligations and $91 on interest payments.
  - In the first quarter of 2021 the Company generated $19,440 from financing activities. This was mainly due to proceeds from public offering of $20,890 and $2,016 of proceeds from the exercise of options and warrants. This was partially offset by $1,441 repayment of earn-out liability, $1,470 repayment of long-term debt, $277 on interest payments and repayments of $129 on bank operating loan and $149 on lease obligations.

G. Liquidity and Capital Resources

Liquidity

CEMATRIX's liquidity and capital resources remain in the best position in the history of the Company. With the 2021 financing we have never been in a better position to execute on our strategic plan.

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.

At March 31, 2022, the Company had cash balances of $18,211 versus $19,945 at December 31, 2021. Adjusted Net Working Capital was $2,217 at March 31, 2022 compared to $3,002 at December 31, 2021.

On February 7, 2022, CEMATRIX entered into a new financing arrangement with the Canadian Imperial Bank of Commerce (the "Bank" or "CIBC") to provide 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 3.2% and is secured by a general security agreement providing a first secured interest on the receivables and inventory of CEMATRIX (Canada) Inc, PIGCO, and MOS. 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 actual availability the Credit Facility on March 31, 2022, was $2,569 of which $nil was outstanding ($nil – December 31, 2021). 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 EBTIDA ratios are tested quarterly and the debt service coverage ratio is tested annually. As at March 31, 2022, CEMATRIX was in compliance with the financial covenants that are tested quarterly.

This new credit facility replaces the previous credit facility that was in place with the CWB. The new credit facility allows the Company to borrow against the receivables and inventory of both its Canadian and US operating subsidiaries. As a result, the new Credit Facility is now better sized and better aligned with the overall Company. The planned use for the Credit Facility is to allow the Company to manage short-term working capital increases associated with the inherent seasonality of the business. Management does not expect at this time to use the Credit Facility to finance acquisitions, other investments or the purchases of new equipment.

The new credit facility has three financial covenants that must be maintained on a consolidated basis two of which are tested quarterly and one of which is tested annually (refer to Appendix C for detailed calculations):

- 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. Up to the end of September 2022 the Company is allowed to net off up to $5.0 million in cash against the outstanding debt for the purposes of the covenant calculation.

- 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).

At March 31, 2022, CEMATRIX was in compliance with the covenants of the CIBC Credit Facility.

The USD BDC Financing Loans have a consolidated fixed charge coverage ratio financial covenant which is tested annually. At December 31, 2021, 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, 2021. This covenant will be tested again at December 31, 2022 at which point the Company is expecting to be compliant.

Capital resources

The Company has significant production capacity for the foreseeable future, building additional production capacity in future years for specific purposes is dependent on the Company generating the required funds from operations or new debt or equity financing. In the future, if the Company needs to add production capacity, 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 23 - Capital management to the Condensed Consolidated Financial Statements, was $37,926 as at March 31, 2022, as compared to $39,975 at December 31, 2021 (see Section F. Consolidated Statements of Financial Position for details).

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements at March 31, 2022.

I. Transactions with Related Parties

During the three months ended March 31, 2022, and 2021, the Company did not have any material transactions with related parties.

J. Critical Accounting Judgements, 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 audited consolidated financial statements for the year ended December 31, 2021. There have been no changes since that date.

K. Changes in Accounting Policies including Initial Adoption

New accounting policies

As a result of the Company's equity investment in Glavel Inc., the Company has amended the accounting policy for Financial Instruments Classification as noted below.

Financial Instruments

Classification

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

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

Future accounting pronouncements

The Company has reviewed new and revised standards and interpretations that have been approved by the IASB. There have been no new standards or interpretations issued during 2022 that significantly impact the Company.

L. Financial Instruments

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

Other financial liabilities

Other financial liabilities are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis. Liabilities in this category include bank operating loan, US operating loan, trade and other payables, loan and long-term debt.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Fair values

<u>Non- derivative financial instruments</u>

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 its carrying value as the debt rate floats with prime and is representative of market rates offered to the Company.

The fair value of the secured debenture approximates its carrying value as the interest rate is a market rate for similar instruments offered to the Company.

The fair value of the long-term investment 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 amount 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, 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 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.

Interest Rate Risk
The BDC Financings, which totalled $3,603 at March 31, 2022, are subject to floating market rates. Based on the floating rate debt outstanding, a 1% increase/decrease in interest rates would result in a decrease/increase in net profit attributable to common shareholders of approximately $27.

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

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

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

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

The table below summarizes the maturity profile of the Corporation's financial liabilities at March 31, 2022, and December 31, 2021, based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As a March 31, 2022				
Trade and other payables	**$ 3,239**	**$ -**	**$ -**	**$ 3,239**
Long-term debt	**864**	**864**	**1,822**	**3,550**
Lease obligations	**621**	**829**	**122**	**1,572**
Convertible debt	**-**	**3,268**	**-**	**3,268**
	$ 4,724	**$ 4,961**	**$ 1,944**	**$ 11,629**

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As a December 31, 2021				
Trade and other payables	$ 3,204	$ -	$ -	$ 3,204
Long-term debt	877	877	1,849	3,603
Lease obligations	578	932	174	1,684
Convertible debt	-	3,107	-	3,107
	$ 4,659	$ 4,916	$ 2,023	$ 11,598

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 US dollars ("USD") and the operations of its US subsidiary which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain.

As at March 31, 2022 and December 31, 2021 the following balances were denominated in USD:

(in 000's US Dollars)		**2022**		2021
Cash and cash equivalents	**$**	**580**	$	745
Trade and other receivables	**$**	**2,304**	$	2,046
Prepaid expenses and deposits	**$**	**178**	$	192
Trade and other payables	**$**	**1,897**	$	1,440
Long term debt	**$**	**1,866**	$	1,866
Finance lease obligations	**$**	**803**	$	874

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, 2022 a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net loss of approximately $19.

M. Disclosure of Outstanding Share Data

As at March 31, 2021 and May 11, 2021, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company

	Authorized	Outstanding as at March 31, 2022	Outstanding as at May 11, 2022
Voting or equity securities issued and outstanding	Unlimited Common Shares	133,939,938 Common Shares	133,939,938 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 4,075,000 Common Shares at an exercise price at between $0.19 - $0.59	Stock options to acquire 4,603,333 Common Shares at an exercise price at between $0.19 - $0.59
Securities convertible or exercisable into voting or equity securities – Restricted Stock Units ("RSU's")	Incentive equity plans up to 10% of outstanding Common Shares	RSU's to acquire 184,212 Common Shares	RSU's to acquire 989,467 Common Shares
Securities convertible or exercisable into voting or equity securities – share purchase warrants	As approved by the board	Share purchase warrants to acquire 20,067,717 Common Shares at an exercise price at between $0.45 - $0.81	Share purchase warrants to acquire 20,067,717 Common Shares at an exercise price at between $0.45 - $0.81
Unit securities (Broker Warrants) convertible or exercisable into voting or equity securities – units	As approved by the board	The right to acquire 3,739,068 units at prices between $0.40 and $0.65. Each unit is comprised of one common share and a half share purchase warrant	The right to acquire 3,739,068 units at prices between $0.40 and $0.65. Each unit is comprised of one common share and a half share purchase warrant
Convertible debentures convertible into voting or equity securities - units	As approved by the board	$3,589,000 convertible debentures, convertible into 8,972,500 units. Each unit consists of one Common Share and a half share purchase warrant to acquire one Common Share at $0.45	$3,589,000 convertible debentures, convertible into 8,972,500 units. Each unit consists of one Common Share and a half share purchase warrant to acquire one Common Share at $0.45

N. Outlook

Management's outlook remains unchanged from the end of 2021. The Company is focused on the execution of its strategic plan. The 2021 financing provides management with the means to execute its strategy beyond continued strong organic growth. This strategy will include the simplifying and de-levering of the balance sheet; regional expansion, particularly in the United States where the cellular concrete market continues to experience strong growth; and the pursuit of acquisitions of other cellular concrete applicators, specialty suppliers and/or other complimentary companies provided that they add value to CEMATRIX and its shareholders.

The acquisitions we completed in the past have established CEMATRIX as the clear leader in its industry, which from a micro economic perspective should allow the company to increase its market share, cash flow and profitability regardless of the changes in the macro-economic environment. We continue to look for further acquisition opportunities that fit our strategic plan to accelerate our growth.

In early 2022, we announced a $4 million USD investment commitment to Glavel, Inc ("Glavel"). Glavel is a foamed glass company operating in the NE USA. Foamed glass is an ultra-light weight material with insulating properties made from recycled glass. Foamed glass competes with or is a complementary product to cellular concrete in certain applications. The Company is excited about the potential for foam glass and views the investment in Glavel as a key step forward in the execution of our growth strategy.

In summary, the company's financial sustainability remains strong. The Company continues to announce new project awards to maintain our backlog. We are excited about the addition of Glavel and its foamed glass product to the CEMATRIX family. We remain committed to our strategy and expect to see more of our efforts come to fruition in 2022.

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Form 51-102F1 - Management's Discussion & Analysis
For the Three Months Ending March 31, 2022

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three months ending March 31, 2022, are outlined below:

General

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 2022; sales forecasts include work which is under contract or Verbally Awarded for 2022, 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 2022 sales to materialize, because of project delays or cancellations or because CEMATRIX's cellular concrete is not specified into projects, management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect, and product acceptance in new markets takes longer than anticipated resulting in reduced sales.

Appendix B – Non-IFRS Measures

Throughout this MD&A certain measures are used that, while common in the construction industry, are not recognized measures under IFRS. These measures are used by management to assist in making operating decisions and assessing performance. They are presented in this MD&A to assist readers in assessing the performance of the Company. While we calculate these measures consistently from period to period, they will likely not be directly comparable to similar measures used by other companies because they do not have standardized meanings prescribed by IFRS. Please review the definitions of these measures below.

Sales Pipeline:
The Company's sales pipeline is defined as the total forecasted dollar amount of those future projects that CEMATRIX has been contracted by engineering firms, or owners, or contractors for design assistance (which could include thermal modelling), a quote, or both. The sales pipeline does not include the dollar value of contracted sales; or the dollar value of sales, where volumes have not been determined by the designers; or the dollar value of sales that have been lost for various reasons, including that the proposed project has been cancelled, lost to an alternative product or lost to a competitor. The sales pipeline is updated when changes in the status of a project becomes 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 U.S.

Backlog:
Backlog is the sum of all contracts awarded and all contracts in process.

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, US operating loan, current portion of long-term debt, current portion of lease obligations, current portion of earn-out liabilities and current portion of convertible debt.

		March 31, 2022		**December 31, 2021**
Current Assets	**$**	**23,745**	$	26,437
Current Liabilities		**(4,724)**		(4,659)
Net working Capital		**19,021**		21,778
Adjustments				
Cash and cash equivalents		**(18,289)**		(19,945)
Restricted cash		**-**		(286)
Current portion of long-term debt		**864**		877
Current portion of lease obligations		**621**		578
Adjusted Net Working Capital	**$**	**2,217**	$	3,002

EBITDA
EBITDA is calculated as net income (loss) before finance costs, depreciation and amortization and provision of deferred and current taxes.

Adjusted EBITDA
Adjusted EBITDA is calculated as EBITDA as defined above, adjusted for unrealized foreign exchange gains (loss), accretion costs, revaluation of derivatives, revaluation of earn-out liabilities, non-cash stock based compensation and acquisition costs.

	Three Months Ended March 31			
		2021		**2020**
Net income (loss)	**$**	**(2,211)**	$	235
Finance costs		**162**		369
Depreciation and amortization		**440**		640
Provision of deferred taxes		**(27)**		(204)
EBITDA	**$**	**(1,636)**	$	1,040
Unrealized foreign exchange gain (loss)		**(18)**		(56)
Accretion costs		**90**		81
Revaluation of derivatives		**-**		(1,621)
Non-cash stock based compensation		**129**		42
Adjusted EBITDA	**$**	**(1,435)**	$	(514)

Funds Flow from Operations:
Cash generated from (used in) operating activities before net change in non-cash working capital items.

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Appendix C – Covenant Calculations

		As at Mar 31, 2022
CIBC Covenants		
CURRENT RATIO		
Formula: Current Assets / Adjusted Current Liabilities		
Current Assets	$	23,745
Current liabilities		4,724
Current Ratio		**5.03**
Covenant tested quarterly, not less than		1.25
Covenant Met		
DEBT TO EBITDA RATIO		
Formula: Adjusted Debt / EBITDA		
Adjusted Debt		
Current portion – long term debt	$	864
Long term debt		2,686
Total long term debt		3,550
Less: Cash adjustment		5,000
Adjusted long term debt		-
Adjusted EBITDA (Rolling 12 months)		**(1,578)**
Debt to EBITDA Ratio		**-**
Covenant tested quarterly, not to exceed 3x		3.00
Covenant Met		