

CEMATRIX™

Lightweight Fill Solutions

CEMATRIX CORPORATION
Consolidated Financial Statements

December 31, 2023, and 2022

(in 000's Canadian dollars)

CEMATRIX CORPORATION

Management's Responsibility for Financial Reporting

To the Shareholders:

CEMATRIX CORPORATION

Management has responsibility for preparing the accompanying consolidated financial statements. The 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 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 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 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 and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors. The Committee reviews the consolidated financial statements and the external auditors' report thereon and reports its findings to the Board for approval.

MNP LLP, an independent firm of Chartered Professional Accountants is appointed by the shareholders to audit the consolidated financial statements and to report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

April 10, 2024

Signed "Randy Boomhour"

Randy Boomhour, CPA, CMA

Chief Operating Officer

To the Shareholders of Cematrix Corporation:

Opinion

We have audited the consolidated financial statements of Cematrix Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

Assessment of the recoverable amount of goodwill

Key Audit Matter Description

Assessment of the recoverable amount of goodwill.

The Company's total net carrying amount of goodwill as at December 31, 2023 amounted to \$6,003,000. At the end of each reporting period, management assesses whether there is an indication that an asset or group of assets within a cash generating unit (CGU) may be impaired. When impairment indicators exist, management estimates the recoverable amount of the asset or CGU and compares it against the asset or CGU's carrying amount. CGUs to which goodwill has been allocated are tested for impairment annually.

As at December 31, 2023, the carrying amount of the identified CGU did not exceed its recoverable amounts, which resulted in no impairment charge.

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

Significant assumptions included:

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

Audit Response

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Calgary, Alberta

April 10, 2024

MNP LLP
Chartered Professional Accountants

CEMATRIX CORPORATION

Consolidated Statements of Financial Position

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

ASSETS	2023	2022
Current Assets		
Cash	\$ 3,288	\$ 10,682
Trade and other receivables (note 5)	12,865	7,337
Inventory (note 6)	1,039	1,010
Other current assets (note 7)	680	532
	17,872	19,561
Non-Current Assets		
Long-term investments (note 8)	2,341	2,382
Property and equipment (note 9)	11,671	11,577
Right of use assets (note 10)	1,392	1,128
Goodwill and intangibles (note 11)	6,003	6,148
Convertible debt – derivative asset (note 17)	-	21
	21,407	21,256
Total Assets	\$ 39,279	\$ 40,817
LIABILITIES and EQUITY		
Current Liabilities		
Trade and other payables (note 13)	\$ 6,496	\$ 5,139
Current portion of long-term debt (note 14)	915	937
Current portion of lease obligations (note 15)	729	590
Current portion of earnout liability (note 16)	175	-
Current portion of convertible debt – host debt (note 17)	-	3,499
	8,315	10,165
Non-Current Liabilities		
Long-term debt (note 14)	1,014	1,975
Lease obligations (note 15)	586	574
Deferred tax liability (note 22)	641	361
	2,241	2,910
Total Liabilities	10,556	13,075
SHAREHOLDERS' EQUITY		
Share capital (note 18)	42,641	42,404
Contributed surplus	8,238	7,611
Convertible debt – equity component (note 17 and 18)	-	532
Accumulated other comprehensive income (loss)	(24)	563
Deficit	(22,132)	(23,368)
Total Shareholders' Equity	28,723	27,742
Total Liabilities and Shareholders' Equity	\$ 39,279	\$ 40,817

Approved on behalf of the Board

Signed "Jeffrey Kendrick" Director

Signed "Steve Bjornson" Director

CEMATRIX CORPORATION

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

	2023	2022
Revenue (note 29)	\$ 53,295	\$ 29,003
Cost of sales (note 19)	(41,416)	(26,485)
Gross margin	11,879	2,518
Operating expenses		
Selling, general and administrative	(9,139)	(7,257)
Operating income (loss)	2,740	(4,739)
Stock-based compensation (note 24)	(329)	(610)
Finance costs (note 20)	(474)	(755)
Accretion costs (note 17)	(139)	(391)
Other income (expenses) (note 21)	(144)	94
Share of net loss in Glavel Inc. (note 8)	(56)	(34)
Fair value adjustment of derivatives (note 17)	(21)	(6)
Income (loss) before income taxes	1,577	(6,441)
Provision for deferred taxes (note 22)	(277)	903
Provision for current taxes (note 22)	(65)	(23)
Income (loss) attributable to the common shareholders	1,235	(5,561)
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	(587)	1,112
Comprehensive income (loss) for the year	\$ 648	\$ (4,449)
Earnings (loss) per common share (note 23)		
Basic	\$ 0.009	\$ (0.042)
Diluted	0.009	(0.042)
Weighted average number of common shares (note 23)		
Basic	134,429,677	133,943,783
Diluted	137,147,230	133,943,783

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

CEMATRIX CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

*For the years ended December 31, 2023, and 2022
(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 (note 18)	1	(1)	-	-	-	-
Stock-based compensation (note 24)	-	610	-	-	-	610
Net loss 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
Common shares issued (note 18)	3	-	-	-	-	3
Reclassification of contributed surplus (note 18)	234	(234)	-	-	-	-
Stock-based compensation (note 24)	-	329	-	-	-	329
Warrant expiration (note 18)	-	532	-	(532)	-	-
Net income attributable to common shareholders	-	-	-	-	1,235	1,235
Unrealized foreign exchange loss on translation of foreign subsidiaries	-	-	(587)	-	-	(587)
Balance at December 31, 2023	\$ 42,641	\$ 8,238	\$ (24)	\$ -	\$ (22,132)	\$ 28,723

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

CEMATRIX CORPORATION
Consolidated Statements of Cash Flows
For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

	2023	2022
Cash generated from (used in):		
Operating activities		
Net income (loss) attributable to common shareholders	\$ 1,235	\$ (5,561)
Add (deduct) non-cash items		
Provision for deferred taxes (note 22)	277	(903)
Depreciation and amortization (notes 9, 10, and 11)	2,246	1,856
Finance and accretion costs (note 17)	613	1,146
(Loss) gain on sale of equipment (note 21)	(64)	79
Stock-based compensation (note 24)	329	610
Unrealized foreign exchange loss (gain) (note 21)	77	116
Non-cash interest income (note 8)	(74)	-
Share of net loss of Glavel (note 8)	56	34
Earnout expense (note 16)	175	-
Fair value adjustment of derivatives (note 17)	21	6
	4,891	(2,617)
Net change in non-cash working capital items (note 25)	(4,388)	(587)
Cash generated from (used in) operating activities	503	(3,204)
Investing activities		
Purchase of property and equipment (note 9)	(1,963)	(1,882)
Proceeds on sale of property and equipment	134	86
Purchase of investments (note 8)	(204)	(2,241)
Cash used in investing activities	(2,033)	(4,037)
Financing activities		
Repayment of long-term debt (note 14)	(933)	(926)
Repayment of finance lease obligations (note 15)	(775)	(631)
Interest paid	(522)	(755)
Repayment of convertible debentures (note 17)	(3,589)	-
Proceeds from exercise of options	3	-
Cash used in from financing activities	(5,816)	(2,312)
Foreign exchange effect on cash	(48)	4
Decrease in cash	(7,394)	(9,549)
Cash beginning of year	10,682	20,231
Cash end of year	\$ 3,288	\$ 10,682

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

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 OTCQB 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. (“CUI”), MixOnSite USA, Inc. (“MOS”), and Pacific International Grout Company (“PIGCO”).

The consolidated financial statements of the Company for the year ended December 31, 2023, were authorized for issue in accordance with a resolution of the Board of Directors on April 10, 2024.

2. Basis of preparation

Statement of compliance

These consolidated financial statements for the year ended December 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.

Functional and presentation currency

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

3. Accounting judgements, estimates and assumptions

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

A) Impairment of non-financial assets

The Company assesses impairment on its non-financial assets when it has determined that a potential indicator of impairment exists, or annually in the case of goodwill and indefinite life intangibles. The assessment of the existence of impairment indicators is based on various internal and external factors and involves management’s judgement. When an impairment test is performed on an asset or a cash generating unit (“CGU”), management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal (“FVLCD”) or its value in use (“VIU”). These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, gross margin, pre-tax discount rate (weighted average cost of capital or “WACC”) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge (if required) recorded in the consolidated statement of loss and comprehensive loss. A description of key assumptions used in the impairment tests and a sensitivity analysis of recoverable amounts are presented in note 11.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

B) Stock based compensation

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

C) Taxes

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

D) Fair value of financial instruments

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

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

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

F) Incremental borrowing rates for leases and lease terms

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

G) Identification of CGU's

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

H) Business acquisitions

The Company uses judgement in applying the acquisition method of accounting for business acquisitions and estimates to value identifiable assets and liabilities at the acquisition date. The Company may engage independent third parties to determine the fair value of property, plant and equipment, and intangible assets. Estimates are used to determine cash flow projections, including the period of future benefit, and future growth and discount rates, among other factors. The values placed on the acquired assets and liabilities assumed affect the amount of goodwill recorded on an acquisition.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

I) Going concern

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

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

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

4. Material accounting policies

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

A) Basis of consolidation

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

B) Cash

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

C) Inventory

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

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

D) Associates

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. The company accounts for associates using the equity method of accounting within equity accounted investments on the Consolidated Balance Sheet.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

Interests in associates accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate or joint venture is lower than the proportionate share of the investment's underlying fair value, the company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate or joint venture is greater than the company's proportionate share of the underlying fair value, goodwill relating to the associate or joint venture is included in the carrying amount of the investment. Subsequent to initial recognition, the carrying value of the company's interest in an associate or joint venture is adjusted for the company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate or joint venture are recognized in the consolidated financial statements based on the interests of unrelated investors in the investee. The carrying value of associates is assessed for indicators of impairment at each balance sheet date. Impairment losses on equity accounted investments may be subsequently reversed in net income.

E) Property and equipment

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

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

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

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

F) Right of use assets and leases

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

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

The Company does not recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. The lease payments are recognized in expenses over the lease term.

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

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

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

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

G) Goodwill

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

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

H) Impairment of non-financial assets

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

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

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

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

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

I) Revenue from contracts with customers

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

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

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

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

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

J) Stock-based compensation

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

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

For grants that expire or are forfeited without being exercised, the Company records a reclassification to deficit of the stock-based compensation previously recorded to contributed surplus. For grants that are exercised, the Company records a reclassification to share capital of the stock-based compensation previously recorded to contributed surplus.

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

K) Earnings (loss) per common share

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

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

L) Taxes

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

Current tax

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

Deferred tax

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

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

M) Compound financial instruments

When a contract contains an embedded derivative, the economic and risk characteristics of both the embedded derivative and host contract are analyzed to understand whether or not they are closely related and to decide whether the embedded derivative should be accounted for separately from the host contract.

The embedded features in the financial instrument issued by the Corporation are identified at inception. Each feature is evaluated separately and classified either as part of the host liability, as a separate embedded liability or as an equity instrument in accordance with the substance of the contractual arrangement.

N) Convertible debentures

Compound financial instruments issued by the Company are comprised of convertible debt that can be converted to share capital at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value which is equal to the net present value of future cash flows applying an interest rate at the date of issue of a similar liability that does not have an equity convertible option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in the consolidated statement of comprehensive loss.

O) Share capital

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

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

P) Foreign currency translation

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

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

Q) 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 long-term investments that are not held for trading, gains and losses will be recorded in profit or loss, unless, the Company has made an irrevocable election at the time of initial recognition to account for the investment at fair value through other comprehensive income. These long-term investments in convertible notes or convertible debentures are subsequently measured at fair value, and gains or losses, including interest income or dividend income, are recognized in profit or loss. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains or losses are either recorded in net 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.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

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

Financial instrument	Subsequent measurement
Financial asset:	
Cash	FVTPL
Trade and other receivables	Amortized cost
Convertible debt – derivative asset	FVTPL
Investments in convertible notes and promissory note	Amortized cost
Financial liabilities:	
Bank operating loan	Amortized cost
Trade and other payables	Amortized cost
Long term debt	Amortized cost
Earn-out liability	FVTPL
Convertible debt – host debt	Amortized cost
Convertible debt – forced conversion and derivative features	FVTPL

Impairment

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

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

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

R) Business acquisitions

The Company uses the acquisition method of accounting for business acquisitions. Acquired assets and assumed liabilities are recognized at their fair values at the acquisition date. For those acquisitions that include a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and subsequent changes in such fair value amounts are recognized in net loss.

Acquisition-related costs are recognized in net loss as incurred.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the fair value of consideration paid over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the net amounts assigned to the assets acquired and liabilities assumed exceed the consideration paid, then the Company is required to reassess the value of both the consideration paid and net assets acquired and any excess remaining after this reassessment is recognized immediately in net loss. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

If the initial accounting for a business acquisition is incomplete by the end of the reporting period in which the acquisition occurs, the Company will report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances at the acquisition date that, if known, would have affected the amounts recognized at that date.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances as of the acquisition date, to a maximum of one year.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

S) New accounting policies

There are no new standards issued but not yet effective as of January 1, 2024, that have a material impact to the Company's consolidated financial statements.

5. Trade and other receivables

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

	2023	2022
Trade receivables	\$ 10,802	\$ 5,951
Holdbacks	2,053	1,457
Other receivables	54	11
Expected Credit Loss	(44)	(82)
	\$ 12,865	\$ 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 or a warranty period. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more.

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

	2023	2022
1-30 days	\$ 3,029	\$ 2,928
31-60 days	3,283	1,961
61-90 days	3,729	862
Greater than 90 days	761	200
	\$ 10,802	\$ 5,951

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. The expected credit loss calculated as at December 31, 2023, was \$44 (2022 - \$82).

6. Inventory

Inventory consists of raw materials (foaming agent) which was \$1,039 (December 31, 2022 - \$1,010). Inventory expensed as part of cost of sales was \$1,587 for the year ended December 31, 2023 (\$1,094 for the same period in 2022).

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

7. Other current assets

As at December 31, 2023, other current assets of \$680 (December 31, 2022 - \$532) are comprised of prepaids and deposits of \$479 (December 31, 2022 - \$532) and current portion of long-term investment of \$201 (December 31, 2022 - \$Nil).

8. Investments

Investments consist of the following components as at December 31, 2023, and 2022:

	2023	2022
(A) Equity investment in Glavel	\$ 1,396	\$ 1,486
(B) Convertible notes investment in Glavel	945	896
(C) Promissory note investment in Glavel	201	-
Total Investments	2,542	2,382
Less current portion	(201)	-
Long-term investment	\$ 2,341	\$ 2,382

A) Equity investment in Glavel

The following table presents the change in the balance of equity investment in associate which is accounted for using the equity method as at December 31, 2023, and December 31, 2022:

	2023	2022
Equity investments – beginning of year.	\$ 1,486	\$ -
Preferred shares acquired ⁽ⁱ⁾ ⁽ⁱⁱ⁾	-	1,351
Common shares - conversion of warrants ⁽ⁱⁱⁱ⁾	-	85
Share of the net (loss)	(56)	(34)
Unrealized foreign exchange gain (loss)	(34)	84
Equity investments – end of year	\$ 1,396	\$ 1,486

(i) On February 15, 2022, the Company acquired 265,061 preferred shares of Glavel Inc. ("Glavel") at a price of USD \$2.114 for a total investment of USD \$560 or CAD \$712. Glavel is a company that manufactures an ultra-lightweight fill material made from recycled glass.

(ii) On April 11, 2022, the Company acquired an additional 236,518 preferred shares of Glavel at a price of USD \$2.114 for an increase in investment of USD \$500 or CAD \$639.

(iii) On November 30, 2022, the Company exercised 36,982 warrants for the same number of common shares of Glavel at a price of USD \$1.69 for an increase of investment of USD \$63 or CAD \$85. The warrants were issued as part of the Company's purchase of April 2022 Convertible Notes.

The Company determined that it has significant influence over Glavel from the combination of existing and potential voting rights, representation on the board of directors and participation in the decisions over relevant activities. The investment is accounted for using the equity method. The Company has not earned any dividends from its investment in Glavel.

On December 31, 2023, the Canadian dollar equivalent of this equity investment was \$1,396 (December 31, 2022 - \$1,486). The difference being \$56 share of the net loss and an unrealized foreign exchange gain (loss) on the translation of \$(34) (December 31, 2022 - \$84).

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

The following table presents the aggregate amounts of revenue, expenses, net income, and other comprehensive income related to the Company's interest in Glavel Inc. is as follows:

	2023		2022	
Revenue	\$	52	\$	22
Expenses		108		56
Share of the net (loss) in associate		(56)		(34)
Unrealized foreign exchange gain on translation		1		(1)
	\$	(55)	\$	(35)

B) Convertible notes investment in Glavel

The following table presents the Company's investment in convertible notes of Glavel Inc. as at December 31, 2023, and December 31, 2022:

	December 31, 2023		December 31, 2022	
	Amount	Amortized Cost	Amount	Amortized Cost
Convertible notes, beginning of year	\$ 625,000	\$ 896	\$ -	\$ -
Convertible notes acquired	-	-	625,000	800
Accrued interest income	-	71	-	49
Unrealized foreign exchange gain on translation	-	(22)	-	47
	\$ 625,000	\$ 945	\$ 625,000	\$ 896

On April 11, 2022, the Company loaned Glavel USD \$625 or CAD \$800 in the form of convertible notes. The convertible notes carry an interest rate of 8% and mature on April 29, 2025. The Company has accrued interest income of USD \$53 or CAD \$71 for the year ended December 31, 2023 (December 31, 2022 – USD \$36 or CAD \$49). Included in the convertible note purchase, the Company received 36,982 warrants that can be exercised into common shares at a price of USD \$1.69. The Company exercised the warrants on November 30, 2022.

The convertible notes are convertible into a fixed number of common shares of Glavel at a price of USD \$2.114 or 295,649 common shares.

On December 31, 2023, the Canadian dollar equivalent of these convertible notes was \$967 (December 31, 2022 - \$847). The difference being \$22 which is an unrealized foreign exchange gain on the translation of the convertible note.

C) Promissory note investment in Glavel

On December 11, 2023, the Company loaned Glavel USD \$150 or CAD \$204 in the form of short-term unsecured promissory note. The promissory note carries an interest rate of 20% and mature on June 13, 2024. The Company has accrued interest income of USD \$2 or CAD \$2 for the year ended December 31, 2023 (December 31, 2022 – USD \$nil or CAD \$nil).

On December 31, 2023, the Canadian dollar equivalent of the promissory note was \$201 (December 31, 2022 - \$nil). The difference being \$3 which is an unrealized foreign exchange loss on the translation of the promissory note.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

9. Property and equipment

The movement in the net carrying amounts for each class of property and equipment for the years ending December 31, 2023, and 2022 is outlined below:

	Equipment & Cellular Material Processors	Vehicles	Office & Computer Equipment	Total
Cost				
At December 31, 2022	\$ 18,194	\$ 939	\$ 239	\$ 19,372
Additions	1,927	28	8	1,963
Dispositions	(207)	(193)	-	(400)
Exchange difference	(331)	(13)	(3)	(347)
At December 31, 2023	19,583	761	244	20,588
Accumulated depreciation				
At December 31, 2022	(7,191)	(461)	(143)	(7,795)
Depreciation	(1,397)	(136)	(32)	(1,565)
Dispositions	187	170	-	357
Exchange difference	80	6	-	86
At December 31, 2023	(8,321)	(421)	(175)	(8,917)
Net book value				
At December 31, 2023	\$ 11,262	\$ 340	\$ 69	\$ 11,671
Cost				
At December 31, 2021	\$ 16,073	\$ 983	\$ 351	\$ 17,407
Additions	1,849	17	17	1,883
Dispositions	(472)	(97)	(161)	(730)
Exchange difference	744	36	32	812
At December 31, 2022	18,194	939	239	19,372
Accumulated depreciation				
At December 31, 2021	(6,193)	(441)	(239)	(6,873)
Depreciation	(1,069)	(147)	(55)	(1,271)
Dispositions	419	141	158	718
Exchange difference	(348)	(14)	(7)	(369)
At December 31, 2022	(7,191)	(461)	(143)	(7,795)
Net book value				
At December 31, 2022	\$ 11,006	\$ 478	\$ 93	\$ 11,577

As at December 31, 2023, Equipment & Cellular Material Processors included \$1,566 (December 31, 2022 - \$1,485) of capital assets that were not yet in service and therefore not amortized.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

10. Right of use assets

The movement in the net carrying amounts for each class of right of use assets for the years ending December 31, 2023, and 2022 is outlined below:

	Process Equipment	Vehicles	Buildings	Total
Cost				
At December 31, 2022	\$ 89	\$ 653	\$ 2,168	\$ 2,910
Additions	-	314	658	972
Dispositions	-	(51)	-	(51)
Exchange difference	(2)	(13)	(44)	(59)
At December 31, 2023	87	903	2,782	3,772
Accumulated depreciation				
At December 31, 2022	(48)	(180)	(1,554)	(1,782)
Depreciation	(19)	(113)	(519)	(651)
Dispositions	-	22	-	22
Exchange difference	1	3	27	31
At December 31, 2023	(66)	(268)	(2,046)	(2,380)
Net book value				
At December 31, 2023	\$ 21	\$ 635	\$ 736	\$ 1,392
Cost				
At December 31, 2021	\$ 85	\$ 730	\$ 2,031	\$ 2,846
Additions	-	-	52	52
Dispositions	-	(111)	-	(111)
Exchange difference	4	34	85	123
At December 31, 2022	89	653	2,168	2,910
Accumulated depreciation				
At December 31, 2021	(28)	(161)	(1,020)	(1,209)
Depreciation	(18)	(76)	(491)	(585)
Dispositions	-	76	-	76
Exchange difference	(1)	(21)	(42)	(64)
At December 31, 2022	(47)	(182)	(1,553)	(1,782)
Net book value				
At December 31, 2022	\$ 42	\$ 471	\$ 615	\$ 1,128

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

11. Goodwill

A) Goodwill

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

The movement in the net carrying amounts for Goodwill, which resides entirely in the CEMATRIX US CGU, for the years ending December 31, 2023, and 2022 is outlined below:

	2023	2022
Net Book Value at beginning of year,	\$ 6,148	\$ 5,754
Impairment	-	-
Unrealized foreign exchange gain (loss)	(145)	394
Net Book Value at December 31,	\$ 6,003	\$ 6,148

B) Impairment

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

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

	CEMATRIX USA		CEMATRIX Canada	
	2023	2022	2023	2022
Gross Margin	27%	26%	27%	30%
Pre-tax discount rate	11%	11%	11%	11%

Near term (1 year) sales growth assumptions are based on contracted and verbally awarded projects (including backlogs), as well as probability adjusted forecasts (range of 10% to 90%) for projects on which the Company has placed or will place bids, where the probabilities applied are based on management's assessment of a particular project based on historical experience and the stage that the project is in the sales cycle. Management has also considered its relationships with customers, the competitive landscape and changes in its business strategy. With regard to gross margins, consideration is given to historical operating margins in the end markets where prospective work opportunities are most significant and changes in the Company's business. A 2% change in gross margin in isolation would not result in an impairment charge. The terminal value was calculated using a discount rate of 11% and annual growth of 3% in the terminal year.

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

12. Bank operating loan

CIBC Credit Facility

In February 2022 and amended May 2023, CEMATRIX entered into a financing arrangement with the Canadian Imperial Bank of Commerce (the "Bank" or "CIBC") which provides a \$3,000 (originally \$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 at 7.20% as of December 31, 2023, 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 amended Credit Facility, the Bank will advance up to \$3,000 (originally \$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 December 31, 2023, was \$3,000 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 December 31, 2023, there were \$865 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 December 31, 2023, CEMATRIX was in compliance with all three financial covenants.

13. Trade and other payables

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

	2023		2022	
Trade payables	\$	4,323	\$	4,413
Accrued interest		17		24
Other accruals		1,771		215
Payroll remittance and goods and services tax		385		487
	\$	6,496	\$	5,139

14. Long-term debt

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

	Maturity	Interest rate	2023		2022	
BDC financing						
Loan 4	August 1, 2026	Floating	\$	694	\$	1,016
Loan 5	December 1, 2025	Floating		1,235		1,896
				1,929		2,912
Less current portion				(915)		(937)
			\$	1,014	\$	1,975

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

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 year,	\$ 2,912	\$ 3,603
Repayment of long-term debt	(933)	(926)
	1,979	2,677
Effect of unrealized foreign exchange loss (gain) on income	(17)	85
Effect of unrealized foreign exchange loss (gain) on translation	(33)	150
Long-term debt, end of year,	\$ 1,929	\$ 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 11.5% and is payable monthly, is set at 1.60% above the BDC floating USD base rate of 9.9%. 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.

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, which is currently 11.5% and is payable monthly, is set at 1.60% above the BDC floating USD base rate of 9.9%. 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.

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 December 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, 2023, the Company was in compliance with this covenant.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

15. Lease obligation

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

	2023	2022
Lease obligations, beginning of year	\$ 1,164	\$ 1,684
Additions	970	50
Lease payments (including interest)	(878)	(746)
Interest expense (note 20)	81	115
Foreign exchange	(22)	61
Lease obligations, end of year	1,315	1,164
Less current portion	(729)	(590)
Lease obligations - non-Current	\$ 586	\$ 574

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

16. Earn-out liability

Upon acquisition of PIGCO in October 2019, the Company agreed to pay an annual earn-out payment to the Vendor for four years following the closing date of the acquisition. The earn-out payment is calculated on the operations of PIGCO annually and pay 65% of the earnings before interest, income taxes, depreciation, and amortization ("EBITDA") above \$500 USD to the Vendor, ending December 31, 2023. The earn-out liability, which is denominated in USD is measured at fair value through profit or loss ("FVTPL") and recalculated at every reporting period based upon management's estimate which considers economic conditions, customer demand for PIGCO's services and current borrowing rates available to the Company. The Company has not applied a discount rate as payment is expected within 90 days after the anniversary date.

The PIGCO earn-out payment is due 90 days after the anniversary date and accrues interest at 2.0% above US prime lending rate per year if not repaid on the due date.

In the first quarter of 2021, the Company paid out Tranche 1 associated with PIGCO acquisition. Tranches 2 and 3 in relation to the PIGCO acquisition did not meet the threshold criteria as explained above resulting in no earnout expense for either Tranche.

In the fourth quarter of 2023, the Company and the vendor agreed to extend the term of Tranche 4 to cover the period from October 1, 2022, to December 31, 2023. Tranche 4 is expected to be paid out in the first quarter of 2024.

Earn-out liability consists of the following components as at December 31, 2023, and 2022:

	2023	2022
Earn-out liability, January 1	\$ -	\$ -
Addition	175	-
Foreign exchange difference	-	-
Earn-out liability, December 31	175	-
Less current portion	(175)	-
Earn-out liability, non-current	\$ -	\$ -

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

17. 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.

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

	Host Debt Contract	Forced Conversion	Equity Feature	Total
At December 31, 2021	\$ 3,108	\$ (28)	\$ 532	\$ 3,612
Interest expense (note 20)	287	-	-	287
Accretion expense (note 20)	391	-	-	391
Interest payment	(287)	-	-	(287)
Fair value adjustment loss	-	7	-	7
At December 31, 2022	3,499	(21)	532	4,010
Interest expense (note 20)	88	-	-	88
Accretion expense (note 20)	139	-	-	139
Interest payment	(137)	-	-	(137)
Fair value adjustment loss	-	21	-	21
Repayment at maturity and warrant expiry	(3,589)	-	(532)	(4,121)
At December 31, 2023	\$ -	\$ -	\$ -	\$ -

The following table summarizes the changes in convertible debenture and broker warrants units of the Company for the years ended December 31, 2023, and 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
Repayment on maturity	(8,972,500)	(3,589)	(908,300)	(247)
At December 31, 2023	-	\$ -	-	\$ -

At maturity, the Company repaid the April 2020 Convertible Debentures still outstanding in the amount of \$3,589.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

18. 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 the years ended December 31, 2023, and 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 options & RSUs (<i>note 24</i>)	1,330,338	237	8,772	1
Common shares, December 31	135,279,048	\$ 42,641	133,948,710	\$ 42,404

C) Share purchase warrants

The following table reflects the issuance or expiry of warrants for the years ended December 31, 2023, and 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	(20,067,717)	\$0.779	-	-
Warrants, December 31	-	\$-	20,067,717	\$0.779

D) Broker warrants

The following table reflects the issuance or expiry of broker warrants units for the years ended December 31, 2023, and 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	(3,739,068)	\$0.589	-	-
Broker warrants, December 31	-	\$-	3,739,068	\$0.589

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

19. Cost of sales

Cost of sales consists of the following components for the years ended December 31, 2023, and 2022:

	2023		2022
Manufacture of cellular concrete:			
Materials	\$ 27,422	\$	14,643
Direct labour	7,119		5,438
Variable and fixed overhead	4,964		4,860
Depreciation	1,911		1,544
	\$ 41,416	\$	26,485

20. Finance costs

The finance costs incurred for the years ended December 31, 2023, and 2022, are as follows:

	2023		2022
Interest			
BDC financings (note 14)	\$ 293	\$	264
Convertible debt (note 17)	88		287
Lease obligations (note 15)	81		115
Other	12		89
	\$ 474	\$	755

The accretion costs incurred for the years ended December 31, 2023, and 2022, are as follows:

	2023		2022
Accretion			
Convertible debt (note 17)	\$ 139	\$	391
	\$ 139	\$	391

21. Other income (expenses)

Other income (expenses) for the years ended December 31, 2023, and 2022, consists of the following:

	2023		2022
Interest income	\$ 293	\$	307
Earn-out expense (note 16)	(175)		-
Foreign exchange gain (loss)	(342)		(128)
(Loss) gain on sale of equipment	64		(79)
Other	16		(6)
	\$ (144)	\$	94

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

22. Income taxes

A) Current taxes

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

	2023	2022
Loss before taxes	\$ 1,577	\$ (6,441)
Combined statutory tax rate	23.0%	23.0%
Computed "expected" tax recovery	363	(1,481)
Differences resulting from:		
Stock-based compensation	70	127
Change in enacted rate and other	(195)	528
Change in deferred tax assets not recognized	104	(53)
Income tax expense (recovery)	\$ 342	\$ (880)

B) Deferred taxes

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

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

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

Canada	December 31, 2021	Deferred Tax Expense	Foreign exchange	December 31, 2022
Non-capital losses	\$ 200	\$ (33)	\$ -	\$ 167
Property and equipment	(200)	191	-	(9)
Convertible debt	-	(26)	-	(26)
Other	-	(132)	-	(132)
Net deferred tax asset (liability)	\$ -	\$ -	\$ -	\$ -

U.S.	December 31, 2021	Deferred Tax Recovery	Foreign exchange	December 31, 2022
Property and equipment	\$ (2,485)	\$ 156	\$ (156)	\$ (2,485)
Intangibles	(10)	(6)	-	(16)
Net operating losses	762	1,059	95	1,916
Other	523	(296)	(3)	224
Net deferred tax asset (liability)	\$ (1,210)	\$ 913	\$ (64)	\$ (361)

C) Temporary differences

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

	2023	2022
Canada		
Non-capital losses	\$ 10,983	\$ 10,355
Issuance costs	2,173	3,265
Intangibles	281	281
Property, equipment and other	302	185
Net deferred tax asset (liability)	\$ 13,739	\$ 14,086

The Company has not recognized a deferred tax asset in respect to \$10,983 of non-capital losses in Canada. These losses expire between 2029 and 2042.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

23. Earnings (loss) per common share

Earnings (loss) per common share for the years ended December 31, 2023, and 2022, are as follows:

	2023	2022
Earnings (loss) per common share		
Basic	\$ 0.009	\$ (0.042)
Diluted	\$ 0.009	\$ (0.042)

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

	2023	2022
Weighted average common shares outstanding - basic	134,429,677	133,943,783
Effect of dilutive instruments	2,717,553	-
Weighted average common shares outstanding - diluted	137,147,230	133,943,783

The dilutive securities for the year ended December 31, 2022, have no dilutive effect as the Company incurred losses in the period.

24. Stock-based compensation

A) 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 years ended December 31, 2023, and 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	750,000	\$0.185	1,145,000	\$0.238
Exercised	(13,333)	\$0.250	-	-
Expired	(305,000)	\$0.200	(655,000)	\$0.243
Forfeited	(180,000)	\$0.343	(100,000)	\$0.570
Outstanding, end of year	4,716,667	\$0.321	4,465,000	\$0.336
Exercisable, end of year	2,721,659	\$0.267	1,959,999	\$0.331

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

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

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

The following table summarizes the stock options to acquire common shares outstanding as at December 31, 2022:

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	2.57	\$0.20	\$0.20
\$0.23 - \$0.39	2,025,000	710,000	1.30	\$0.30	\$0.28
\$0.40 - \$0.59	1,485,000	644,999	2.47	\$0.48	\$0.50
\$0.19 - \$0.59	4,465,000	1,959,999	2.35	\$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:

	2023	2022
Estimated fair value per option	\$0.122	\$0.30 - \$0.41
Weighted average common share price	\$0.185	\$0.24
Risk-free interest rate	3.63%	2.27% - 3.09%
Expected life	5 years	5 years
Expected volatility in stock price	79%	90%
Expected annual dividend yield	nil	nil
Estimated forfeiture rate	5%	5%

B) 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.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

The following table summarizes the changes in the Company's outstanding RSU's for the years ended December 31, 2023, and 2022:

<i>(Number of RSU's)</i>	2023	2022
Outstanding, beginning of year	980,695	184,212
Granted	513,513	805,255
Forfeited	(26,316)	-
Exercised <i>(note 18)</i>	(1,317,005)	(8,772)
Outstanding, end of year	150,887	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.

C) Stock-based compensation

Stock-based compensation for the years ended December 31, 2023, of \$329 (2022 - \$610) was recognized in the consolidated statement of income (loss) and comprehensive income (loss) with an offsetting amount charged to contributed surplus. Stock-based compensation has no current period impact on the Company's cash position.

25. 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 years ended December 31, 2023, and 2022:

	2023	2022
Trade and other receivables	\$ (5,918)	\$ (2,010)
Inventory	(31)	(263)
Prepaid expenses and deposits	48	68
Trade and other payables	1,513	1,617
	\$ (4,388)	\$ (588)

26. Related party transactions

During the year ended December 31, 2023, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of \$18 (2022 - \$15) of which \$nil (2022 - \$1) is in trade and other payables as at December 31, 2023.

During the year ended December 31, 2023, the Company incurred facility costs for the leases of buildings that are owned by certain officers of the Company in the amount of \$382 (2022 - \$337) of which \$521 (2022 - \$406) is in lease obligations as at December 31, 2023.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)

Compensation of key management personnel

The remuneration of directors and other members of key management personnel (Chief Executive Officer, Chief Operating Officer, President MOS, and President PIGCO) during the years ended December 31, 2023, and 2022 were as follows:

	2023	2022
Short term and post employment benefits	\$ 1,418	\$ 1,394
PIGCO Earnout	175	-
Stock-based compensation	219	365
	\$ 1,812	\$ 1,759

27. Financial instruments and risk management

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

Fair value of non-derivative financial instruments

The fair values of cash 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.

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market data. The earn-out liability is measured at level 3 (note 16).

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 \$1,929 on December 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 \$19 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 are held with large established financial institutions. The Company manages credit risk using credit approval and monitoring practices. Management is not materially concerned about the credit quality and collectability of accounts receivables, as our customers are predominantly large in scale and of high creditworthiness, and the concentration of credit risk is limited as our largest customers change year to year depending on which projects are being completed. At December 31, 2023, the Company had \$3,288 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.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

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

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at December 31, 2023				
Trade and other payables	\$ 6,496	\$ -	\$ -	\$ 6,496
Earnout liability	175	-	-	175
Long-term debt	915	915	99	1,929
Lease obligations	816	569	69	1,454
	\$ 8,402	\$ 1,484	\$ 168	\$ 10,054
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. subsidiaries which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain. However, the management manages and mitigates foreign exchange risk by monitoring exchange rate trends and forecasted economic conditions.

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

<i>(in 000's US Dollars)</i>	2023	2022
Cash and cash equivalents	\$ 1,347	\$ 361
Trade and other receivables	6,889	3,879
Prepaid expenses and deposits	96	122
Investments	1,921	1,759
Trade and other payables	3,190	2,849
Earnout liability	132	-
Long term debt	933	1,400
Lease obligations	574	574

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at December 31, 2023, a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net loss of approximately CAD \$72 excluding the effect of income taxes.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

*For the years ended December 31, 2023, and 2022
(in 000's Canadian Dollars)*

28. 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 December 31, 2023. The Company is subject to externally imposed financial covenants with its CIBC Credit Facility and long-term debt BDC loans.

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

		2023		2022
Long term debt (note 14)	\$	1,929	\$	2,912
Lease obligations (note 15)		1,315		1,164
Convertible debt – host debt and derivative liability (note 17)		-		3,499
Total debt		3,244		7,578
Shareholders' equity		28,723		27,742
	\$	31,967	\$	35,320

29. 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 years ended December 31, 2023, and 2022; and the total non-current assets attributable to the Company's geographical segments as at December 31, 2023, and 2022:

		2023		2022
Sales to external customers				
Canada	\$	20,922	\$	7,599
U.S.		32,373		21,404
	\$	53,295	\$	29,003

		2023		2022
Total non-current assets				
Canada	\$	3,521	\$	2,630
U.S.		17,886		18,626
	\$	21,407	\$	21,256