Cymat Technologies Ltd.
Management's Discussion and Analysis ("MD&A")
As at April 30, 2017

August 18, 2017

The following discussion and analysis of Cymat Technologies Ltd. ["Cymat" or the "Company"] financial condition and results of operations should be read in conjunction with the audited comparative financial statements of the Company for the year ended April 30, 2017, and the associated notes to the financial statements.

The Company prepares financial statements in accordance with International Financial Reporting Standards ("IFRS") as set out in the Handbook of The Chartered Professional Accountants of Canada ("CPA Handbook"). All financial information contained in this MD&A and in the audited financial statements has been prepared in accordance with IFRS.

This MD&A is dated August 18, 2017 and all amounts herein are denominated in Canadian dollars, unless otherwise stated.

The information below contains certain forward-looking statements that reflect the current view of Cymat with respect to future events and financial performance. Wherever used, the words "may", "will", "anticipate", "intend", "expect", "plan", "believe", and similar expressions identify forward-looking statements. Any such forward-looking statements are subject to risks and uncertainties, and the Company's actual results of operations could differ materially from historical results or current expectations. The Company will review the forward-looking information in the preparation of the MD&A on a quarterly basis and, where appropriate, provide updated forward-looking statements based on the most current view of Cymat.

1. Company Overview and Business of Company

Cymat was incorporated on June 13, 2006 under the Business Corporations Act (Ontario) and is the successor to Duntroon Energy (formerly Cymat Corp.) which was incorporated on June 30, 1998 under the Business Corporations Act (Ontario).

Cymat develops innovative materials for industry. The Company has worldwide rights, through patents and licenses, to produce Stabilized Aluminum Foam ("SAF"). This ultra-light metallic foam is produced using a proprietary, versatile process in which gas is bubbled into molten-alloyed aluminum containing a dispersion of fine ceramic particles to create foam that is then cast into either flat panels or near-net shapes. The result is a material, which is recyclable, with a wide array of features including very low density, mechanical energy absorption, thermal and acoustic insulation, time and temperature insensitivity and has a relatively low cost of production. The technology is focused on producing products for 3 major markets: automotive, architecture and blast mitigation industries. Cymat markets architectural material under the trademark, "Alusion™" and automotive and blast mitigation products under the "SmartMetal™" trademark.

2. Summary of Market and Industry Environment

Cymat's business environment is divided into its three lines of business – Architecture, Blast Mitigation and Energy Absorption, and Automotive.

The materials industry for architectural and construction is characterized by a highly competitive environment with numerous solutions competing for high profile projects. Recently, the global economic outlook has experienced an upward trend; however a fair amount of volatility and uncertainty about the future continues to impact the economic environment. Such volatility can have unfavourable effects upon the timing and budgets for large architectural projects. While Cymat's architectural line of products is not among the lowest cost cladding options, its light weight can lead to significant construction savings as it may require less robust, hence less expensive, hanging systems. Europe remains a key market for Alusion™, Cymat's architectural line of products. Cymat's foray into the South American market, on the other hand, continues to produce results lower than expected as the region faces significant economic challenges.

Recent occurrences of highrise building fires in the Middle East, and the widely publicized devasting Grenfell Tower fire in the UK have focused public and industry awareness upon the suitability of construction material to resist flame. The goal of Cymat's joint venture with Alucoil SA. is the commercial production of sandwich panels – with a core of SAF – that have superior flame resistance properties.

Improvised explosive devices ("IED's") continue to be a significant threat to military forces and, increasingly, to homeland law enforcement agencies as well. Lightweight, high-energy absorption materials such as SmartMetal™ are elements being used by military and police forces and OEM manufacturers to counter these IED threats. SmartMetal™ blast mitigation capabilities, its high strength to weight ratio and its ability to maintain its physical properties over time and over a wide temperature range, make it an attractive solution for blast mitigation applications. Test results have confirmed that the use of SmartMetal™, in conjunction with other materials, offers a lower weight solution that significantly reduces mortality and serious injury for the vehicle occupants. While the threat from this newer form of warfare rises, military and police budgets are, at the same time, being challenged by cost-cutting initiatives as the result of government deficit and debt levels. The appeal of SmartMetal™ as a blast mitigation application was confirmed by the fiscal 2017 delivery of 250 SmartMetal™ vehicle blast mitigation kits to Panhard General Defense ("Panhard").

The automotive industry continues to face increased societal demands for environmental sustainability at a time when several high-profile vehicle recalls has lead to increased industry scrutiny. In North America, tough standards for fleet fuel consumption are being mandated by CAFE (Corporate Average Fuel Economy) regulations. According to the energy.gov website, a ten percent reduction in vehicle weight can result in a sixty-eight percent increase in fuel economy. Accordingly, most automotive manufacturers are undertaking comprehensive light-weighting initiatives. These light-weighting projects have the potential to result in the addition of new materials, such as SAF, into the automotive design. Additionally the IIHS (Insurance Institute for Highway Safety) is rating vehicles for their performance in a new small offset frontal crash test. This environment is compelling automotive OEM's to employ innovative energy absorption design solutions to meet these enhanced requirements. In addition to its flat-panel SAF production line, Cymat has developed proprietary Low Pressure Foam Casting ("LPFC™") aluminum foam technology which can produce near net shaped components that, among other uses, may have utility in automotive industry applications

3. Operating Highlights and Year in Review

Architecture

Sales of Alusion™ for fiscal 2017 were approximately $2.0 million compared to Alusion™ sales of $1.0 million for fiscal 2016. Elevated revenue from large architecture projects was the main driver of this revenue increase. In fiscal 2017, large architectural project revenue totalling $1.4 million was derived from eight orders that included façade installations in Spain, the Middle East and the United States. In comparison, fiscal 2016 sales included large architectural project revenue totalling $600,000.

Blast Mitigation and Energy Absorption

SmartMetal™ sales for fiscal 2017 were approximately $725,000 compared to sales of $400,000 for fiscal 2016. Fiscal 2017 included revenue from an order by Panhard, a division of Renault Trucks Defense and part of the Volvo Group, for 250 SmartMetal™ vehicle blast mitigation kits. The kits were installed on the underside of Panhard's light armoured protected 4X4 wheeled class of vehicles. The SmartMetal™ panels have been engineered to provide a lightweight solution offering occupant protection from blast energy such as that resulting from the detonation of Improvised Explosive Devices. Fiscal 2017 revenue also included significant SmartMetal™ prototype orders for multi-threat resistant composite panels and for a US-based military transportation vehicle. Fiscal 2016 included a sales order of approximately $300,000 for use in a French Atomic Energy Commission facility. The SmartMetal™ panels were for installation in the base of a cargo lift used in the transport of radioactive material. The SmartMetal™ pad will provide a failsafe energy absorber as protection in the event of a major lift failure.

Automotive

Cymat's efforts to develop a market for SmartMetal™ within the automotive industry continued to focus on applications that would incorporate SAF produced on its flat-panel production line. During fiscal 2017, discussions progressed in regards to the use of SmartMetal™ in crash management systems and NVH (noise, vibration and harshness) applications.

Other Highlights

During fiscal 2017, Cymat raised proceeds of $497,000 through a private placement of common shares and warrants. The Company also received proceeds of $421,000 from warrant exercise.

4. Selected Financial Information

The following table presents selected annual financial information for the three most recent fiscal years, prepared in accordance with IFRS.

Selected Financial Information by Fiscal Year
All Items in $ 000's, except Net Loss per Share

	2017	**2016**	**2015**
Revenue	2,752	1,355	1,609
Cash flow used in operations	(552)	(517)	(1,251)
Net (Loss) Income	(1,044)	(1,513)	(1,171)
Net (Loss) Income per Share, basic and diluted	(0.06)	(0.10)	(0.08)
Total Assets	996	862	1,039
Non-current Financial Liabilities	350	2,804	2,126

The following tables present selected quarterly financial information for the eight most recent quarters for the period ended April 30, 2017.

Selected Financial Information by Fiscal Quarter
All Items in $ 000's, except Net Loss per Share

Three months ended,	Apr 30, 2017	Jan 31, 2017	Oct 31, 2016	Jul 31, 2016	Apr 30, 2016	Jan 31, 2016	Oct 31, 2015	Jul 31, 2015
Revenue	536	756	587	873	522	332	244	257
Plant operating expenses	425	390	359	456	219	265	351	330
Research and material testing expenses	1	1	1	1	1	1	1	2
SG&A expenses	369	340	301	348	275	276	267	274
Net Loss	(456)	(183)	(268)	(137)	(147)	(386)	(505)	(475)
Net Loss per Share	(0.03)	(0.01)	(0.02)	(0.01)	(0.01)	(0.03)	(0.04)	(0.03)
Operating cash flow	(72)	(88)	(186)	(206)	(2)	(223)	(88)	(207)

As at:	Apr 30, 2017	Jan 31, 2017	Oct 31, 2016	Jul 31, 2016	Apr 30, 2016	Jan 31, 2016	Oct 31, 2015	Jul 31, 2015
Cash & cash equivalents	458	118	230	160	172	209	8	96
Restricted cash	14	14	14	14	14	14	14	14
Working capital	(3,084)	(355)	(331)	(722)	(801)	(669)	(857)	(475)

5. Financial Condition

The following table presents significant changes in the Company's financial position from April 30, 2016 to April 30, 2017.

As at April 30 (Thousands of Dollars)	2017 $	2016 $	Increase (Decrease) $	%
Cash and cash equivalents	458	172	286	166
Restricted cash	14	14	-	-
Trade and other receivables	121	167	(46)	(28)
Inventory	129	180	(51)	(28)
Prepaid expenses	14	14	-	-
Other assets	28	28	-	-
Property, plant and equipment, net	232	287	(55)	(19)
Trade and other payables	705	762	(57)	(7)
Deferred revenue	43	290	(247)	(85)
Deferred rent liability	11	20	(9)	(45)
Accrued royalties	536	544	(8)	1
Repayable government contributions	-	77	(77)	(100)
Convertible debentures	2,876	2,459	417	17
Share capital	66,680	65,797	883	1
Contributed surplus	6,760	6,583	177	3
Equity portion of convertible debentures	339	345	(6)	(2)
Warrants	453	347	106	31

Cash and cash equivalents increase of $286,000: See Liquidity and Capital Resources section for an explanation of the change in cash and cash equivalents for fiscal 2017.

Trade and other receivables decrease of $46,000: The decrease in receivables was primarily the result of decreased sales tax input tax credit receivable.

Inventory decrease of $51,000: The reduction in inventory is the result of an increase in raw materials on hand ($38,000) to support increased sales activity, offset by a decrease in finished goods inventory ($89,000) as a result of increased order shipments at year end.

Property, plant and equipment decrease of $55,000: The reduction in the carrying value of property, plant and equipment is the result of depreciation expense ($65,000), partially offset by the purchase of computer equipment and production equipment ($10,000).

Trade and other payables decrease of $57,000: Payables decreased as 2016 payable levels were higher conjunction with a production curtailment in the latter part of fiscal 2016.

Deferred revenue decrease of $247,000: Deferred revenue decreased with the 2016 amount reflecting customer deposits on orders which experienced delayed fulfillment resulting from production downtime.

Accrued royalties decrease of $8,000: The decrease was the result of a fair value adjustment recorded to reflect the present value of the estimated future royalty stream.

Repayable government contributions decrease of $77,000: The obligation to Industry Canada was repaid in its entirety in fiscal 2017.

Convertible debenture increase of $417,000: The increase was the result of accrued and accreted interest, partially offset by a conversion of a debenture with a face value of $50,000.

Share capital increase of $883,000: Share capital increased as the result of an equity private placement ($348,000), the exercise of warrants ($464,000), the conversion of convertible debentures ($54,000) and the exercise of employee stock options ($18,000).

Contributed surplus increase of $177,000: Contributed surplus increased as the result of stock-based compensation and consulting expenses, with a small offset from the exercise of employee stock options.

Equity portion of convertible debentures decrease of $6,000: A conversion of a debenture with a face value of $50,000 in the decrease to the recorded fair value of the equity portion of convertible debentures.

Warrants increase of $106,000: Warrants increased as the result of an equity private placement ($149,000), partially offset by the exercise of 1.7M warrants.

6. Results of Operations

Fourth Quarter and Year Ended April 30, 2017 Compared to the Fourth Quarter and Year Ended April 30, 2016

Revenue

Revenue for the quarter ended April 30, 2017 was approximately $536,000, a modest increase from revenue for the quarter ended April 30, 2016, of $522,000. Sales for the fourth quarter of 2017 include Alusion™ panel sales regarding large architectural projects of $404,000 as compared to sales from similarly-sized architectural projects of $127,000 for the fourth quarter of 2016. The fourth quarter of 2016 also included SmartMetal™ sales relating to a nuclear facility application of approximately $284,000.

Revenue for fiscal 2017 was approximately $2,752,000, an increase of $1,397,000, or 103%, from revenue for fiscal 2016, of $1,355,000. Revenue from Alusion™ sales was $2,027,000 for fiscal 2017 as compared to $958,000 for fiscal 2016. Fiscal 2017 included revenue from large Alusion™ architectural projects of $1,437,000, compared to fiscal 2016 which included revenue of $618,000 from similarly sized architectural projects. Fiscal 2016 experienced a suspension of manufacturing arising from an overhaul of the production furnaces, resulting in the postponement of approximately $300,000 in revenue from large architectural projects until fiscal 2017.

Annual SmartMetal™ sales increased by $328,000, or 83%, to $725,000 for fiscal 2017 from $397,000 for fiscal 2016. Fiscal 2017 SmartMetal™ sales included revenue of $389,000 from Panhard General Defense for 250 vehicular blast protection kits. The original order was received in fiscal 2016; however the furnace overhaul precluded any shipments for the Panhard order until fiscal 2017. Fiscal 2016 SmartMetal™ sales included revenue of $284,000 from a French nuclear application order.

Cymat recognizes product revenue when rights and obligations to the product are transferred to Cymat's customers. Normally this transfer occurs when the products depart the Company warehouse; however this transfer can also occur upon the product arrival at a designated shipping location.

Plant Operating Expenses

Plant operating expenses for the quarter ended April 30, 2017 were approximately $425,000, an increase of $195,000, or 85%, as compared to the same expenses of $230,000 for the quarter ended April 30, 2016. Plant operating expenses for the year ended April 30, 2017 were approximately $1,630,000, an increase of $465,000, or 40%, from the same expenses of $1,165,000 for the year ended April 30, 2016.

Plant operating expenses include the direct operating expenses of labour, material, consumables, maintenance, freight and changes in inventory as well as manufacturing overhead costs. These direct operating expenses were approximately $328,000 for the fourth quarter of fiscal 2017, as compared to $123,000 for the fourth quarter of fiscal 2016, representing a $205,000 quarter-over-quarter increase. Higher labour and shipping costs in the current quarter and the allocation to inventory of manufacturing costs relating to orders shipped after year-end in the comparative quarter were the major factors behind the comparative increase in direct operating expenses.

Direct operating expenses were approximately $1,245,000 for fiscal 2017, an increase of $465,000, or 60%, from the same expenses of $780,000 for fiscal 2016. The significant increase in year-over-year sales was the primary driver of the increased direct operating expenses.

Plant operating expenses also includes factory overhead costs such as rent and utilities. These expenses totalled approximately $83,000 for the fourth quarter of fiscal 2017 as compared to similar expenses of $81,000 for the same period of fiscal 2016. Factory overhead expenses totalled approximately $328,000 for fiscal 2017 and $310,000 for fiscal 2016. Increased electricity expenses due primarily to increased usage, and secondarily to increased rates, were the source of the expense increase.

Plant operating expenses also include depreciation and amortization expense of approximately $14,000 for the three months ended April 30, 2017 and $26,000 for the same period ended April 30, 2016. For the entire fiscal 2017 year, depreciation and amortization expense included in plant operating expenses was approximately $57,000 compared to $75,000 for fiscal 2016. Higher depreciation relating to furnace linings was the reason for the higher expenses in fiscal 2016.

Research and Material Testing Expenses

Research and material testing expenses consisted of depreciation expenses on lab and testing equipment. For the fourth quarters of fiscal 2017 and fiscal 2016, depreciation expenses were approximately $1,000 in each quarter. For the full fiscal years of 2017 and 2016, depreciation expenses were approximately $4,000 and $5,000, respectively.

Selling, General and Administrative Expenses ("SG&A")

SG&A expenses for the quarter ended April 30, 2017 were approximately $369,000, as compared to an expense of $275,000 for the same quarter ended April 30, 2016. The increase was primarily the result of higher employee stock-based compensation expenses ($59,000), travel ($13,000) and legal expenses ($10,000) relating to patent renewals and trademarks.

SG&A expenses for fiscal 2017 totalled approximately $1,358,000, an increase of $266,000, or 24%, from SG&A of $1,092,000 for fiscal 2016. The primary contributors to the increased expenses were share-based employee compensation ($128,000) and other employee compensation ($16,000), marketing and commissions ($46,000), travel ($21,000), legal ($23,000) relating to patents and trademarks and increased shareholder services costs ($23,000).

SG&A expenses also include depreciation and amortization in the approximate amounts of $1,000 for each of the fourth quarters of fiscal 2017 and 2016. For the fiscal years of 2017 and 2016 depreciation and amortization was $4,000 in each year.

Foreign Exchange Gain

For the quarter ended April 30, 2017, there was a foreign exchange loss of $9,000 as compared to a foreign exchange gain of $26,000 for the quarter ended April 30, 2016. For fiscal 2017 there was a foreign exchange loss of $19,000, as compared to a foreign exchange gain of $10,000 for fiscal 2016.

Interest and Financing Expense

Interest and financing expense for the three months ended April 30, 2017, includes cash-based amounts of approximately $113,000 which consisted of:

- $85,000 in convertible debenture interest, and
- $28,000 in royalty-based financing fees (including $11,000 payable to a related party).

The expense for the quarter also includes a non-cash-based amount of $75,000 which consisted of:

- a change in the present value of the estimated future royalty outflow on the promissory notes resulting in an interest expense recovery of $8,000 (including $3,000 with respect to a related party), and
- accreted interest on the convertible debentures in the amount of $83,000 arising from the difference between the face value and the recorded value of the debentures.

Interest and financing expense for the three months ended April 30, 2016, includes cash-based amounts of approximately $113,000 which consisted of:

- $83,000 in convertible debenture interest,
- $28,000 in royalty-based financing fees (including $11,000 payable to a related party) and
- $2,000 interest on the repayable government contributions liability.

The expense for the quarter also includes a non-cash-based amount of $87,000 which consisted of:

- a change in the present value of the estimated future royalty outflow on the promissory notes of $21,000 (including $8,000 with respect to a related party), and
- accreted interest on the convertible debentures in the amount of $66,000 arising from the difference between the face value and the recorded value of the debentures.

Interest and financing expense for fiscal 2017 includes cash-based amounts of approximately $479,000 which consisted of

- $137,000 in royalty-based financing fees (including $27,000 payable to a related party),
- $341,000 in convertible debenture interest, and
- $1,000 interest on the repayable government contributions liability.

The expense for 2017 also includes a non-cash-based amount of $305,000 which consisted of:

- a change in the present value of the estimated future royalty outflow on the promissory notes resulting in an interest expense recovery of $8,000 (including $3,000 with respect to a related party), and
- accreted interest on the convertible debentures in the amount of $313,000 arising from the difference between the face value and the recorded value of the debentures.

Interest and financing expense for fiscal 2016 includes cash-based amounts of approximately $376,000 which consisted of

- $69,000 in royalty-based financing fees payable on the promissory notes (including $27,000 payable to a related party),
- $291,000 in convertible debenture interest,
- $3,000 interest on the repayable government contributions liability and

- $13,000 in financing fees related to the issuance of convertible debentures.

The expense for 2016 also includes a non-cash-based amount of $241,000 which consisted of:

- a change in the present value of the estimated future royalty outflow on the promissory notes of $21,000 (including $8,000 with respect to a related party), and
- accreted interest on the convertible debentures in the amount of $220,000 arising from the difference between the face value and the recorded value of the debentures.

Net Income (Loss)

A net loss of $993,000 was recorded for the fourth quarter of fiscal 2016, compared to a net loss of $147,000 for the same quarter of last year.

The net loss for the fourth quarter of fiscal 2017 includes the non-cash items of depreciation and amortization of approximately $17,000 (2016 – $17,000), a share-based compensation expense of approximately $28,000 (2016 – expense recovery of $31,000), an expense recovery arising from the change in the accrual for future royalty payments of $8,000 (2016 – $21,000 expense) and non-cash interest of $83,000 (2016 - $66,000) regarding the convertible debt.

A net loss of $1,044,000 was recorded for fiscal 2017 and a net loss of $1,513,000 was recorded for fiscal 2015.

The net loss for fiscal 2017 includes the non-cash items of depreciation and amortization of approximately $65,000 (2016 – $84,000), share-based compensation expense of $180,000 (2016 - $52,000), share-based consulting fees of $5,000 (2016 - $13,000), an expense recovery arising from the change in the accrual for future royalty payments of $8,000 (2016 - $21,000 expense) and non-cash interest of $313,000 (2016 - $220,000) regarding the convertible debt.

7. Liquidity and Capital Resources

Sources and Uses of Cash

As at April 30, 2017 the Company had approximately $458,000 of cash and cash equivalents on hand. For fiscal 2017, the cash flow used in operating activities was approximately $552,000 (2016 – used $517,000). For fiscal 2017, cash utilized by operating activities was the result of a net loss adjusted for items not involving cash of approximately $337,000 (2016 - $967,000) and cash used by changes in non-cash working capital balances of $215,000 (2016 –$450,000 provided) used by changes in non-cash working capital).

For the year ended April 30, 2017, cash used by investing activities of $10,000 was the result of expenditures on equipment (2016 - $79,000).

For fiscal 2017, cash provided by financing activities was $849,000, largely as the result of proceeds from an equity private placement of $497,000 and proceeds from the exercise of warrants and stock options of $430,000. These amounts were partially offset by the repayment of the Industry Canada loan in the amount of $77,000. For fiscal 2016, cash provided by financing activities was $465,000, largely as the result of proceeds from issuance of the convertible debentures in the amount of $463,000.

Investments in Property, Plant and Equipment

In fiscal 2017, the Company incurred $10,000 (2016 - $79,000) of capital expenditure for computer equipment and production equipment. The 2016 capital expenditure pertained to the refurbishment of the

furnace coils. The furnaces are employed to bring the SAF raw materials to a molten state in order to facilitate foaming. As a result of this outlay, the service life of the furnaces has been significantly extended. Management maintains its capital expenditure with the goal of meeting expected production demands and with a reduced emphasis on investing in assets that are focused solely on R&D activities.

Licenses and technology rights

Cymat controls the following patent elements related to its SAF which cover:

- the fundamental process to make foam, irrespective of final shape;
- the fundamental process to make foam as a shaped part or a flat panel; and
- the fundamental process to make shaped parts using displacement casting.

Some of these patents are controlled under a license from Alcan International Inc. ["Alcan"]; some have been acquired from Hydro Aluminum a.s. ["Hydro"]; and Cymat has developed others independently. The scope of patent protection provides Cymat with important cost advantages in the production of aluminum foams.

Cymat continues to develop and protect its intellectual property and its proprietary manufacturing processes. It is Cymat's intention to continue to vigorously employ all legal remedies available to enforce its intellectual property rights.

Going Concern Uncertainty

To date, the Company has financed its operations primarily through share and convertible debt issuances, investment tax credits, interest income, and collaborative co-development agreements. The Company has incurred significant operating losses and cash outflows from operations. As at April 30, 2017, the anticipated level of cash flows from operating activities for the next twelve months is not assured to be sufficient to sustain operations. The ability of the Company to continue as a going concern is dependent upon achieving future profitable operations and may also be dependent upon raising additional financing through borrowings or equity issuance. The outcome of these matters is dependent on a number of items outside the Company's control. As a result, there are material uncertainties that may cast significant doubt as to whether the Company will have the ability to continue as a going concern. Subsequent to the year end, the Company raised gross proceeds of $1,359,759 from the exercise of warrants, and all of the outstanding convertible debentures were converted into common shares. These financial statements do not include any adjustments or disclosures that may result from the Company's inability to continue as a going concern. If the going concern assumption were not found to be appropriate for these financial statements, adjustments might be necessary in the carrying values of assets and liabilities, the statement of financial position classifications and the reported expenses. Such adjustments could be material.

8. Investments and Capitalization

Cymat is listed on the TSX – Venture Exchange, trading under the symbol CYM.

The table below sets out the number of issued and outstanding common shares as well as the number of common shares associated with issued and outstanding convertible securities as at August 15, 2017. The numbers reported in the table have been affected by following items that occurred subsequent to the April 30, 2017 year end:

1. In the months of May and June of 2017, 5,439,035 warrants with an exercise price of $0.25 each were exercised producing gross proceeds of $1,359,759. On June 30, 2017, the

remaining 5,960,965 warrants that had been issued in conjunction with the convertible debt expired unexercised.

2. In June 2017, all of the convertible debentures that were outstanding on April 30, 2017, were converted into common shares. As a result of the conversions, the Company issued 12,671,250 common shares in June 2017.

3. In July 2017, the Company granted 2,785,000 stock options to certain of its directors, officers and employees, with an exercise price of $0.205 per share. The options vest in three tranches over a two-year period and expire on July 13, 2022. The vesting of 878,331 of these options is dependent upon the achievement of certain performance objectives for fiscal 2018 and fiscal 2019. Also in July 2017, the Company granted 100,000 stock options to a consultant, with an exercise price of $0.21, a July 13, 2022 expiry date and immediate vesting.

	Number of Securities
Common Shares	37,124,330
Convertible Debentures	-
Stock Options	5,281,908
Warrants	1,187,500
Total Diluted Shares Outstanding	43,593,738

Share Capital

The Company is authorized to issue an unlimited number of common shares. At April 30, 2017, issued and outstanding common shares totalled approximately 19,014,046 shares.

The Company has not paid dividends on its common shares and has no expectations of paying dividends in the near future.

Stock Options

Under the terms of the stock option plan approved at the Annual General Meeting on July 13, 2017, the aggregate number of common shares reserved for the issuance of stock options is 7,424,866.

On June 19, 2015, the Company granted 447,859 options to certain directors, officers and employees at an exercise price of $0.125, with one third vesting on June 19, 2015, one third vesting on June 19, 2016 and one third vesting on June 19, 2017.

On June 7, 2016, the Company granted 970,000 options to certain directors, officers and employees at an exercise price of $0.20, with one third vesting on June 7, 2016, one third vesting on June 7, 2017 and one third vesting on June 7, 2018.

On January 11, 2017, the Company granted 17,500 options to a consultant at an exercise price of $0.34, vesting immediately.

In fiscal 2017, 55,810 stock options were exercised (2016 – 17,306).

Critical Accounting Policies and Estimates

Revenue recognition

Revenue from the sale of manufactured products is recognized when the rights and obligations associated with the products are transferred to the purchaser. Normally this transfer occurs upon the products' departure from the Company's warehouse; however based on the terms of the specific transaction, transfer can also occur upon the product arrival at a designated shipment location. Amounts received in advance of earned revenues are recorded as deferred revenue.

Convertible debentures

The convertible debentures are accounted for as a compound financial instrument that contains both a liability component, represented by the loan, and an equity component, represented by the share purchase warrants and conversion feature. The Company has allocated the total proceeds of the issuance between the debt and equity components of the convertible debenture using the residual method. First the fair value of the debt component was calculated as the present value of the related cash flows using an appropriate discount rate. The remaining proceeds were allocated to the equity components of the convertible debt with this amount divided between the warrants and the conversion feature based on their relative fair values as calculated using the Black-Scholes option pricing model. The fair value of the debt portion is accreted to its face value through the recording of interest expense, calculated using the effective rate method, over the term of the convertible debentures.

Use of estimates

The preparation of these financial statements in accordance with IFRS requires management to make The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual amounts could differ from those estimates. Significant estimates include those used in:

- the measurement of the cost of finished goods inventory, including the allocation of costs of conversion and manufacturing overhead,
- allowance for doubtful accounts,
- the determination of the useful lives of long lived assets,
- the determination of the appropriate amount, if any, of the writedown in the carrying value of long term assets, including the estimation of the associated future cash flows and the appropriate discount rate used to estimate the recoverable amount,
- the valuation of the accrued royalties on the promissory notes, including the forecasted revenues and the appropriate discount rate to apply in the determination of present value,
- the valuation of the debt and equity components of the convertible debt, including the appropriate discount rate to apply in the determination of the fair value of the debt and the volatility and risk free rates used in the valuation of the warrants and conversion feature, and
- the measurement of the fair value of share-based compensation, including the volatility and risk free rates used in the option valuation models and the estimation of number of options expected to vest.

The Company's assessment of the recoverable amount of property, plant and equipment, and intangible assets is based on management's assessment of potential indicators of impairment and best estimates of likely courses of action by the Company. This assessment is subject to significant measurement

uncertainty. Material write-downs of these assets could occur if actual results differed from the estimates and assumptions used.

Judgments

In the process of applying the Company's accounting policies, management has made judgments regarding the determination of whether there has been impairment in the carrying value of long term assets which has the most significant effect on the amounts recognized in the financial statements. The Company has also applied significant judgment in classifying the perpetual royalty related to promissory notes as a derivative liability.

9. Accounting Standards Issued But Not Yet Applied

The IASB has issued a number of amendments to standards that are not yet effective for the fiscal year ending April 30, 2017. Accordingly these standards have not been applied by the Company in the preparation of these financial statements.

The following is a description of the new standards:

The IASB published IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 fundamentally rewrites the accounting rules for financial instruments. IFRS 9 introduces a new approach for financial asset classification, a more-forward looking expected loss model, and major new requirements on hedge accounting.

Classification, measurement and derecognition

IFRS 9 divides all financial assets into two classifications – those measured at amortised cost and those measured at fair value. Classification is made at the time the financial asset is initially recognized when the entity becomes a party to the contractual provisions of the instrument. The transition guidance is complex and mainly requires retrospective application.

A new measurement category of 'fair value through other comprehensive income' is also included in IFRS 9. The Standard requires an entity to measure a financial asset at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing of the entity's own credit risk to be presented in other comprehensive income. An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss. The requirements in IAS 39 related to derecognition of financial assets and financial liabilities have been incorporated unchanged into IFRS 9.

Impairment model

IFRS 9 contains a new credit loss impairment model which is based on a more forward-looking approach. The new model distinguishes between financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low. The model requires '12-month expected credit losses' to be recognized for a financial instrument in the first category and 'lifetime expected credit losses' to be recognized for a financial instrument in the second category. There is also a third step to the model in the sense that for assets which actually become credit-impaired after initial recognition, interest is calculated on the asset's amortised cost (i.e., the amount net of the loss allowance) as opposed to its gross carrying amount.

IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate early adoption of this standard and has not yet assessed its impact on the financial statements.

The IASB has published IFRS 15 Revenue from Contracts with Customers, the product of a major joint project between the IASB and the US Financial Accounting Standards Board. The previous requirements of IFRS and US GAAP were not harmonized and often resulted in different accounting treatments for economically similar transactions. In response, the Boards developed new, fully converged requirements for the recognition of revenue under both IFRS and US GAAP.

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations; establishes a new control-based revenue recognition model; changes the basis for deciding whether revenue is to be recognized over time or at a point in time; provides new and more detailed guidance on specific topics; and expands and improves disclosures about revenue.

IFRS 15 applies to contracts with customers to provide goods or services, including construction contracts and licensing of intellectual property. It will not apply to certain contracts within the scope of other IFRSs such as lease contracts, insurance contracts, financing arrangements, financial instruments, guarantees other than product warranties, and non-monetary exchanges between entities in the same line of business to facilitate sales to third-party customers.

IFRS 15 includes important new guidance on:

- contracts involving the delivery of two or more goods and services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts,
- timing – when revenue is required to be recognized (over time or at a point in time),
- variable pricing and credit risk – how to treat arrangements with variable (e.g., performance-based) pricing, and how revenue can be constraint,
- time value of money – when to adjust a contract price for a financing component,
- specific issues, including: non-cash consideration and asset exchanges; contract costs; rights of return and other customer options; supplier repurchase options; warranties; principal versus agent; licencing; breakage; non-refundable upfront fees; and consignment and bill-and-hold arrangements.

IFRS 15 will be effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate early adoption of this standard and has not yet assessed its impact on the financial statements.

The IASB released IFRS 16 Leases, completing its long-running project on lease accounting. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (the lessee and the lessor).

All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases that is currently required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying that model, a lessee is required to recognize:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the income statement.

From the perspective of the lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently.

In addition, IFRS 16 also:

- changes the definition of a lease;
- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- provides exemptions for short-term leases and leases of low value assets;
- changes the accounting for sale and leaseback arrangements; and
- introduces new disclosure requirements.

IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. The Company does not anticipate early adoption of this standard and has not yet assessed its impact on the financial statements.

10. Related Party Transactions

Interest and financing expense for fiscal 2017 includes cash-based royalties in the amount of $53,000 (2016 – $27,000) and a reversal of accrued royalties based on future sales of $3,000 (2016 – increase in accrual of $8,000) regarding a related party. Fiscal 2017, also includes interest in the amount of $60,000 (2016 - $52,000) regarding convertible debentures that are payable to a related party.

11. Risks and Uncertainties

Financial and Liquidity Risk

The Company has not yet attained sufficient sales levels to completely support its operations. As at April 30, 2017, the anticipated level of cash flow from operations for the next twelve months is not assured to be sufficient to sustain the business. In addition to being able to successfully execute its business plan, which includes increased sales, it may be necessary for the Company to raise additional financing through either borrowings or equity financing. While there can be no assurance that the Company will succeed in growing sales sufficiently or in completing additional financing, increased sales are forecasted for fiscal

2018. Additionally, gross proceeds of $1,360,000 were raised subsequent to the end of fiscal 2017 from the exercise of warrants.

Dependence on Key Personnel

Cymat is dependent on key employees and believes that its future success will depend on its ability to attract and retain highly skilled engineering and production, managerial and marketing personnel. Competition for such personnel is intense and there is no assurance that the Company will be able to retain, attract or hire qualified personnel in the future. The loss of certain key employees, or the inability to hire and retain additional key employees could adversely impact the Company.

Proprietary Technology Protection

Cymat's technology leadership is subject to the risks of patent infringement by competitors, and of competitors making technological breakthroughs, which may make the Company's products less attractive. An intellectual property management program is in place to protect Cymat's intellectual property and trade secrets. Cymat funds ongoing improvements to its proprietary manufacturing processes, which create new patent opportunities that enhance and may extend the period of the technological exclusivity. There is the risk that the Company's patents and trade secrets may not be held valid and enforceable, or be held to have a scope sufficiently broad to cover competitors' products or processes. There is also the risk that Cymat's products or process may infringe on other patents, which may limit the Company's ability to fully commercialize certain SAF applications. The cost of enforcing Cymat's patent rights in lawsuits or defending against infringement claims may be significant and could interfere with the Company's operations. For a more complete discussion please refer to the "License and Technology Rights" section above.

Government Regulation and Certification Requirements Imposed by Customers

The use of SAF in certain applications may be subject to regulation by certain government bodies and to compliance with applicable laws, both inside and outside of Canada. In addition, industry users may impose significant certification, safety, quality control and other requirements. Compliance with these laws and regulations may be costly and time consuming, and failure to comply may have a material, adverse effect on the Company's business.

Other Risks

The Company may be subject to a number of other risks that could materially and adversely affect Cymat's business, financial condition, liquidity or results of operations. Such risks include those associated with competing products, international markets, fluctuating currency exchange rates and the possibilities of trade restrictions and the ability of the Company to manage growth.

12. Management's Assessment of Disclosure Controls and Procedures

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Overall, the Company believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company is made known to the Company's certifying officers.

There were no changes in the internal controls over financial reporting during the period ended April 30, 2017, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting

13. Subsequent Events

See Section 8 above, for a description of the change in outstanding securities that occurred subsequent to the fiscal 2017 year end.

14. Outlook

For fiscal 2018, Cymat has expectations for a significant increase in revenues, with Alusion™ revenue from significant architectural installations as the leading source of the expected increase. In the first quarter of 2018, Cymat begun to ship Alusion™ panels for the façade of an eight-story arts centre in New York. For the remainder of fiscal 2018, Cymat has expectations for the order of Alusion™ panels to be installed in significant architectural projects including the façade of a high-rise residential building in the Netherlands, and additional exterior façade installations in North and South America. The design community continues to show increased interest in the use of Alusion™ for exterior cladding of buildings following the Alusion™ installations in the Mallorca Convention Center and the Milan Fondazione Prada Museum. Sales of Alusion™ are expected to continue to be the largest source of revenue throughout fiscal 2018.

In fiscal 2017, Cymat completed the delivery of 250 SmartMetal™ vehicle blast mitigation assemblies to Panhard, a subsidiary of the Volvo Group. Expectations are that there is the potential for additional blast kit orders to be generated from this initial purchase. Based on further prototype and quoting activity in the military segment, Cymat expects significant future developments in SmartMetal™ blast mitigation applications for military/security vehicles. Cymat also continues to explore non-vehicular energy absorption applications for SmartMetal™ including the use of SmartMetal™ in the French nuclear energy industry for safeguards involving the transport of radioactive material.

In the automotive sector, the Company continues to participate in discussions involving the development of SmartMetal™ applications for NVH applications, vehicle crash mitigation systems and light-weighting applications. Management remains convinced that SmartMetal™ has the potential to resolve the conflicting requirements within automotive design for increased vehicle crashworthiness while at the same time reducing vehicle weight. Weight reduction is a key strategy being employed by automotive OEM's in order to achieve vehicle fleet fuel economy levels mandated by CAFE regulations in the United States and to address increasing customer demands for improved fuel efficiency.

Cymat continues to work closely with our partner, Alucoil SA., in the development of sandwich panels with Cymat's SAF as the panel core. While some technical issues remain, we are optimistic that the engineering phase will soon be completed and that we will shortly progress to the next stage of the joint venture's advancement.