



UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CYMAT TECHNOLOGIES LTD.

Three Months Ended July 31, 2023 and July 31, 2022

CYMAT TECHNOLOGIES LTD.

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INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

As at:	July 31, 2023 \$	April 30, 2023 \$
ASSETS		
Current assets		
Cash and cash equivalents	43,969	324,045
Restricted cash [Note 5]	20,698	20,698
Trade and other receivables [Note 6]	111,724	59,292
Inventory [Note 7]	308,596	701,469
Prepaid expenses and deposits	109,375	168,228
Note receivable [Note 8]	100	100
Total current assets	594,462	1,273,832
Other assets	27,930	27,930
Property, plant and equipment, net [Note 9]	2,710,625	2,854,336
Total assets	3,333,017	4,156,098
LIABILITIES		
Current liabilities		
Trade and other payables	1,465,060	1,480,520
Deferred revenue	29,650	240,197
Current portion of loans payable [Note 10]	66,000	66,000
Current portion of lease liability [Note 11]	314,213	230,738
Current portion of accrued royalties [Note 12]	191,016	191,016
Total current liabilities	2,065,939	2,208,471
Non-current liabilities		
Loans payable [Note 10]	69,752	76,869
Lease liability [Note 11]	1,820,553	1,901,569
Accrued royalties [Note 12]	581,263	581,263
Total liabilities	4,537,507	4,768,172
(DEFICIENCY) EQUITY		
Share capital [Note 13]	82,146,586	81,578,722
Subscription receipts [Note 14]	-	149,259
Contributed surplus	10,704,415	10,642,277
Warrants [Note 15]	131,823	51,253
Deficit	(94,187,314)	(93,033,585)
Total (deficiency) equity	(1,204,490)	(612,074)
Total liabilities and (deficiency) equity	3,333,017	4,156,098

See accompanying Notes including Note 1 Going Concern Uncertainty

On behalf of the Board:

Michael Liiik
Director

Martin Mazza
Director

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended July 31	
	2023	2022
	\$	\$
Revenues	1,037,378	1,103,373
Plant operating expenses	1,067,064	1,112,254
Research and material testing expenses	53,140	76,526
Selling, general and administrative expenses	979,345	1,600,277
	2,099,549	2,789,057
Loss from operations	(1,062,171)	(1,685,684)
Foreign exchange gain	13,219	8,067
Loss on retirement of property, plant and equipment	-	(15,465)
Interest and financing expense [Notes 10, 11 and 12]	(104,777)	(87,944)
	(91,558)	(95,342)
Net loss and comprehensive loss for the period	(1,153,729)	(1,781,026)
Basic and diluted net loss per share	(0.02)	(0.03)
Weighted average number of shares:		
Basic and diluted	60,817,375	56,338,155

See accompanying Notes

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIENCY) EQUITY
(Unaudited)

	Common Shares		Subscription	Contributed	Advisory	Warrants	Deficit	Total
	#	\$	Receipts	Surplus	Options/Warrants			Shareholders'
			\$	\$	\$	\$	\$	Equity (Deficiency)
								\$
May 1, 2022	55,488,612	79,884,068	-	9,325,747	91,667	26,912	(86,985,792)	2,342,602
Exercise of options	2,135,000	875,850	-	(437,675)	-	-	-	438,175
Exercise of warrants	1,462,000	774,804	-	-	-	(7,254)	-	767,550
Expiry of warrants	-	-	-	811	-	(811)	-	-
Stock-based compensation	-	-	-	681,624	-	-	-	681,624
Stock-based consulting fees	-	-	-	96,741	-	-	-	96,741
Net loss for the period	-	-	-	-	-	-	(1,781,026)	(1,781,026)
July 31, 2022	59,085,612	81,534,722	-	9,667,248	91,667	18,847	(88,766,818)	2,545,666
Exercise of options	100,000	44,000	-	(22,001)	-	-	-	21,999
Exercise of warrants	-	-	149,259	-	-	(2,243)	-	147,016
Expiry of advisory options	-	-	-	91,667	(91,667)	-	-	-
Issuance of warrants	-	-	-	(34,649)	-	34,649	-	-
Stock-based compensation	-	-	-	865,012	-	-	-	865,012
Stock-based consulting fees	-	-	-	75,000	-	-	-	75,000
Net loss for the period	-	-	-	-	-	-	(4,266,767)	(4,266,767)
April 30, 2023	59,185,612	81,578,722	149,259	10,642,277	-	51,253	(93,033,585)	(612,074)
Exercise of warrants	1,747,873	567,864	(149,259)	-	-	(6,291)	-	412,314
Issuance of warrants	-	-	-	(97,173)	-	97,173	-	-
Expiry of warrants	-	-	-	10,312	-	(10,312)	-	-
Stock-based compensation	-	-	-	148,999	-	-	-	148,999
Net loss for the period	-	-	-	-	-	-	(1,153,729)	(1,153,729)
July 31, 2023	60,933,485	82,146,586	-	10,704,415	-	131,823	(94,187,314)	(1,204,490)

See accompanying Notes

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended July 31	
	2023	2022
	\$	\$
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	(1,153,729)	(1,781,026)
Add items not involving cash		
Depreciation and amortization	156,547	73,397
Stock-based compensation expense [Note 16]	148,999	681,624
Stock-based consulting fees [Note 16]	-	96,741
Loss on retirement of property, plant and equipment	-	15,465
Non-cash interest and financing expense - loans payable [Note 10]	4,883	4,410
	(843,300)	(909,389)
Changes in non-cash working capital balances related to operations:		
Trade and other receivables	(52,432)	(125,698)
Inventory	392,873	123,395
Prepaid expenses	58,853	91,458
Trade and other payables	(15,460)	129,542
Deferred revenue	(210,547)	(168,472)
Cash used in operating activities	(670,013)	(859,164)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12,836)	(579,481)
Cash used in investing activities	(12,836)	(579,481)
FINANCING ACTIVITIES		
Proceeds from exercise of options [Note 16]	-	438,175
Proceeds from exercise of warrants [Notes 14 and 15]	412,314	767,550
Repayment of loan payable [Note 12]	(12,000)	-
Increase in (payment of) lease liability [Note 10]	2,459	(20,260)
Cash provided by financing activities	402,773	1,185,465
Net decrease in cash and cash equivalents during the year	(280,076)	(253,180)
Cash and cash equivalents, beginning of period	324,045	2,466,366
Cash and cash equivalents, end of period	43,969	2,213,186
Supplemental cash flow information		
Interest and financing expenses paid	48,326	52,971

See accompanying Notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the Three Months Ended July 31, 2023, and July 30, 2022

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Nature of Operations

Cymat Technologies Ltd. [“Cymat” or the “Company”] is a manufacturing company, which holds licenses and related patents to make, use and sell Stabilized Aluminum Foam [“SAF”]. SAF is produced utilizing a proprietary process in which gas is bubbled into molten alloyed aluminum containing a dispersion of fine ceramic particles to create foam, which is then cast into strong, lightweight panels and shapes. The Company is manufacturing SAF for use in architectural, blast mitigation and energy absorption applications. Cymat continues to develop applications for use in the automotive and industrial markets.

The Company was incorporated under the Business Corporations Act (Ontario) on June 14, 2006. The Company’s registered office is located at 6320-2 Danville Road, Mississauga, Ontario, L5T 2L7. Prior to June 14, 2006, the operations of the Company were carried out under Cymat Corp., a company that was formed by articles of amalgamation under the Business Corporations Act (Ontario) on June 30, 1998.

Going concern uncertainty

To date, operational activities have not been sufficient, on their own, to finance the Company’s requirements. Financings consisting primarily of equity offerings have been used to supplement revenue streams. The development of applications utilizing SAF as well as its production process involve significant financial risks, including the ability of the Company to develop and penetrate new markets, obtain additional financing as required, achieve profitable production and the ability for the Company to be able to successfully assert its intellectual property rights and protect against patent infringement. The Company has incurred significant operating losses and cash outflows from operations.

As at July 31, 2023, 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.

These interim consolidated 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 consolidated financial statements, adjustments might be necessary in the carrying values of assets and liabilities, the statement of consolidated financial position classifications and the reported expenses. Such adjustments could be material.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements for the three months ended July 31, 2023, have been prepared in accordance with IAS 34, Interim Financial Reporting. The disclosures contained in these unaudited interim financial statements do not include all of the requirements of International Financial Reporting Standards [“IFRS”] for annual financial statements. The accounting policies used in the preparation of these unaudited interim financial statements are consistent with those used in the audited annual financial statements for the year ended April 30, 2023, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board [“IASB”] and interpretations of the International Financial Reporting Interpretations Committee [“IFRIC”]. These unaudited interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended April 30, 2023.

These consolidated financial statements of the Company include the accounts of Cymat and its wholly-owned subsidiary, ALU-MMC Hungary, Zrt., a company incorporated under the laws of Hungary with a registered office in the city of Miskolc. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Outlined below are those policies considered particularly significant:

Use of estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make critical judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management critical judgements

Policies that are critical for the presentation of the consolidated financial position and financial performance of the Company that require judgements are as follows:

- **Functional currency:** The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which the respective entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Management estimates and assumptions

Estimates and assumptions incorporated in policies that are critical for the presentation of the consolidated financial position and financial performance of the Company include the following:

- **Inventory:** Inventory is valued at the lower of cost and net realizable value. The cost of finished goods inventory includes cost of purchases, costs of conversion, the allocation of manufacturing overhead and other costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completion. Provisions are made in profit or loss of the current period for any difference between book value and realizable value.
- **Note receivable:** The Company measures its note receivable at fair value. This calculation involves the use of estimates and assumptions such as the appropriate discount rate for valuation of the expected cash flows, assumptions about the valuation of the conversion element and assumptions about the likelihood of conversion. As the issuer of the note is a private company, the pricing inputs used in the valuation of the conversion element are unobservable. As a result, the note receivable is categorized as a Level 3 financial asset.
- **Impairment of non-financial assets:** In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on the asset's fair value less costs of disposal. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset under current market conditions, including assumptions about risk. Estimation uncertainty relates to the assumptions used in the fair value determination.
- **Lease liability:** The lease liability is measured at the present value of the lease payments, which involves management assumptions and estimates including the determination of the appropriate discount rate and the appropriate term of the lease.
- **Accrued royalties:** When funding that involves a royalty agreement is received, the Company is required to recognize a liability for the future royalty obligation at its fair value. To estimate this fair value, the Company estimates future cash flows and applies a discount rate that is appropriate to the Company's prevailing market conditions. Management updates the associated estimated future cash flows and market conditions at each reporting date to assess whether the value of the obligation should be adjusted. The effects of any change in the fair value of the obligation are recognized in profit or loss in the current period (See Note 12).
- **Share-based payments:** The fair value of share-based payments is determined using the Black-Scholes option pricing model based on estimated values at the date of grant. This model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate (See Note 16).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the Three Months Ended July 31, 2023, and July 30, 2022

Revenue recognition

Revenue from the sale of manufactured products is recognized at the point in time when control of the product is transferred to the customer. Based on the terms of the specific transaction, control typically transfers at a point along a continuum that is as early as the products' departure from the Company's warehouse to as late as the passing of inspection following the products' arrival at a designated shipment location. Amounts received in advance of recognized revenues are recorded as deferred revenue.

Cash and cash equivalents

Cash and cash equivalents, including restricted cash, consist of cash on hand, deposits held with banks and short-term highly liquid investments that are readily convertible to known amounts of cash with remaining maturities of three months or less at acquisition.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

The Company's financial assets include cash and cash equivalents, restricted cash, trade and other receivables and note receivable. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- *amortized cost*
- *fair value through profit or loss (FVTPL)*
- *fair value through other comprehensive income (FVOCI)*.

In the periods presented, the Company does not have any financial assets categorized as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows,
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The note receivable is categorized as FVTPL.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for expected credit losses on trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 23 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables, the lease liability, accrued royalties and loans payable.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss. Accrued royalties are measured at FVTPL and all other financial liabilities are measured at amortized cost.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Inventory

The Company's inventory consists of raw materials, work-in-process and finished goods, and research and development related materials which are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and, in the case of work-in-process and finished goods includes the cost of materials plus direct labour applied to the product and the applicable share of manufacturing overhead. Net realizable value is the estimated selling price less the applicable selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at their historical cost, and presented on the consolidated statement of financial position net of accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The cost and accumulated depreciation of replaced assets are derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations and comprehensive income (loss) during the period in which they are incurred.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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Depreciation is calculated on a diminishing balance method so as to expense the cost of the assets less their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Office equipment	20% declining balance
Computer equipment	30% declining balance
Manufacturing equipment	20% declining balance and straight line over 2 years
Building (right-of-use asset)	straight-line over the term of the lease
Leasehold improvements	straight-line over the term of the lease

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying value of the asset and are included as part of other gains and losses in the statement of operations and comprehensive income (loss).

Leases

For any new contracts, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Company has the right to direct the use of the identified assets throughout the period of use. The Company assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these will be recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statements of financial position, right-of-use assets have been included in property, plant and equipment.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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Impairment of non-financial assets

The Company tests non-financial assets such as property, plant and equipment and licenses and technology rights for impairment at the end of each reporting period. For the purpose of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units or “CGUs”]. The Company consists of one CGU, namely the sale of SAF. The recoverable value is the higher of an asset’s fair value less costs of disposal and value in use, which is the present value of the expected future cash flows of the relevant asset or CGU. An impairment loss is recognized for the value by which the asset’s carrying value exceeds its recoverable value. The Company evaluates potential reversals of impairment losses when events or circumstances warrant such consideration.

Foreign currency transactions

Transactions in foreign currencies are translated at rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at each reporting date at current foreign exchange rates with the resulting gains or losses included in the statement of operations and comprehensive loss.

Government assistance

Government assistance may be available to the Company through income tax investment and innovation tax credits, other programs providing innovation funding and relief programs associated with Covid-19. Funding is recognized when there is reasonable assurance that the Company has complied with the conditions attached to the funding arrangement and is recognized as a recovery to the applicable costs as they are incurred. Research and product development funding is presented as a reduction in research and material testing cost expenses unless it is for reimbursement of an asset, in which case it is accounted for as a reduction in the carrying amount of the applicable asset. Where the Company receives government contributions that include terms for repayment, a financial liability is recognized and measured in accordance with the terms of IFRS 9.

Accrued royalties

The Company issued promissory notes that included an embedded perpetual royalty that survived the maturity of the promissory notes. The royalties have been designated as a financial liability at fair value through profit or loss. Accordingly, the perpetual royalty is valued at the reporting date based on the most recent revenue projections. The change in estimated fair value of the royalty is recorded in income in the period in which the liability is recalculated.

Share-based compensation

The Company has a share-based compensation plan, which is described further in Note 15.

The Company follows the guidance in IFRS 2, Share-based Payments, which includes the fair-value based method of accounting for all its share-based awards. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche’s vesting period, based on the number of options that are expected to vest, with an offsetting increase to contributed surplus. The number of options expected to vest is reviewed at least quarterly, with any impact recognized immediately.

Share capital

Common shares are classified as equity. Common shares are measured at the consideration received for the shares that have been issued, net of incremental costs directly attributable to the issuance of shares.

Advisory options/warrants

Advisory options/warrants which entitle the holder to acquire common shares and common share purchase warrants of the Company at a specified price for a specified period of time are classified as equity. Advisory options/warrants are valued at the fair value of the services received.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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Warrants

Common share purchase warrants which entitle the holder to acquire common shares of the Company at a specified price for a specified period of time are classified as equity. Warrants included as a component of a compound financial instrument are measured at the residual value, after fair value of primary financial instrument has been allocated.

Net loss per share

Basic net loss per share is calculated based on the weighted average number of common shares outstanding for the period. Diluted net loss per share is calculated using the weighted average number of common shares outstanding for the period for basic net loss per share plus the weighted average number of potential dilutive shares that would have been outstanding during the period had all potential common shares been issued at the beginning of the period or when the underlying options or warrants were granted, if later, unless they were anti-dilutive. The treasury stock method is used to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of stock options and warrants to acquire common shares.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

At the date of approval of these consolidated financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Company. Those standards and amendments are not expected to have a significant impact on the Company's consolidated financial statements.

5. RESTRICTED CASH

Restricted cash is held in a financial institution in Hungary as the result of the incorporation of ALU-MMC Hungary Zrt. The cash is held in order to satisfy Hungarian regulatory requirements and is not available for general Company use.

6. TRADE AND OTHER RECEIVABLES

	July 31, 2023	April 30, 2023
	\$	\$
Trade accounts receivable	25,607	44,889
Other receivables	86,117	14,403
	111,724	59,292

7. INVENTORY

	July 31, 2023	April 30, 2023
	\$	\$
Raw materials and consumables	193,990	187,571
Work-in-process and finished goods	114,606	513,898
	308,596	701,469

8. NOTE RECEIVABLE

	July 31, 2023	April 30, 2023
	\$	\$
Opening balance	100	312,300
Fair value adjustment	-	(312,200)
Ending balance	100	100

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the Three Months Ended July 31, 2023, and July 30, 2022

On November 30, 2021, the Company made a \$US 250,000 investment in Tesseract Structural Innovations, Inc (“Tesseract”). Tesseract is an early-stage private automotive design and engineering company focused on providing light-weight solutions for crash energy absorption. The investment is in the form of a convertible promissory note maturing on May 15, 2023, and accruing interest at a rate of ten percent (10%) per annum, such interest being payable on the maturity date. In the event that Tesseract raises proceeds from an equity financing of at least \$US 500,000 prior to the maturity date, the outstanding principal and interest of the note will automatically convert into Tesseract equity units at a conversion price equal to the lesser of (i) seventy-five percent (75%) of the per unit price paid by the purchasers of the triggering financing and (ii) \$US 12.00 per share. If the note has not been automatically converted by the maturity date, Cymat will have the option to convert the note to equity at \$10.00 per share.

Upon issuance, the note receivable was recorded at its fair value. Fair value is determined at each reporting date. The probability of conversion is assessed, and the note receivable is revalued by discounting the stream of future interest and principal payments at a rate applicable to instruments of a similar term and risk and adding this value to the value of the conversion element. The value of the conversion element is estimated using a Black-Scholes pricing model. Any change in fair value from the preceding reporting date is recorded as fair value adjustment through profit/loss.

In the year ended April 30, 2023, management determined that the note and the related accrued interest was unlikely to be paid at maturity, which would result in the note’s conversion to equity. Accordingly, the Company recorded a fair value adjustment of \$312,200 to adjust the note’s value to a nominal amount.

The note was not repaid on its maturity date of May 15, 2023. Cymat continues to have the option to convert the note to equity.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Office Equipment \$	Computer Equipment \$	Manufacturing Equipment \$	Building \$	Leasehold Improvements \$	Total \$
May 1, 2022	269,107	285,333	2,574,348	1,132,267	1,082,678	5,343,733
Additions	-	7,049	946,273	1,267,463	74,750	2,295,535
Disposals	-	-	(29,168)	-	-	(29,168)
April 30, 2023	269,107	292,382	3,491,453	2,399,730	1,157,428	7,610,100
Additions	-	-	12,836	-	-	12,836
July 31, 2023	269,107	292,382	3,504,289	2,399,730	1,157,428	7,622,936
Accumulated Depreciation						
May 1, 2022	257,736	275,688	2,323,692	367,221	1,038,502	4,262,839
Additions	2,287	3,936	135,718	346,107	18,579	506,627
Disposals	-	-	(13,702)	-	-	(13,702)
April 30, 2023	260,023	279,624	2,445,708	713,328	1,057,081	4,755,764
Additions	454	957	52,536	97,378	5,222	156,547
July 31, 2023	260,477	280,581	2,498,244	810,706	1,062,303	4,912,311
Carrying Amount						
April 30, 2023	9,084	12,758	1,045,745	1,686,402	100,347	2,854,336
July 31, 2023	8,630	11,801	1,006,045	1,589,024	95,125	2,710,625

Included in the net carrying amount of property plant and equipment at July 31, 2023, is a right-of-use asset relating to building in the amount of \$1,589,024 (April 30, 2023 - \$1,686,402).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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10. GOVERNMENT ASSISTANCE

	2023 \$	April 30, 2023 \$
CEBA loan proceeds	40,000	40,000
Less: forgivable portion	(10,000)	(10,000)
CEBA loan payable	30,000	30,000
RRRF loan proceeds	180,000	180,000
Less: fair value adjustment	(91,231)	(91,231)
Less: loan repayments	(24,000)	(12,000)
Plus: accreted interest	40,983	36,100
RRRF loan payable	105,752	112,869
CEBA loan – Current portion	30,000	30,000
RRRF loan – Current portion	36,000	36,000
Current portion of loans payable	66,000	66,000
RRRF loan – Non-current portion	69,752	76,869
Loans payable	135,752	142,869

Canada Emergency Business Account (“CEBA”)

In April, 2020, the Government of Canada passed legislation creating the CEBA as part of its response to the COVID-19 pandemic. CEBA provides a loan of up to \$40,000. No interest is payable on outstanding balances prior to January 1, 2024 and if 75% of the outstanding amount is repaid by December 31, 2023, then the remaining 25% of the balance will be forgiven. During the year ended April 30, 2021, the Company borrowed \$40,000 under the CEBA and intends to repay the loan prior to January 1, 2024. The net repayable amount of \$30,000 is reflected on the consolidated statements of financial position as a loan payable. The recognition of the \$10,000 forgivable amount has been recorded as an offset to interest and financing expenses in the year ended April 30, 2021.

Regional Relief and Recovery Fund (“RRRF”)

During the year ended April 30, 2021, the Company received proceeds in the aggregate amount of \$180,000 from a loan offered by the Federal Economic Development Agency for Southern Ontario under their RRRF program. The loan was intended as support for fixed operating costs incurred by the Company. The loan is non-interest bearing with monthly principal repayments of \$3,000 each commencing in January, 2023.

The Company calculated the initial fair value of the RRRF loan proceeds by discounting the series of principal repayments at an annual rate of 17%. The difference between the proceeds and the fair value of the loan (\$91,231) has been recognized as a reduction to plant operating expenses in the year ended April 30, 2021. An imputed interest expense of \$4,883 associated with this loan has been recorded for the three months ended July 31, 2023 (2022 - \$4,410).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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11. LEASE LIABILITY

The Company has a lease for the building that houses its manufacturing facility, office space and warehouse. The lease had an expiry date of July 31, 2023, with an option to renew for an additional five-year term. In July 2022, the Company exercised the option to renew the lease until July 31, 2028. Lease payments for the renewal period have increased to reflect current market levels for comparable facilities. The revised payment stream has been discounted using an interest rate of 9.43%, which is the rate that was used for the original lease. A summary of the items impacting the value of the lease liability is as follows:

	July 31, 2023	April 30, 2023
	\$	\$
Opening balance	2,132,307	879,548
Reassessment of lease liability	-	1,267,463
Lease payments	(45,867)	(183,470)
Interest expense	48,326	168,766
Ending balance	2,134,766	2,132,307
Less: Current portion	(314,213)	(230,738)
	1,820,553	1,901,569

Future minimum lease payments at July 31, 2023 are as follows:

	Within One Year	Two to Five Years	Total
	\$	\$	\$
Lease payments	491,438	2,170,188	2,661,626
Finance charges	(177,225)	(349,635)	(526,860)
Net present values	314,213	1,820,553	2,134,766

Interest expense regarding the lease liability in the amount of \$48,326 has been recognized in the three months ended July 31, 2023 (July 31, 2022 - \$25,607).

12. ACCRUED ROYALTIES

	July 31, 2023	April 30, 2023
	\$	\$
Accrued royalties	772,279	772,279
Less: accrued royalties relating to fiscal 2022	191,016	191,016
	581,263	581,263

In January of 2014, the Company issued promissory notes (the "Notes") for gross proceeds in the aggregate amount of \$568,367. The Notes carried an interest rate of 12% per annum and additional consideration of a perpetual royalty equal to one percent of sales for each pro-rata portion of \$100,000 in principal. The principal amount of the notes (\$568,367), as well as a portion of the accrued interest (\$29,633), was settled in July 2014 by the issuance of convertible debt with a face value of \$598,000. The royalty survived the settlement of the Notes.

Royalties payable based on sales pertaining to the period ended July 31, 2023, in the amount of \$162,792 (April 30, 2023 - \$111,224) are included in trade and other payables.

Interest and financing expense for the three months ended July 31, 2023 includes cash-based royalties in the amount of \$51,568 (July 31, 2022 - \$57,926), including royalties of \$19,812 (July 31, 2022 - \$22,255) paid or payable to a related party.

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A liability for the estimated future royalty-based financing fees payable has been recorded with an offset to interest and financing expense. In calculating the fair value of these accrued royalties, the Company estimated future revenues and applied a risk adjusted discount factor of 40% (2022 - 35%).

The fair value of the accrued royalty is inherently subject to estimation uncertainty given the unpredictability of the timing and amount of revenues.

13. SHARE CAPITAL

- [a] The Company is authorised to issue an unlimited number of common shares.
- [b] In July 2022, the Company issued 1,462,000 common shares for gross proceeds of \$767,550 as the result of the exercise of warrants with an exercise price of \$0.525.
- [c] In July 2022, the Company issued 2,135,000 common shares for gross proceeds of \$438,175 as the result of the exercise of employee stock options with an exercise price of \$0.205.
- [d] In January 2023, the Company issued 100,000 common shares for gross proceeds of \$22,000 as the result of the exercise of stock options issued to a consultant with an exercise price of \$0.22.
- [e] In May 2023, the Company issued 459,423 common shares as the result of the fulfillment of subscription receipts outstanding at the end of April 2023 arising from the exercise of warrants. Gross proceeds from the exercise of these warrants was \$147,015.
- [f] In May 2023, the Company issued 1,288,450 common shares for gross proceeds of \$412,314 as the result of the exercise of warrants with an exercise price that was adjusted to \$0.32.
- [g] To date, the Company has not paid dividends on its common shares.

14. SUBSCRIPTION RECEIPTS

At the end of April 2023, 459,423 warrants were exercised and the issuance of the related common shares was still in process at year end. Accordingly, the proceeds from the warrant exercise were reflected as subscription receipts at April 30, 2023.

In May of 2023, these 459,423 common shares were issued and the proceeds from reallocated from subscription receipts to share capital.

15. WARRANTS

	July 31, 2023		April 30, 2023	
	Number	\$	Number	\$
Warrants, beginning balance	3,859,862	51,253	5,485,354	26,912
Issued during the period	1,288,450	97,173	459,423	34,649
Exercised during the period	(1,288,450)	(6,291)	(1,921,423)	(9,497)
Expired during the period	(2,111,989)	(10,312)	(163,492)	(811)
Warrants, ending balance	<u>1,747,873</u>	<u>131,823</u>	<u>3,859,862</u>	<u>51,253</u>

- [a] In July 2022, 1,426,000 warrants with an exercise price of \$0.525 per share were exercised and 163,492 warrants expired unexercised.
- [b] In April 2023, the Company received approval from the TSX Venture Exchange (the “Exchange”) to reprice the 3,859,862 warrants issued in May 2021 from an original exercise price of \$0.90 per share to a new exercise price of \$0.32 per share. The expiry date of May 5, 2023, remained unchanged. In April 2023, 459,423 of these repriced warrants were exercised. The exercise proceeds for these warrants are reflected in the subscription receipts account.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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- [c] In April 2023, the Company received approval from the Exchange to issue Incentive Warrants to encourage holders of the May 2021 warrants to exercise their repriced warrants early. The Incentive Warrants have an exercise price of \$0.50 per share and an expiry date of April 28, 2025. In April 2023, 459,423 of these Incentive Warrants were issued. The fair value of the warrants was measured using the Black-Scholes pricing model calculated using a risk-free interest rate of 3.65%, volatility of 82% and expected life of 2 years.
- [d] In May 2023, 1,288,450 of the warrants adjusted to an exercise price of \$0.32 were exercised. The remaining 2,111,989 warrants expired unexercised.
- [e] In May 2023, 1,288,450 Incentive Warrants were issued. The fair value of the warrants was measured using the Black-Scholes pricing model calculated using a risk-free interest rate of 3.65%, volatility of 82% and expected life of 2 years.

16. SHARE-BASED COMPENSATION

The Company's stock option plan allows for the issuance of options, in aggregate, to acquire up to twenty percent (20%) of the number of common shares issued and outstanding on the effective date of the plan. The aggregate number of shares reserved for issuance under the terms of the Company's stock option plan is 10,967,722.

The Company's stock option plan provides that the exercise price of options that may be granted cannot be less than the market price of the Company's common shares at the time the option is granted. Options granted may be exercised during a period not exceeding five years. The vesting period of plan options granted is at the discretion of the Company's Board of Directors at the time of grant. Stock options have been granted as follows:

- [a] 2,905,000 stock options with an exercise price of \$0.61 granted on May 31, 2022 to certain directors and officers with one third of the options vesting on the date of grant and each of the remaining third of the options vesting on each of the subsequent two grant anniversary dates.
- [b] 250,000 stock options with an exercise price of \$0.61 granted on May 31, 2022 to a consulting firm and vesting on the date of grant.
- [c] 500,000 stock options with an exercise price of \$0.60 granted on August 17, 2022 to a consulting firm and vested on the date of grant.
- [d] 500,000 stock options with an exercise price of \$0.345 granted on December 21, 2022 to certain officers with one third of the options vesting on the date of grant and each of the remaining third of the options vesting on each of the subsequent two grant anniversary dates.

In the three months ended July 31, 2023, and the year ended April 30, 2023, the following stock options were exercised:

Date of Exercise	Option Holder	Number Of Options	Exercise Price
Jul 2022	Employee	2,035,000	\$0.205
Jul 2022	Consultant	100,000	\$0.21
Jan 2023	Consultant	100,000	\$0.22

During the three months ended July 31, 2023, the Company recognized a share-based compensation expense in the amount of \$148,999 (July 31, 2022 - \$681,624). Share-based compensation expense is included in selling, general and administrative expenses.

During the three months ended July 31, 2023, options relating to consulting services were issued and the Company recognized a related expense in the amount of \$Nil (July 31, 2022 - \$96,741) at the estimated value of the services received.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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17. CAPITAL DISCLOSURES

The Company considers its capital to be its equity which consists of share capital, contributed surplus and warrants, net of the deficit. The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its manufacturing operations, research and development activities, sales and administration expenses, working capital and overall capital expenditures. The Company makes every effort to manage its liquidity to minimize dilution to its shareholders when possible. The Company has funded its activities through public offerings and private placements of common shares and warrants, convertible debentures, promissory notes, royalty offerings, and grant contributions. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management did not change during the period ended July 31, 2023.

18. FINANCIAL INSTRUMENTS

The Company's consolidated financial instruments are classified into one of the following categories: financial assets at amortized cost, financial assets at fair value through profit and loss, financial liabilities at amortized cost and financial liabilities at fair value through profit and loss. The carrying values of the Company's financial instruments are summarized as follows:

	July 31, 2023	April 30, 2023
	\$	\$
Financial assets at amortized cost (1)	176,391	404,035
Financial assets at fair value through profit and loss (2)	100	100
Financial liabilities at amortized cost (3)	3,735,578	3,755,696
Financial liabilities at fair value through profit and loss (4)	772,279	772,279

(1) Includes cash and cash equivalents, restricted cash, and trade and other receivables.

(2) Includes note receivable.

(3) Includes trade and other payables, the lease liability, and the loans payable.

(4) Includes the accrued royalty liability.

The reported value is a reasonable approximation of fair value for financial instruments recorded as financial assets at amortized cost and financial liabilities at amortized cost as underlying assumptions have not varied significantly from the date of initial recognition to year end.

Financial risks

The main risks arising from the Company's consolidated financial instruments are liquidity risk, foreign currency risk, commodity price risk (market risks), interest rate risk and credit risk. The Board of Directors reviews and approves the policies for managing these risks and they are summarized as follows:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has sustained annual losses since its inception. The Company's objective for liquidity risk management is to maintain sufficient liquid financial resources to meet financial obligations and commitments in the most cost-effective manner possible. The Company manages its liquidity risk by continually forecasting cash flows from operations and anticipated investing and financing activities. As of July 31, 2023, the Company was holding cash and cash equivalents of \$43,969 (April 30, 2023 - \$324,045) and trade and other receivables of \$111,724 (April 30, 2023 - \$59,292).

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The following table presents the expected payment timing for the Company's financial liabilities on an undiscounted basis.

Fiscal Years	2024	2025	2026	2027	2028
	\$	\$	\$	\$	\$
Trade and other payables	1,359,244	-	-	-	105,816
Lease liability	368,579	506,181	526,428	547,461	569,281
Loans payable	54,000	36,000	36,000	36,000	24,000
Accrued royalties	174,445	248,614	261,045	274,097	282,320

Foreign currency risk

The Company is primarily exposed to the fluctuation of the European Euro and United States (US) dollar relative to the Canadian dollar to the extent that certain sales and raw material and consumable purchases are denominated in those currencies. Revenue and expenses are translated into Canadian dollars at the time of the transaction. The Company typically extends regular credit terms to its customers and recognizes foreign exchange translation gains or losses on a monthly basis through foreign currency translation of foreign currency receivables and payables using the temporal method.

At present, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. In some cases, the Company does have the ability to mitigate foreign currency risk by adjusting prices charged to non-Canadian customers.

For the three months ended July 31, 2023, the Company had a net operating foreign exchange gain of \$13,219 (July 31, 2022 – gain of \$8,067), which is included in the statement of operations, comprehensive income (loss) and deficit and is classified separately.

As at July 31, 2023, the Company's financial instruments exposed to foreign currency risk consist of cash, restricted cash, accounts receivable, note receivable and accounts payable.

Commodity price risk

At present, the Company is exposed to commodity price risk through its purchasing of raw materials as it uses aluminum as its primary raw material.

Metal prices and commodity quotations are external variables over which the Company has no significant influence or control. This potentially exposes the Company to price volatilities that could significantly impact its future operating cash flows. As part of its routine activities, management is closely monitoring the trend in international metal prices. The Company does have the ability to mitigate commodity price risk by adjusting prices charged customers.

At present, the Company does not use derivative instruments to reduce its exposure to commodity price risk.

Credit risk

Credit risk arises from the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge the obligation. The Company is exposed to credit risk from customers. At July 31, 2023, the Company's maximum exposure to credit risk is \$25,607 (April 30, 2023 - \$44,889). Accounts receivable that are outstanding greater than 3 months but for which no allowance for doubtful accounts has been taken total \$22,065 (April 30, 2023 - \$22,978).

Management seeks to minimize credit risk through customer review. Payment terms typically require the receipt of order payment prior to shipment. In some cases payment terms, generally between 30 and 60 days after shipment, are granted to customers. When deemed appropriate by management, letters of credit are also employed to secure payment on product orders. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

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Accounts receivable are reviewed by management at each balance sheet reporting date on an account-by-account basis to determine their collectability. The review considers such factors as customer payment history, the current financial conditions of the customers and the general economic environment. A provision for bad debts of \$Nil was recorded during the three months ended July 31, 2023 (July 31, 2022 - \$Nil).

Fair value measurements

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the reporting date based on relevant market information and information about the financial instrument.

Financial assets and liabilities recorded at fair value in the Company's consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The hierarchical levels, defined by IFRS 13 and which are directly related to the amount of subjectivity associated with inputs to fair valuation of these financial assets and liabilities, are as follows:

Level 1 – Quoted prices are available in active markets for identical financial assets or liabilities for which the Company has the ability to access at the measurement date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable for the financial asset or liability as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – One or more significant pricing inputs are unobservable for the financial asset or liability and include situations where there is little, if any, market activity for the financial asset or liability.

The inputs into the determination of fair value require significant management judgment or estimation.

The note receivable and the accrued royalty liability are valued using level 3 inputs. Additional disclosure regarding the valuation methods is included in Note 8 and Note 12.

There were no significant transfers between levels 1, 2 or 3 during the three months ended July 31, 2023, nor the year ended April 30, 2023.

19. POST-REPORTING DATE EVENT

In September 2023, the Company announced that it is seeking to raise funds from a non-brokered private placement of equity Units. Each Unit is to be priced at \$0.25 with one Unit consisting of one common share and one half of a common share purchase warrant. Each full warrant will entitle the holder to purchase one common share at a price of \$0.40 for a twenty-four-month period following the closing date of the financing. Gross proceeds in the range of \$1 Million are anticipated from the financing.