



*Cymat Technologies Ltd.*  
*Management's Discussion and Analysis (“MD&A”)*  
*As at April 30, 2025*

August 28, 2025

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 consolidated financial statements of the Company for the year ended April 30, 2025, and the associated notes to the consolidated financial statements.

The Company prepares its consolidated 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 consolidated financial statements has been prepared in accordance with IFRS.

This MD&A is dated August 28, 2025, and all amounts herein are denominated in Canadian dollars, unless otherwise stated. This MD&A reflects the accounts of Cymat and its wholly-owned subsidiary, ALU-MMC Hungary, Zrt.

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 14, 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. Our technology is focused on producing products for 4 major markets: automotive, architecture, defense and general industrial markets seeking energy management systems.

Cymat markets architectural material under the trademark, “Alusion™”. Energy management and engineering-focused products are marketed under the “SmartMetal™” trademark.

## **2. Summary of Market and Industry Environment**

### **Architecture**

Global residential and commercial construction sectors are expected to experience overall declines through the end of calendar 2025. While building material inflation rates have stabilized, costs remain stubbornly high. Additionally, many geographic markets are facing significant labour shortages placing upward pressure on construction wage levels. Tariff-related policy uncertainty has led to a trend of delays, especially in commercial construction projects. While interest rates have eased, carrying costs remain high and the risk of developer insolvency is elevated. On the positive side, public works and infrastructure projects are generally surging, helped along by government stimulus. Also, the outlook for calendar 2026 residential and commercial sectors reflect indications of a reversal of 2025’s expected decline.

The geo-political effects of the war in Europe and conflict in the Middle East continue to add to the unfavourable conditions within architectural markets that have been important to Cymat. China, another historically significant market for Cymat, continues to see a slowdown in construction. One positive trend, especially apparent in Europe, is the robustness of renovation work with retrofitting gaining traction as part of decarbonization and sustainable building strategies.

There are a vast array of products competing for selection in high profile construction projects as well as everyday, small-scale applications. Among the multitude of architectural products, Alusion™ does not represent the lowest cost option for cladding material. However, the selection of Alusion™ can lead to significant installation savings as its light weight may permit less robust - less expensive - hanging systems, as well as a lower level of installation labour. Alusion™ can also be a significant component in reduction of a building’s carbon footprint.

### **Defense and Law Enforcement**

Global defense spending is significant and continues to reflect annual growth for the foreseeable future. Persistent threats from regional conflicts, such as those in Europe and the Middle East, strategic rivalries, and shifting alliances are all factors pushing countries to boost defense budgets. Led by pressure from the United States, NATO member countries are ramping up defensive spending commitments. One significant example of this trend is the EU’s Readiness 2030 initiative which targets investment of €800 billion for military modernization.

As a subset of defense budgets, the global armored vehicle market is projected to grow from approximately \$US 13.1 billion in 2025 to \$US 26.2 billion by 2034, according a report issued by GlobeNewswire. Drivers of growth include fleet modernization agendas, and asymmetric threats that demand more agile, survivable platforms - particularly lighter, wheeled vehicles to facilitate rapid deployment. Additionally, hybrid-electric propulsion is gaining traction in the armored vehicle market, with the recognized benefits of increased fuel efficiency, reduced thermal signatures, and potentially lower operational costs.

Lightweight, high-energy absorption materials such as SmartMetal™ are ideally suited to deliver on these elements for military, security forces and OEM manufacturers. SmartMetal™ energy absorption capabilities, its high strength to weight ratio and its ability to maintain its physical properties over time and over a wide temperature range, all combine to create make a compelling armored vehicle solution. SmartMetal™ offers highly customized components that can easily be incorporated into the design of new equipment. This flexibility also creates a product that can be simply retrofitted onto existing vehicles without the need to materially modify the existing vehicle structure. SmartMetal™ can also provide a key layer in a composite panel system designed to protect against multiple threats including blast, ballistic, blunt impact, wind, sound, and electro-magnetic energies. Such composite panels have application for stationary structures as well mobile vehicles.

The potential demand for defense solutions such as those offered by SmartMetal™ is elevated under this current environment, with the potential to reduce order lead times. However, the typical sales cycle associated with these types of customers is often a lengthy one. A process that commences with vehicle/structure design and progresses through system validation and testing, the competitive bidding and contract awarding process and finally arrives at budget allocation and purchase approval can span several years.

### **Nuclear Energy**

Nuclear energy is experiencing a revival, driven by decarbonization goals, energy security concerns, and rising energy demand, particularly from new industries such as Artificial Intelligence data centres. According to the International Energy Agency, there are currently 63 nuclear reactors under construction, representing more than 70 GW of new capacity. In addition, over the last five years, decisions have been taken to extend the operating lifetimes of more than 60 reactors worldwide, covering almost 15% of the total nuclear fleet. The United States, Japan, France, Canada and China are among the nations that have demonstrated policies that are supportive of nuclear power.

Small Modular Reactors (“SMRs”) represent a significant portion of the pipeline of new reactors as they are seen as a scalable, lower risk option to large reactors. Generally, SMRs are planned for locations that are adjacent to the energy users. This proximity to the public can heighten public concerns about safety and security issues, enhancing the demand for protective systems.

Cymat has showcased Stabilized Aluminum Foam’s unique protective benefits making it ideally suited for this nuclear industry resurgence. Those qualities combined with Cymat’s demonstrated strength of SmartMetal™ testing and quality control regimen further underpins additional ongoing business development discussions with nuclear industry participants, building upon Cymat’s success with its French nuclear customer, NUVIA. Nuclear energy projects typically have a long timeline, with a lengthy sales cycle to match. The significant size of the required investment for such projects generates the potential for large volume orders.

### **Automotive**

Global vehicle production is forecasted to experience a modest decline in calendar 2025. Vehicle OEMs face an environment of escalating tariffs and geopolitical tensions that are disrupting well-established supply chains between major markets such as the United States, China, and the EU and increasing manufacturing costs. The Wall Street Journal recently reported that the automotive sector suffered \$US 12

billion in tariff-related losses, with companies like Toyota, Ford and GM expected to bear significant burdens through 2026.

The sales of battery electric vehicles (“BEV’s”) face significant challenges – especially for traditional vehicle OEMs - including high vehicle prices, rapid value depreciation, charging infrastructure gaps and in some cases, declining governmental policy supports. Despite these headwinds, growth of electric vehicles sales continues, although the pace has slowed. Chinese OEMs are gaining market share with competitive pricing, advanced battery technology, and customer-friendly designs and updates. While several automotive OEM’s have recently announced reductions in originally planned vehicle electrification investments, electrification still represents a significant focus for the automotive industry.

Crash performance standards for automotives continue to evolve, especially in light of the significantly increased mass of BEVs. Protection of the battery system from the forces of impact continues to be a significant safety element, regardless of battery size. In the context of this environment. SmartMetal™ has undergone testing that has demonstrated a close correlation of physical test results with our simulated computer design results, proving our ability to design systems and model SmartMetal™ behavior in specific automotive applications.

The focus on cost control is especially heightened in the current automotive manufacturing environment. Cymat’s management remains convinced that SmartMetal™ can deliver economical and effective design solutions for the automotive industry.

### **3. Operating Highlights and Year in Review**

#### ***Loss from Operations***

The loss from operations of \$2.4 Million (2024 – loss of \$3.9 Million) reflects a 129% increase in year-over-year sales. Business development resources and staffing levels continue to be optimized to focus on high volume sales opportunities with the greatest potential for realization. Non-cash charges, such as stock-based compensation expenses and depreciation, in aggregate accounted for \$0.8 Million (2024 - \$1.3 Million) of the current year’s loss.

#### ***Architecture***

Sales of Alusion™ for fiscal 2025 were approximately \$2.3 Million compared to approximately \$1.5 Million for fiscal 2024. Fiscal 2024 sales were adversely affected by the timing of final customer delivery for two large orders of Alusion™ panels. These two orders, with a combined value of \$1.2 Million, were manufactured in fiscal 2024; however, they did not yet arrive at their final destination until fiscal 2025.

#### ***Blast Mitigation and Energy Absorption***

SmartMetal™ revenue for fiscal 2025 set a new annual revenue milestone, reaching a level of \$1.4 Million in sales. The main drivers of SmartMetal™ sales for the current year were protective panels for the French nuclear energy sector and vehicular blast mitigation kits forming the start of a long-term serial production agreement with an Asian defense OEM.

#### ***Automotive***

During the year, Cymat continued to engage with certain automotive OEM’s in multiple projects exploring the use of SmartMetal™ for a number of electric automotive solution applications. Projects include light-weighting and simplification of battery box design, protection of the underside of the battery box and protection of the battery and electrical drive components from side impacts. Cymat’s design partner,

Tesseract, continues to provide product design, engineering and testing expertise in concert with the pursuit of these automotive opportunities.

### **Other Highlights**

During the year, Cymat raised gross proceeds of approximately \$1.2 Million from the issuance of equity and \$1.2 Million from the issuance of promissory notes.

## **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

	<b>2025</b>	<b>2024</b>	<b>2023</b>
Revenue	3,711	1,620	3,053
Loss from operations	(2,450)	(3,859)	(5,559)
Cash flow used in operations	(1,599)	(2,230)	(2,294)
Net Loss	(3,369)	(4,266)	(6,048)
Net Loss per Share, basic and diluted	(0.05)	(0.07)	(0.10)
Total Assets	2,761	3,962	4,156
Non-current Financial Liabilities	1,764	2,238	2,560

The following tables present selected quarterly financial information for the eight most recent quarters for the period ended April 30, 2025.

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

Three months ended,	Apr 30, 2025	Jan 31, 2025	Oct 31, 2024	Jul 31, 2024	Apr 30, 2024	Jan 31, 2024	Oct 31, 2023	Jul 31, 2023
Revenue	229	1,157	333	1,992	231	238	113	1,037
Plant operating expenses	468	826	482	1,440	167	334	485	1,046
Research and material testing expenses	43	44	41	141	42	41	33	53
SG&A expenses	790	607	608	670	750	793	761	973
Net Loss	(1,250)	(625)	(952)	(542)	(879)	(1,037)	(1,223)	(1,127)
Net Loss per Share	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)
Operating cash flow	(791)	(18)	(1,062)	272	98	(772)	(886)	(622)
Cash & cash equivalents	354	55	211	196	56	235	209	44
Restricted cash	21	21	21	21	21	21	21	21
Working capital	(4,866)	(5,058)	(4,442)	(3,475)	(2,968)	(2,218)	(1,388)	(1,471)

## 5. Financial Condition

The following table presents significant changes in the Company's financial position from April 30, 2024 to April 30, 2025.

As at April 30 (Thousands of Dollars)	2025 \$	2024 \$	Increase (Decrease)	
			\$	%
Cash and cash equivalents	354	56	298	532
Restricted cash	21	21	-	-
Trade and other receivables	161	184	(23)	(13)
Inventory	258	1,219	(961)	(79)
Prepaid expenses	68	89	(21)	(24)
Other assets	28	28	-	-
Property, plant and equipment, net	1,872	2,364	(492)	(21)
Trade and other payables	1,894	2,052	(158)	(8)
Deferred revenue	16	989	(973)	(98)
Promissory notes payable	3,217	950	2,267	239
Loans payable	78	92	(14)	(15)
Lease liability	1,550	1,902	(352)	(19)
Royalties liability	737	790	(53)	(7)
Share capital	84,413	83,186	1,227	1
Contributed surplus	11,384	11,026	358	3
Warrants	142	274	(132)	(48)

Cash and cash equivalents increase of \$298,000: See Liquidity and Capital Resources section for an explanation of the change in cash and cash equivalents for fiscal 2025.

Restricted cash unchanged: Restricted cash is comprised of cash held in a Hungarian financial institution as the result of the incorporation of ALU-MMC Hungary Zrt.

Trade and other receivables decrease of \$23,000: The decrease in receivables was the result of a decrease in trade receivables of \$14,000 and a decrease in outstanding HST receivables of \$9,000.

Inventory decrease of \$961,000: The decrease in inventory reflects lower work-in-process/finished goods inventory (\$835,000) with the previous year's inventory including two fully completed orders for a combined cost of \$563,000 that were not yet received by the customers. Raw material inventory also decreased by \$126,000.

Prepaid expenses decrease of \$21,000: The decrease is primarily the result of decreased prepaid insurance (\$12,000) and decreased consulting fees (\$8,000).

Property, plant and equipment decrease of \$492,000: The decrease was the result of equipment purchases of \$38,000, offset by depreciation expense of \$530,000.

Payables decrease of \$158,000: The decrease in payables was the result of a decrease in unpaid royalties (\$113,000) and decreases in trade payables (\$45,000).

Deferred revenue decrease of \$973,000: Deferred revenue decreased as a result of comparatively lower production/sales activity at the end of fiscal 2025, resulting in a reduced level of customer deposits at year end.

Promissory notes payable increase of \$2,343,000. During the year, the Company issued promissory notes in the principal amount of \$1,699,000. Accrued interest and financing fees amounted to \$623,000 as calculated using the effective rate method.

Loans payable decrease of \$14,000. During the year, the Company made RRRF loan repayments (\$30,000), offset by imputed interest (\$16,000).

Lease liability decrease of \$352,000. The decrease was the result of payments of \$506,000, partially offset by interest of \$184,000.

Royalties liability decrease of \$53,000: The decrease was the result of a fair value adjustment recorded to reflect the present value of the estimated future royalty stream.

Share capital increase of \$1,227,000: Share capital increased as the result of the issuance of shares and warrants through a private placement which netted proceeds of \$1.2 Million.

Contributed surplus increase of \$358,000: Contributed surplus increased as the result of the vesting of stock-based compensation and consultant options (\$226,000) and by the expiry of warrants (\$132,000).

Warrants decrease of \$132,000: Warrants decreased as the result of the expiry of incentive warrants.

## **6. Results of Operations**

### **Fourth Quarter and Year Ended April 30, 2025, Compared to the Fourth Quarter and Year Ended April 30, 2024**

#### **Revenue**

Revenue for the final quarter of fiscal 2025 was \$229,000, similar to revenue of \$231,000 for the last quarter of fiscal 2024. Revenue in the last quarter of fiscal 2024, was adversely affected by the timing of revenue recognition for an Alusion™ order with a value of \$659,000 that was in transit at quarter-end to its Italian destination and an Alusion™ order with a value of \$586,000 that was packed and awaiting the delayed pick-up by the customer.

Revenue for the year ended April 30, 2025, was approximately \$3,711,000, an increase \$2,091,000, or 129%, over revenue for the previous fiscal year of \$1,620,000.

Alusion™ sales for fiscal 2025 were \$2,328,000 compared to \$1,548,000 for the 2024 fiscal year. The current year's Alusion™ revenue benefitted from the production activity that occurred in the prior year, generating completed order shipments in the first part of fiscal 2025.

Revenue from SmartMetal™ for the 2025 fiscal year was approximately \$1,383,000, compared to SmartMetal™ revenue of \$72,000 for the prior fiscal year. The current year featured the start of two SmartMetal™ revenue streams that are expected to be re-occurring for future years. One of these streams pertained to an order of environmental protection SmartMetal™ panels for NUVIA, a global specialist in nuclear technology based in France. NUVIA sales approximated \$880,000 for the year. The second stream is represented by the sale of the first SmartMetal™ underbelly protection kits in a multi-year delivery schedule with our Asian military vehicle manufacturer customer. Current year sales of \$232,000 are expected to increase significantly for upcoming years as planned delivery volumes ramp up.

Revenue is measured based on the consideration outlined in customer contracts/sales agreements. Cymat recognizes revenue when it transfers control of a good or service to a 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 Cymat'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.

### **Plant Operating Expenses**

Plant operating expenses for the quarter ended April 30, 2025, were approximately \$468,000, an increase of \$301,000, or 180%, as compared to expenses of \$167,000 for the quarter ended April 30, 2024. Plant operating expenses for the fiscal 2025 year were approximately \$3,216,000, an increase of \$1,184,000, or 58%, as compared to expenses of \$2,032,000 for the prior fiscal year.

Plant operating expenses include the direct operating expenses of labour, material, consumables, maintenance, freight and changes in inventory as well as manufacturing overhead costs. Direct operating expenses for the fourth quarter of fiscal 2025 amounted to \$243,000. These direct operating expenses were negligible for the last quarter of fiscal 2024 as the bulk of these expenses were allocated to inventory in connection with the completed production of orders that were subsequently delivered at the beginning of fiscal 2025.

Direct operating expenses were approximately \$2,420,000 for fiscal 2025, an increase of \$1,128,000, or 87%, over the same expenses of \$1,292,000 for fiscal 2024. Increased direct operating expenses were a function of the higher sales level and also reflect the higher level of outside services (powder coating and waterjet cutting) and materials required for the production of the SmartMetal™ orders.

Plant operating expenses also includes factory overhead costs such as facility costs and utilities. These expenses totalled approximately \$77,000 for the fourth quarter of fiscal 2025 as compared to \$87,000 for the same quarter of fiscal 2024. Lower electricity expenses for the current quarter resulting from lower usage (\$21,000) were partially offset by higher common area charges from the landlord.

Factory overhead expenses for fiscal 2025 totalled \$355,000 as compared to expenses of \$299,000 for fiscal 2024. Increased common area costs in fiscal 2025 (\$79,000) were partially offset by lower electricity usage (\$23,000).

Plant operating expenses also include depreciation expense of approximately \$148,000 for the three months ended April 30, 2025, and \$109,000 for the same period ended April 30, 2024. Plant operating expenses include depreciation expense of approximately \$442,000 for both fiscal 2025 and fiscal 2024.

### **Research and Material Testing Expenses**

Research and material testing expenses for the final quarter of fiscal 2025 included costs in the amount of \$43,000 with an amount of \$42,000 spent in the comparative quarter. Expenses related primarily to new product development. Quarterly expenses for both years included depreciation expense of approximately \$2,000.

Research and material testing expenses for fiscal 2025 were \$269,000 compared to \$169,000 for the prior fiscal year. Expenses in the current year related primarily to prototype development and expenses related to automotive business development initiatives. Expenses in the prior year related mainly to the development of thinner SAF panels and increased cell size homogeneity. Research and material testing expenses also included depreciation expenses regarding lab and testing equipment of approximately \$8,000 in fiscal 2025 and \$9,000 in fiscal 2024.

### **Selling, General and Administrative Expenses (“SG&A”)**

SG&A expenses for the quarter ended April 30, 2025, were approximately \$790,000, as compared to expenses of \$750,000 for the same quarter ended April 30, 2024. Increased quarter-over-quarter stock-based compensation expense (\$152,000) were partially offset by lower commission and marketing expenses (\$58,000), lower insurance expense (\$39,000), reduced shareholder related expenses (\$21,000) and reduced IT expenses (\$6,000).

SG&A expenses for fiscal 2025 were approximately \$2,675,000, as compared to expenses of \$3,277,000 for fiscal 2024. The most significant expense decreases included reduced stock-based compensation expenses (\$244,000), lower utilization of outside consulting services (\$208,000), lower commission and marketing expenses (\$89,000) and lower shareholder and corporate communications expenses (\$60,000).

SG&A expenses also include depreciation of \$32,000 for the fourth quarter of fiscal 2025 and \$18,000 for the fourth quarter of fiscal 2024. Annual SG&A expenses include depreciation of \$80,000 for fiscal 2025 and \$70,000 for fiscal 2024.

### **Foreign Exchange Gain**

For the last quarter of fiscal 2025, there was a foreign exchange loss of \$30,000 (2024 - gain of \$12,000).

For fiscal 2025, there was a foreign exchange loss of \$49,000 (2024 – nominal gain). The exchange loss for the current year was primarily result of the cost of currency exchange on Euro denominated sales orders and exchange losses on \$US denominated payables.

## **Interest and Financing Expense**

Interest and financing expense for the three months ended April 30, 2025, reflects an expense of \$204,000 (2024 - \$140,000 expense recovery), including cash-based amounts of \$12,000 in royalty-based financing fees (2024 - \$12,000) - including \$5,000 payable to a related party (2024 - \$5,000). The expense for the current quarter also includes a non-cash-based expense recovery of \$53,000 (2024 - expense of \$18,000) - including a \$20,000 expense recovery pertaining to a related party (2024 - \$7,000 expense) - which arose from a change in the present value of the estimated future royalty payments. The expense for the current quarter also includes \$35,000 of interest regarding the lease liability (2024 - \$43,000). Interest expense for the current quarter also includes \$206,000 pertaining to the promissory notes payable (2024 - \$63,000). Interest for the quarter also includes \$4,000 regarding the accretion of interest on the loan received through the federal government's Regional Relief and Recovery Fund (2024 - \$4,000).

Interest and financing expense for the year ended April 30, 2025, of \$926,000 (2024 - \$408,000), includes cash-based amounts of \$176,000 in royalty-based financing fees (2024 - \$80,000) - including \$68,000 payable to a related party (2024 - \$31,000). The expense for the current year also includes a non-cash-based expense recovery of \$53,000 (2024 - expense of \$18,000) - including a \$20,000 expense recovery pertaining to a related party (2024 - \$7,000 expense) - which arose from a change in the present value of the estimated future royalty payments. Also included in the expense for the current year is \$154,000 of lease-related interest (2024 - \$184,000). Interest expense for the current year also includes \$633,000 pertaining to the promissory notes payable (2024 - \$108,000). Interest for the current year also includes \$15,000 regarding the accretion of interest on the loan received through the federal government's Regional Relief and Recovery Fund (2024 - \$18,000).

## **Gain on Extinguishment of Debt**

In the current year, the early settlement of promissory notes by the issuance of new notes gave rise to substantial debt modifications as defined under IFRS 9. Accordingly, an aggregate gain on extinguishment in the amount of \$56,000 was recorded in an amount equal to the difference between the carrying value of the original notes and the fair value of the new notes.

## **Net Loss**

The last quarter of fiscal 2025 experienced a net loss of \$1,250,000 based on a loss from operations of \$1,073,000 before a foreign exchange gain and interest expense compared to a net loss of \$879,000 for the last quarter of 2024 based on a loss from operations of \$751,000 before a foreign exchange gain and interest expense. The net loss for the fourth quarter of fiscal 2024 includes the non-cash items of depreciation of approximately \$183,000 (2024 - \$129,000), a share-based compensation expense of approximately \$200,000 (2024 - \$48,000), an expense recovery arising from the change in the accrual for future royalty payments of \$53,000 (2024 - expense of \$18,000), an interest expense of \$47,000 relating to the valuation of the promissory notes payable (2024 - reduction in interest expense \$44,000) and an expense of \$4,000 regarding the accretion of interest on the RRRF loan (2024 - \$4,000).

The net loss for fiscal 2025 of \$3,369,000 (2024 - \$4,266,000) is based on a loss from operations of \$2,450,000 (2024 - loss of \$3,859,000) before a foreign exchange loss, interest expense and a gain on extinguishment of debt. The net loss for the year includes the non-cash items of depreciation and amortization of approximately \$530,000 (2024 - \$522,000), a share-based compensation expense of approximately \$26,000 (2024 - \$364,000), share-based consulting fees of \$200,000 (2024 - \$106,000), an expense recovery arising from the change in the accrual for future royalty payments of \$53,000 (2024 - expense of \$18,000), interest expense of \$55,000 relating to the valuation of the promissory notes payable (2024 - reduction in expense of \$44,000), an expense of \$15,000 (2024 - \$18,000) regarding the accretion of interest on the RRRF loan and a gain on the extinguishment of debt in the amount of \$52,000.

## **7. Liquidity and Capital Resources**

### **Sources and Uses of Cash**

As at April 30, 2025, the Company had approximately \$354,000 of cash and cash equivalents on hand. For the current fiscal year, the cash flow used by operating activities was approximately \$1,599,000 (2024 – \$2,230,000 used by operations). For the current year, cash used by operating activities was the result of a net loss adjusted for items not involving cash of approximately \$1,929,000 (2024 – \$2,946,000) and cash provided by changes in non-cash working capital balances of \$330,000 (2024 –\$716,000 provided by changes in non-cash working capital).

For the current year, cash used in investing activities of \$38,000 (2024 - \$31,000) was the result of the purchase of foam casting line equipment and testing equipment.

For the year ended April 30, 2025, cash provided by financing activities in the amount of \$1,934,000 was the result of the proceeds from the issuance of promissory notes (\$1,243,000) and net proceeds from the issuance of shares and warrants (\$1,227,000), offset by lease payments (\$506,000) and RRRF loan repayments (\$30,000). For the year ended April 30, 2024, cash provided by financing activities of \$1,994,000 was the result of the proceeds from a private placement equity raise (\$1,181,000), proceeds from the issuance of promissory notes (\$842,000) and proceeds from the exercise of warrants (\$412,000), partially offset by building lease payments (\$373,000) and government loan payments (\$69,000).

### **Investments in Property, Plant and Equipment**

In fiscal 2025, the Company incurred \$38,000 (fiscal 2024 – \$31,000) of capital expenditure for production equipment and testing equipment. Management maintains its capital expenditure with the goal of meeting expected production demands and to support research and development initiatives.

### **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.

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, 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 April 30, 2025, 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. See Section 14 for disclosure of financing transactions that occurred subsequent to April 30, 2025. 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 cast significant doubt as to whether the Company will have the ability to continue as a going concern.

The 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.

## 8. Investments and Capitalization

Cymat is listed on the TSX – Venture Exchange, trading under the symbol CYM. Cymat is also listed on the OTCQB Exchange in the United States, trading under the symbol CYMHF.

The Company considers its capital to be its equity which consists of share capital, subscription receipts, 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 year ended April 30, 2025.

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 28, 2025.

	Number of Securities
Common Shares	86,537,135
Employee Stock Options	10,745,000
Warrants	<u>2,380,300</u>
Total Diluted Shares Outstanding	<u>99,662,435</u>

## Share Capital

The Company is authorized to issue an unlimited number of common shares. At April 30, 2025, issued and outstanding common shares totalled approximately 77,042,292 shares.

The following transactions regarding the Company's share capital occurred in the most recent two fiscal years:

- [a] 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.
- [b] 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.
- [c] In October 2023, the Company issued 4,175,000 common shares for gross proceeds of \$1,043,750 as the result of the private placement of equity units priced at \$0.25 per unit. Each equity unit consisted of one common share and one half of a common share purchase warrant.
- [d] In November 2023, the Company issued 100,000 common shares for gross proceeds of \$25,000 as the result of the private placement of equity units priced at \$0.25 per unit. Each equity unit consisted of one common share and one half of a common share purchase warrant.
- [e] In December 2023, the Company issued 485,600 common shares for gross proceeds of \$121,400 as the result of the private placement of equity units priced at \$0.25 per unit. Each equity unit consisted of one common share and one half of a common share purchase warrant.
- [f] In April 2025, the Company issued 11,348,207 common shares for gross proceeds of \$1,248,303 as the result of the private placement of equity units priced at \$0.11 per unit. Each equity unit consisted of one common share and one common share purchase warrant. 909,090 common shares were issued to a related party as the result of this equity issuance.

To date, 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 December 16, 2024, the aggregate number of common shares reserved for the issuance of stock options is 13,138,817.

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. In the two most recent fiscal years, stock options have been granted as follows:

- [a] 250,000 stock options with an exercise price of \$0.27 granted on August 22, 2023 to a consultant and vested on the date of grant.
- [b] 500,000 stock options with an exercise price of \$0.19 granted on January 4, 2024 to a consultant and vested on the date of grant.
- [c] 2,500,000 stock options with an exercise price of \$0.13 granted on March 20, 2025 to a consultant and vested on the date of grant.
- [d] 1,188,450 stock options with an exercise price of \$0.13 granted on April 15, 2025 to a consultant and vested on April 29, 2025.

In May 2024, 860,000 stock options with an exercise price of \$0.31 and 200,000 stock options with an exercise price of \$0.325 expired, unexercised.

No stock options were exercised in the years ended April 30, 2025 and April 30, 2024.

## **Warrants**

The following transactions regarding the Company's share purchase warrants occurred in the most recent two fiscal years:

- [a] 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. In May 2023, 1,288,450 of these warrants were exercised. The remaining 2,111,989 warrants expired unexercised.
- [b] 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. In May 2023, a further 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.  
  
In April 2025, all 1,747,873 of these Incentive Warrants expired unexercised.
- [c] In October 2023, the Company issued 2,137,500 warrants as the result of the private placement of equity units priced at \$0.25 per unit. The warrants have an exercise price of \$0.40 and an expiry date of October 19, 2025.
- [d] In November 2023, the Company issued 50,000 warrants as the result of the private placement of equity units priced at \$0.25 per unit. The warrants have an exercise price of \$0.40 and an expiry date of October 19, 2025.
- [e] In December 2023, the Company issued 242,800 warrants as the result of the private placement of equity units priced at \$0.25 per unit. The warrants have an exercise price of \$0.40 and an expiry date of October 19, 2025.
- [f] In April 2025, the Company issued 11,348,207 warrants as the result of the private placement of equity units priced at \$0.11 per unit. The warrants have an exercise price of \$0.13 and an expiry date of April 15, 2027, subject to an accelerated expiry date, to be enacted at the Company's discretion should the trading value of the underlying common shares close at or above \$0.16 for ten consecutive trading days. The accelerated expiry date would be 45 days after the Company's announced activation of the acceleration clause. 909,090 of these warrants were issued to a related party.

## **9. Critical Accounting Policies and Estimates**

### **Revenue recognition**

Revenue is measured based on the consideration promised in a contract with a customer. The Company recognizes revenue when it transfers control of a good or service to a 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.

### **Royalties Liability**

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.

### **Use of estimates**

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 appropriate discount rate for valuation of the expected cash flows associated with the note receivable, assumptions about the valuation of the conversion element and assumptions about the likelihood of conversion,
- 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 asset's fair value and the cost of disposal,
- the expected amount of additional financing fees and the determination of the appropriate discount rate used in the valuation of the promissory notes payable,
- the valuation of the royalties liability, including the forecasted revenues and the appropriate discount rate to apply in the determination of present value,
- the determination of whether a contract contains a lease, and if so, the determination of the appropriate discount rate and term of the lease to use in the measurement of the lease liability, 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 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.

## **Judgements**

In the process of applying the Company's accounting policies, management has made judgements in assessing the primary economic environment underlying its determination that the functional currency of the consolidated entity is the Canadian dollar.

## **Government assistance**

Government assistance may be available to the Company through income tax investment, innovation tax credits and other programs providing innovation funding. 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.

## **10. Accounting Standards Issued But Not Yet Effective**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2025. Many are not applicable or do not have a significant impact to the Company and have been excluded.

### **Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)**

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments – Disclosures. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI. The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

### **Presentation and Disclosure in Financial Statements (IFRS 18)**

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standards replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required, and early adoption is permitted.

### **Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)**

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however, early adoption is permitted.

## **11. Related Party Transactions**

Related party transactions include the following items:

- The promissory notes payable includes an amount of \$281,373 payable to a related party as at April 30, 2025 (2024 - \$Nil). Promissory note interest and financing fees for the year ended April 30, 2025, include \$32,997 payable to a related party (2024 - \$Nil).
- Interest and financing expense for the year ended April 30, 2025 includes cash-based royalties in the amount of \$67,657 (2024 - \$30,629) paid or payable to a related party.
- Interest and financing expenses for the year include a non-cash royalty expense recovery in the amount of \$20,461 pertaining to a related party (2024 – expense of \$6,903).
- In April 2025, the Company issued 909,090 common shares and an equal number of warrants to a related party for gross proceeds of \$100,000 as the result of the private placement of equity units priced at \$0.11 per unit. The warrants have an exercise price of \$0.13 and an expiry date of April 15, 2027, subject to an accelerated expiry date, to be enacted at the Company’s discretion should the trading value of the underlying common shares close at or above \$0.16 for ten consecutive trading days. The accelerated expiry date would be 45 days after the Company’s announced activation of the acceleration clause.
- As at April 30, 2025, trade and other payables includes \$178,993 owed to a related party (April 30, 2024 - \$251,918).

## **12. 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, 2025, 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. Financing transactions that occurred after Cymat’s year end are described in Subsequent Date Events below.

### **International Trade Barriers and Tariffs**

As of the current date, Cymat’s export of SAF have not been materially affected by the ongoing changes to import tariffs enacted by the United States and the subsequent retaliatory measures adopted by various world economies. However, these actions have increased the amount of volatility experienced by international trade. Tariffs have the potential to increase the landed cost of Cymat’s SAF for international customers, which could have a negative effect on Company sales. Furthermore, the price uncertainty caused by fluctuating tariffs may cause potential SAF customers to de-select Cymat’s SAF in favour of products that carry lower risk of potential tariff levies.

In the case of raw material supply, retaliatory tariffs have led Cymat to pivot to a non-tariffed source for one of its primary inputs. To this point, Cymat has not experienced material tariff-related price increases on its main supplies.

## **Interruption of Raw Material Supply**

Interruption of key raw materials and manufacturing supplies could significantly impact operations and our financial position. Interruption of supply could arise from conflict-related or health-crisis-related market shortages, or from changed business conditions at significant suppliers. Cymat attempts to purchase key raw materials and supplies well in advance of their anticipated use and, where possible, seeks multiple sources for such supplies.

## **Outbreak of Disease**

A global outbreak of disease or similar public health threat could have a material adverse effect on the operations of Cymat. A pandemic has the potential to be highly disruptive to the global economy and has the potential to negatively impact Company sales, supply chains, labour force, manufacturing capabilities and ability to raise additional financing.

## **International Trade Barriers and Tariffs**

Currently neither Cymat's primary raw material supplies nor Cymat's export of SAF have been affected by the recent import tariffs enacted by the United States and the subsequent retaliatory measures adopted by various world economies. However, these actions have increased the amount of volatility experienced by international trade. Further escalation of trade tensions has the potential to increase the landed cost of Cymat's SAF for international customers, which could have a negative effect on Company sales.

## **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, commodity price risks associated with aluminum-based raw materials, fluctuating currency exchange rates and the ability of the Company to manage growth.

## **13. 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 year ended April 30, 2025, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## **14. Subsequent Date Events**

### **Equity Issuance**

On June 4, 2025, the Company issued 323,318 common shares for gross proceeds of \$35,565 in completion of the April 2025 private placement of equity units priced at \$0.11 per unit. Each equity unit consisted of one common share and one common share purchase warrant. The warrants have an exercise price of \$0.13 and an expiry date of April 15, 2027, subject to an accelerated expiry date, to be enacted at the Company's discretion should the trading value of the underlying common shares close at or above \$0.16 for ten consecutive trading days. The accelerated expiry date would be 45 days after the Company's activation of the acceleration clause.

### **Warrant Expiry Acceleration**

On July 9, 2025, the Company activated the warrant expiry date acceleration clause contained in the 11,671,525 common share purchase warrants issued in conjunction with the April 2025 private placement. As a result, the expiry date of the warrants advanced from April 15, 2027 to August 22, 2025. 9,171,525 of these warrants were exercised for gross proceeds of \$1,192,298. On August 22, 2025, the remaining 2,500,000 warrants expired unexercised.

## Promissory Note Extension Issuance

The promissory notes with a carrying value of \$3,293,353 at the end of April 30, 2025 and a maturity date of July 31, 2025 were extended on August 1, 2025. The new notes have a maturity date of January 31, 2027. The principal value of the extended notes is \$3,497,964. As with the incumbent notes, interest is payable on the principal at a rate of one percent (1%) per month. Additionally, for every \$100,000 of principal, the notes earn a further financing fee equal to one percent (1%) of SAF sales that are received or receivable for the duration of the notes. Interest and the additional financing fees accrue and are payable at the notes' maturity.

## 15. Outlook

Cymat's Alusion™ brand continues to face headwinds with slowing global construction output, especially in the residential and commercial building sectors. Cymat does however have expectations for Alusion™ sales in the public projects sector in the upcoming fiscal year that capitalize on the global trend towards retrofitting of existing buildings to further decarbonization and sustainability goals. The pipeline of inquiries and quotes for new Alusion™ projects remains healthy the Company expects that Alusion™ will continue to be a significant source of revenue for the new fiscal year.

Within the next couple of months, Cymat expects to receive the second order from NUVIA - our French nuclear technology customer - of SmartMetal™ panels calibrated to provide protection for critical nuclear energy infrastructure. France is undertaking life extension programs for their nuclear power generating facilities creating the expectation of a future stream of similar SmartMetal™ orders. Additionally, Cymat and Nuvia are discussing several new applications featuring SmartMetal™ aluminum foam for future sales to Nuvia's customer base. Based on the effectiveness of SmartMetal™ within Nuvia's NuFoam™ platform, Cymat is engaging in conversations with a number of entities outside of France interested in providing enhanced resilience for new energy infrastructure projects.

Cymat is putting the finishing touches on an order for 48 SmartMetal™ underbelly protection kits initiated by our Asian military vehicle manufacturer customer. This order is an escalation from the 24-kit order fulfilled in the April 2025 fiscal year. A follow-on order for 25 kits is expected this year, with the latest forecast delivery schedule for 350 kits in total, specifying delivery of 187 kits for next year. The Asian OEM's marketing efforts for this vehicle are expected to extend to the broader global military customer base, where earlier vehicle variants are in service. Cymat continues to participate in additional defense and security SmartMetal™ initiatives that are targeted at the increased global armored vehicle demand which especially focused on lighter, more agile, survivable platforms prioritizing rapid deployment.

Cymat continues to place a high priority on business development efforts targeting the automotive industry, with a focus that includes, but is not exclusive to, electrified vehicle platforms. Tariffs on automotive related imports continue to be initiated by the US administration causing major disruptions to well-established supply chains and significantly increasing manufacturing costs. Currently Cymat is engaged in a number of R&D activities focused on the delivery of meaningful cost savings through SmartMetal™-based automotive components that improve upon in-vehicle systems and aid the manufacturing process

The Automotive Parts Manufacturers' Association ("APMA") has launched Project Arrow 2.0 ("PA2.0") as a further demonstration of the viability of an all-Canadian, zero emission passenger vehicle. Cymat has been selected as a pre-qualified partner in PA2.0. Cymat's participation on the PA2.0 is expected to increase the exposure of the benefits and capabilities of SmartMetal™ to a broader range of manufacturers in the automotive industry. Project Arrow commenced in 2023 with its first phase generating \$500 million in total contracts for the companies contributing their technologies to the endeavor.

The most significant expectation that Cymat has for the new fiscal year concerns the recently announced Letter of Intent (“LOI”) with Rio Tinto Alcan Inc. (“RTA”) to acquire their technology and related knowhow to manufacture its proprietary aluminum metal matrix composites (“MMC”) and to facilitate the transfer of RTA’s customers for the product.

Cymat expects to establish MMC production capability within its existing Mississauga plant. Once MMC production is fully operational, sales volumes provided by RTA suggest that Cymat could realize incremental annual revenue in the range of \$7.5M - \$10M. Capital costs for equipment are estimated to be in the range of \$2M - \$2.5M. Technology and knowhow transfer expenses, while still under negotiation, are anticipated to be in the low to mid six-figure range. The assumption of this new business line provides several benefits for Cymat. Firstly, it is expected to add a substantial independent and predictable revenue stream to Cymat’s existing business. Cymat expects MMC sales to be a significant driver of profit. Secondly, it will lower the cost of Cymat’s primary input material by a substantial factor, allowing Cymat to offer compelling price propositions for targeted customers such as those in its key automotive sales vertical. It also has the potential to create entry to business opportunities in high-volume sectors where SAF has historically not been price competitive. Finally, possession of in-house MMC making capabilities will allow Cymat to experiment with differing MMC formulations potentially leading to SAF with enhanced characteristics.