CEMATRIX CORPORATION

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2023
(in 000's Canadian dollars)

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Three and Nine Months Ended September 30, 2023

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the three and nine months ended September 30, 2023. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2023, (the "Interim Condensed Consolidated Financial Statements") and the related notes thereto and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2022, and related notes thereto. The Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. All dollar figures included therein and in this MD&A are in Canadian dollars and all amounts are reported in thousands of Canadian dollars, except share and per share amounts or as otherwise stated. Certain comparative figures have been reclassified to conform to the MD&A presentation adopted for the current year.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com. CEMATRIX is listed on the TSX Venture Exchange under the trading symbol "CVX" and is listed on the OTCQB under the trading symbol "CTXXF".

The Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the Interim Condensed Consolidated Financial Statements and MD&A for the three and nine months ended September 30, 2023. The Board of Directors of the Company reviewed and approved the Interim Consolidated Financial Statements and MD&A on August 9, 2023.

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Forward Looking Statements

This MD&A contains certain statements and disclosures that may constitute forward-looking information under applicable securities law. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Company anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by such terms as "forecast", "future, "may", "will", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate", "pro-forma" or other comparable terminology. Forward-looking information presented in such statements or disclosures may, amongst other things relate to: sources of revenue and income; forecasts of capital expenditures and sources of financing thereof; the Company's business outlook; plans and objectives of management for future operations; forecast business results; and anticipated financial performance.

The Company has identified what it considers to be the material forward-looking statements and disclosure in this MD&A and has listed them in Appendix A. The material factors, material assumptions and material risks that provide the basis for those statements and disclosure have also been provided in Appendix A.

The forward-looking information in statements or disclosure in this MD&A is based (in whole or in part) upon factors which may cause actual results, performance, or achievements of the Company to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Various assumptions or factors are typically applied in drawing conclusions or making forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company including information obtained by the Company from third-party industry analysts and other third-party sources. Actual results or outcomes may differ materially from those predicted by such statements or disclosures. While the Company does not know what impact any of those differences may have, its business, results of operations, financial condition and its credit stability may be materially adversely affected.

The Company has discussed, in Section E – Key Market Drivers and in Section F – Key Risks and Uncertainties of its MD&A for the year ended December 31, 2022, the significant market drivers and risk factors that affect its business and could cause actual results to differ materially from the forward-looking information disclosed herein. The Company cautions the reader that these factors are not exhaustive. The risk factors that could lead to differences in business results and which could cause actual results to differ materially from the forward-looking information disclosed herein include, without limitation, legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where the Company operates, results of financing efforts, changes in counterparty risk and the impact of accounting standards issued by the International Accounting Standards Board.

The Company is not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of the risks, uncertainties and assumptions contained herein, prospective investors should not place undue reliance on forward-looking statements or disclosures. The foregoing statements expressly qualify any forward-looking information contained herein.

A. Purpose of the Company's MD&A

The purpose of this MD&A is to provide a narrative explanation, through the eyes of management, to assist the reader in understanding the Company's performance for the three and nine months ended September 30, 2023, the Company's financial condition as at September 30, 2023, and its future prospects.

B. Highlights

Best Financial Quarter in the history of the Company

In the third quarter of 2023 alone the Company's revenue was $20.4 million versus $11.6 million in the same quarter last year, which represents a 76% increase. Third quarter revenue this year by itself represents 70% of 2022 full year revenue of $29 million or 90% of 2021 full year revenue of $23.6 million. September YTD revenue of $33.7 million is already higher than any other full year in the history of the Company and we are forecasting to have a strong fourth quarter.

Revenue Growth

The third quarter is generally the strongest financial quarter for the Company as it is peak construction season in many of the key markets that the Company operates. The Company once again saw significant revenue growth in the third quarter of 2023 compared to 2022 and when combined with the previous quarters resulted in continued record revenues for the first nine months. This increase in revenue through organic growth is attributable to our investment in sales resources and resulting success of our sales teams, and the continuing growing market acceptance of cellular concrete.

Improving Gross Margins

In addition to record revenue, the Company has continued to experience improved margins. The inflationary pressures across all facets of our business which led to lower gross margins in 2022 have stabilized, as the measures taken by central banks in Canada and the US have been successful at slowing the pace of inflation. In particular, the cement and ready-mix supply commodity availability and prices have stabilized which has also helped margins.

Much of the Company's costs are fixed. The Company's only true significant variable costs are cement / ready mix, foaming agent, and mobilization costs. As a result, the Company requires a certain amount of revenue and project margins to cover these fixed costs to breakeven. Once that breakeven amount of revenue is achieved, the Company begins to be profitable as every additional gross margin dollar turns into EBITDA.

As a result of the above factors, the Company has experienced improved margins in the third quarter and year to date 2023.

Seasonal business

As a specialty construction contractor, our business is subject to the seasonality of the overall construction industry in the markets that we operate in. In particular, winter and cold weather has a significant impact on the activities of our customers and, as a direct result, our revenue. Due to the challenges associated with cold weather, there is in general less construction activities that occur during the winter in Canada and the northern United States.

The first quarter tends to be our slowest quarter, followed by the second quarter, with the third quarter being our strongest and the fourth quarter generally being our second best quarter. Over the last four years, we have averaged 35% of our revenue in the first half of the year, 40% of our revenue in the third quarter, and 25% of our revenue in the fourth quarter. The percentages can and do vary year to year depending on the location and mix of projects. Some of our projects or applications, such as tunnel grouting work, work on the west coast, or work in the southern US has less exposure to winter seasonality. We continue to try to win more work and grow our business in these segments to reduce the impact of seasonality on our business.

Cement & Ready-Mix Supply Challenges Significantly Improved

Cement & ready-mix is the number one material used in the creation and production of cellular concrete. In recent years, cement and ready-mix supply was generally available and at worst was able to be procured within a couple of weeks of requirements. In 2022, this changed in most North American markets and our business was significantly impacted by the lack of availability of cement and ready-mix in certain markets and an increase in cost of cement and ready-mix. The Company's cement and ready-mix suppliers have indicated that they do expect the availability of cement and ready-mix to improve significantly in 2023. In the first nine months of the year, we have witnessed this firsthand as cement and ready-mix pricing has stabilized and availability has improved. Our cement and ready-mix suppliers have shared with the Company that this improvement is due primarily to two factors. The first is related to reduced demand due to the impact on residential construction from rising interest rates and the second is cement suppliers successfully working through their own supply chain challenges.

Inflationary Pressures Continue to Ease

The measures to increase interest rates undertaken by the Central Banks in Canada and the USA have been successful at slowing the pace of inflation. This has helped the Company contain some of the rising costs that impacted the Company in 2022. The Company has also improved its contracting process to provide protection from future unexpected cement price increases and to reduce the impact of such increases on 2023 and future margins. Even with these positive changes, the Company still expects to see inflationary pressure on lagging inflationary items such as salaries and wages in 2023 as they now have to be adjusted to account for the inflation that was experienced by our employees in 2022.

Full Year 2023 Forecast

The record revenue in the first nine months of 2023 is expected to continue throughout 2023 and has set the Company up for a record year. In addition, the Company also expect gross margins to continue to improve in 2023 versus the prior year, as higher revenues allow for fixed costs to be covered sooner. In addition, as inflationary pressures ease and project profitability improves with changes in the availability of cement and ready-mix supply.

Our sales teams continue to win projects as a result of our quality, innovation and competitiveness in our key markets. CEMATRIX continues to invest in sales resources and new equipment to expand geographically in markets that are close to our existing operations. With the forecasted record revenue in 2023, we are forecasting to remain profitable with positive adjusted EBITDA and positive cashflow from operations.

Continue to Win New Contracts

The Company continues to see a strong bid pipeline and be awarded new projects. The Company continues to win new work / projects as our investment in equipment and sales resources coupled with our sales strategies is providing a compelling story to our customers to choose cellular concrete and to choose CEMATRIX.

On October 25, the Company announced another major contract win of $7.1 million bring the total value of announced contracts in 2023 to $51.9 million. The Company continues to see increased activity in its bid pipeline which bodes well for 2023, into 2024 and beyond.

Financial Review – Third Quarter

Revenues were a record $20.4 million for the third quarter of 2023, an increase of $8.8 million or 76%, compared to $11.6 million in the third quarter of 2022. The increase in revenue was due to more projects being completed this quarter including a large tunnel grouting project. Revenue generated in the third quarter of 2023 in the US amounted to $10.5 million, while sales in Canada amounted to $9.9 million.

Gross Margin was $4.6 million in the third quarter of 2023, compared to $2.2 million in the third quarter of 2022, an increase of $2.4 million. Gross Margin (as a percentage of revenue) increased to 23% in the third quarter of 2023 compared to 19% in the comparative period. The increase in Gross Margin and Gross Margin percentage is due to higher revenues offsetting fixed costs and stronger margins on projects delivered in the quarter compared to the prior year as inflationary pressures and cement supply challenges stabilized.

Adjusted EBITDA was $3.2 million in the third quarter of 2023 compared to $0.9 million in the same period of 2022. The improvement in adjusted EBITDA was due primarily to higher revenues and higher gross margins as inflationary pressures and supply challenges eased in early 2023.

Cash flow generated from operating activities (before changes in working capital) was $3.1 million in the third quarter of 2023, compared to $0.9 million in the same period of 2022.

Financial Review – Year to Date

Revenue was a record $33.7 million in the first nine months of 2023, an increase of $13.0 million or 63% compared to the comparable period of 2022. The increase in revenue was to more projects being completed this year including three large tunnel grouting projects. Revenue generated in the first nine months of 2023 in the US amounted to $18.0 million, while sales in Canada amounted to $15.7 million.

Gross Margin and Gross Margin Percentage were $6.5 million and 19% respectively for 2023, compared to $2.1 million or 10% in 2022, an increase of $4.4 million. The change in the gross margins was due to higher revenues generating increased projects margins to offset fixed costs and higher margins on projects in 2023 compared to margins on projects in 2022.

Adjusted EBITDA in the first nine months of 2023 was $2.1 million, compared with Adjusted EBITDA of negative $1.9 million in the same period in 2022, for an improvement of $4.0 million, mainly due to higher revenues and higher gross margins.

Cash flow generated from operating activities (before changes in working capital) was $2.0 million in the first nine months of 2023, compared to cash used in operating activities of $1.9 million in the same period in 2022.

(in 000's Canadian Dollars)

C. Operations and Overall Performance

Results of Operations – Third Quarter

Comparison of the three months ended September 30, 2023, with the same period in 2022:

	Three Months Ended September 30,		
	2023	2022	Change
Revenue	$ **20,375**	$ 11,556	$ 8,819
Gross margin	$ **4,643**	$ 2,222	$ 2,421
Operating expenses	**(2,157)**	(1,894)	(263)
Operating income (loss)	**2,486**	328	2,158
Stock based compensation	**(2)**	(169)	167
Finance costs	**(87)**	(218)	131
Other income (expense)	**49**	11	38
Accretion costs	**-**	(102)	102
Fair value of derivatives	**-**	(4)	4
Income (loss) before income taxes	**2,446**	(154)	2,600
Provision of deferred taxes	**(617)**	(331)	(286)
Income (loss) attributable to the common shareholder	**1,829**	(485)	2,314
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	**490**	1,070	(580)
Comprehensive income (loss)	$ **2,319**	$ 585	$ 1,734
Fully diluted gain (loss) per common share	$ **0.014**	$ (0.004)	$ 0.018

Revenues were $20.4 million for the third quarter of 2023, an increase of $8.8 million or 77%, compared to $11.6 million in the third quarter of 2022. The increase in revenue was due increased size and number of projects completed in both Canada and the US. The revenue generated in the third quarter of 2023 in the US amounted to $9.9 million, while revenue in Canada amounted to $10.5 million.

Gross Margin was $4.6 million in the third quarter of 2023, compared to $2.2 million in the third quarter of 2022, an increase of $2.4 million. Gross Margin percentage increased to 23% in the third quarter of 2023 compared to 19% in comparative period. The increase in Gross Margin and Gross Margin percentage is due to higher revenues offsetting fixed costs and stronger margins on projects delivered in the quarter compared to the prior year as inflationary pressures and cement supply challenges stabilized.

Operating expenses (SG&A) were $2.2 million in the third quarter of 2023 compared to $1.9 million in the same period in 2022, an increase of 14% mainly due to an increase in salaries & wages, insurance, and marketing costs; partially offset by reductions in legal and consulting expenses.

Stock-based compensation expense of $2 for the third quarter of 2023 compared to $169 during the third quarter of 2022. During the third quarter of 2023, the company evaluated its forfeiture rate following the departure of several staff members. The change in forfeiture rate resulted in a recovery of $61. The additional reduction of $106 relates to the differences in amounts granted and vesting dates between the periods and the corresponding impacts on the recognition of stock-based compensation.

Finance costs were $87 in the third quarter of 2023 compared to $218 in the same period in 2022, a decrease of $131 or 60%. The decrease is attributable to the repayment in April of the 2020 Convertible debentures, partially offset by higher interest rates on our long-term debt with the BDC.

Other income was $49 in the third quarter of 2023 compared to $11 in the third quarter of 2022. In the third quarter of 2023, other income mainly consisted of interest income of $44, partially offset by a foreign exchange loss of $9. For the same period in 2022, other income mainly consisted of interest income of $100, partially offset by foreign exchange loss of $232.

Accretion costs were $nil in the third quarter of 2023 compared to $102 for the same period in 2022. Accretion expense is entirely related to the host debt contract of the convertible debenture that were repaid in mid April 2023. With the repayment of the convertible debentures the Company does not expect to have accretion expense going forward.

Unrealized foreign exchange gains and losses on the translation of foreign subsidiaries are recognized through other comprehensive income. MOS, PIGCO and CEMATRIX (USA) Inc. have a USD functional currency and as the Canadian dollar weakened relative to the USD, the value of these assets depreciated resulting in an unrealized foreign exchange gain of $490, in the third quarter of 2023, compared to an unrealized foreign exchange gain of $1,070 in same period in 2022.

(in 000's Canadian Dollars)

Results of Operations – Year to Date

Comparison of the nine months ended September 30, 2023, with the same period in 2022:

	Nine Months Ended September 30,		
	2023	2022	Change
Revenue	$ **33,742**	$ 20,701	$ 13,041
Gross margin	$ **6,529**	$ 2,102	$ 4,427
Operating expenses	**(6,173)**	(5,580)	(593)
Operating income (loss)	**356**	(3,478)	3,834
Stock based compensation	**(284)**	(463)	179
Finance costs	**(375)**	(540)	165
Other income (expense)	**47**	296	(249)
Accretion costs	**(138)**	(286)	148
Fair value of derivatives	**(21)**	(11)	(10)
Loss before income taxes	**(415)**	(4,482)	4,067
Provision of deferred taxes	**(373)**	167	(540)
Provision of current taxes	**(15)**	-	(15)
Loss attributable to the common shareholder	**(803)**	(4,315)	3,512
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries	**1**	1,157	(1,156)
Comprehensive income (loss)	$ **(802)**	$ (3,158)	$ 2,356
Fully diluted gain (loss) per common share	$ **(0.006)**	$ (0.032)	$ 0.026

Revenue in the first nine months of 2023 was $33.7 million compared to $20.7 million in the first nine months of 2022 an increase of 63% or $13 million. The increase in revenue was due to an increased size and number of projects completed, including three large tunnel grouting projects, as the Company's investment in sales resources and sales strategies continues to be successful.

Gross Margin was $6.5 million in the first nine months of 2023, an increase of $4.4 million, compared to a Gross Margin of $2.1 million in the prior year period. As a percentage of revenues, the Gross Margin Percentage increase to 19% compared to 10% in 2022. The increase in the gross margins was due to higher revenues generating increased projects margins to offset fixed costs and higher margins on projects in 2023 compared to margins on projects in 2022.

Operating (SG&A) expenses were higher by $593 or 11% mainly due to an increase in salaries & wages, insurance, and marketing costs; partially offset by reductions in legal and consulting expenses.

Stock based compensation expense was $284 in the first nine months of 2023 compared to $463 in the prior year period. During the third quarter of 2023, the company evaluated its forfeiture rate following the departure of several staff members. The change in forfeiture rate resulted in a recovery of $61. The additional reduction of $118 relates to the differences in amounts granted and vesting dates between the periods and the corresponding impacts on the recognition of stock-based compensation.

(in 000's Canadian Dollars)

Finance costs were $375 in the first nine months of 2023 compared to $540 in the same period in 2022, a decrease of $165. The decrease is attributable to the repayment in April of the 2020 Convertible debentures, partially offset by higher interest rates on our long-term debt with the BDC.

Other income was $47 in the first nine months of 2023 compared to income of $296 for the same period in 2022. Other income for the first nine months of 2023 primarily consisted of interest income of $256, gain on sale of equipment of $30, and offset by foreign exchange loss of $254. For the same period in 2022, other income consisted of interest income of $200, a foreign exchange gain of $44, and a gain on sale of equipment of $43.

Accretion costs were $138 in the first nine months of 2023 compared to $286 for the same period in 2022. Accretion expense is entirely related to the host debt contract of the convertible debenture that were repaid in mid April 2023. With the repayment of the convertible debentures the Company does not expect to have accretion expense going forward.

The convertible debenture issued in April 2020 was trifurcated into a host debt contract, prepayment, and equity features, of which the prepayment feature is accounted for as a derivative and revaluated at every reporting period. Based upon the modified Black-Scholes option pricing model, the fair value of the prepayment feature of the convertible debenture decreased by $21 in 2023, resulting in a loss for the same amount, compared to a decrease of $11 in the first nine months of 2022.

Unrealized foreign exchange gains and losses on the translation of foreign subsidiaries are recognized through other comprehensive income. MOS, PIGCO and CEMATRIX (USA) Inc. have a USD functional currency and as the Canadian dollar strengthened relative to the USD, the value of these assets depreciated resulting in an unrealized foreign exchange gain of $1 in the first nine months of 2023. A similar effect occurred in the first nine months of 2022 which resulted in an unrealized foreign exchange gain of $1,157.

D. Selected Financial Information and Summary of Financial Results

The Company's business is seasonal in nature as it follows the construction season. Typically, revenues in the second half of the year are significantly greater than the first half of the year. This seasonality is reflected in the quarterly results summarized in the table below:

Quarters ended		Revenue		Comprehensive Income (Loss)		Income (Loss) Per Share Basic		Diluted
2023 Year								
March 31	**$**	**7,182**	**$**	**(1,687)**	**$**	**(0.012)**	**$**	**(0.012)**
June 30		**6,185**		**(1,434)**		**(0.007)**		**(0.007)**
September 30		**20,375**		**2,319**		**0.014**		**0.013**
Total for year	**$**	**33,742**	**$**	**(802)**	**$**	**(0.006)**	**$**	**(0.006)**
2022 Year								
March 31	$	5,122	$	(2,174)	$	(0.017)	$	(0.017)
June 30		4,022		(1,569)		(0.012)		(0.012)
September 30		11,556		585		(0.004)		(0.004)
December 31		8,303		(1,292)		(0.009)		(0.009)
Total for year	$	29,003	$	(4,449)	$	(0.042)	$	(0.042)

Note 1: Quarterly Income (loss) per share is calculated on a standalone quarterly basis and accordingly the sum of the quarterly amounts may not equal the total for the year.

(in 000's Canadian Dollars)

E. Consolidated Statements of Financial Position

Comparison of the financial position as at September 30, 2023, compared to December 31, 2022:

		2023		2022		Change
Current assets	$	**17,769**	$	19,561	$	(1,792)
Non-current assets		**21,549**		21,256		293
Total assets	$	**39,318**	$	40,817	$	(1,499)
Current liabilities	$	**9,338**	$	10,165	$	(827)
Non-current liabilities		**2,756**		2,910		(154)
Total liabilities	$	**12,094**	$	13,075	$	(981)
Shareholders' equity	$	**27,224**	$	27,742	$	(518)

Total current assets decreased by $1,792. This decrease in aggregate is summarized below:

- Cash decreased by $8,772 (See the discussion in Section F - Consolidated Statement of Cash Flows).
- Trade and other receivables increased by $7,554 due to record revenue generated in the third quarter of 2023. Accounts receivables increase during periods of higher revenue and then decline in periods of lower revenue as the amounts are collected.
- Inventory decreased by $192 as foaming agent was used in the production of cellular concrete.
- Prepaids and deposits decreased by $382 due to the amortization of insurance premiums that were prepaid in 2022.

Total non-current assets increased by $293. This increase in aggregate is summarized below:

- Long-term investments increased by $49 due to: $53 accrued interest income from the Glavel Notes, offset by $4 unrealized foreign exchange loss on the translation of the investment in Glavel Inc.
- Property and equipment increased by $288 because of equipment and vehicle additions of $1,545, offset by depreciation expense of $1,196, dispositions with a net book value of $43, and by a $18 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries.
- Right of use assets under finance lease decreased by $12 due to building and vehicle additions of $498, offset by depreciation expense of $480, dispositions with a net book value of $28, and $2 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries.
- Goodwill and intangibles assets decreased by $11 foreign exchange loss on the translation of assets held by our foreign denominated subsidiaries.
- Convertible debt – derivative asset decreased by $21 as the convertible debenture forced conversion feature was reduced to zero because of the repayment in April 2023.

Total current liabilities decreased by $827. This decrease in aggregate is summarized below:

- Trade and other payables increased by $7,846 largely as a result of the timing difference in payments largely as a result of the timing difference in payments.
- On April 22, 2020, the Company issued unsecured convertible debenture with a total principal amount of $5,720 at a price of $1,000 per debenture with a maturity of April 22, 2023. The Convertible debenture was repaid on maturity, resulting in a decrease to current liabilities of $3,499.
- Current portion of long-term debt decreased by $2 because of foreign exchange rate decrease on BDC USD denominated loans.
- Current portion of finance lease obligations decreased by $36 due to changes in finance leases on buildings and vehicles.

Total non-current liabilities decreased by $154. This decrease in aggregate is summarized below:

- Long term debt decreased $471 because of $464 repayments and $7 unrealized foreign exchange gains on the translation of foreign denominated debt.
- Finance lease obligations decreased $55 due to $559 in lease payments, offset by $498 in building and vehicle additions and $6 in unrealized foreign exchange gains on the translation of foreign denominated leases.
- Deferred tax liability increased by $372 primarily due differences in accounting net income versus taxable net income related to different depreciation rates used for accounting versus tax, partially offset by $2 unrealized foreign exchange gains on the revaluation of the USD denominated balances.

Shareholders' Equity decreased by $518. This increase in aggregate is summarized below:

- Share capital increased $81 due to an exercise of restricted share units.
- Contributed surplus increased by $735 due to $284 amortization of stock-based compensation on options and restricted share units, $532 reclassification of expired warrants on settlement of 2020 convertible debentures, partially offset by $81 reclassification to Share Capital for the exercise of restricted share units.
- Accumulated other comprehensive loss increased by $1 due to the unrealized foreign exchange gain on the translation of MOS, PIGCO and CEMATRIX (USA) Inc. as the USD depreciated versus the Canadian dollar.
- The Deficit increased by $803 due to the loss to common shareholders for the nine months ended September 30, 2023.

For additional information please see the Consolidated Statements of Shareholders' Equity included in the Condensed Consolidated Financial Statements.

(in 000's Canadian Dollars)

F. Consolidated Statements of Cash Flows

Cash Flow – Third Quarter

The cash position of the Company as at September 30, 2023, was $1,910 compared to a cash position of $12,246 in the comparative period.

The change in cash in the third quarter of 2023 was a decrease of $1,609 as compared to a decrease of $1,580 in the same period of 2022. This change is outlined in the table:

	Three Months Ended September 30,		
	2023	2022	Change
Cash used in operating activities			
Cash flow from operating activities	**$ 3,132**	$ 887	$ 2,245
Net change in non-cash working capital items	**(3,521)**	(1,430)	(2,091)
	(389)	(543)	154
Cash used in investing activities	**(492)**	(312)	(180)
Cash used in financing activities	**(736)**	(766)	30
Foreign exchange effect on cash	**8**	41	(33)
Increase (decrease) in cash	**(1,609)**	(1,580)	(29)
Cash at beginning of period	**3,519**	13,826	(10,307)
Cash at end of period	**$ 1,910**	$ 12,246	$ (10,336)

Cash used in operating activities decreased by $154 due to the following:

- Cash flow before non-cash working capital adjustments increased by $2,245 primarily due to: higher revenues and higher gross margins partially offset by higher SG&A costs due to inflationary pressures.
- Net change in non-cash working capital items decreased by $2,091, primarily due to the level of trade receivables vs trade payables generated in the respective periods and the timing of their collection and payment.

Cash used in investing activities decreased by $180 due to the following:

- Property and equipment additions increased by $208 compared to the prior period.
- Proceeds from property and equipment dispositions increased by $28 compared to the prior period.

Cash used in financing activities decreased by $30 due to the following:

- Repayment of finance lease obligations increased $22 due to building and vehicle additions.
- Interest paid decreased by $59 due to repayment of the convertible debentures, partly offset by rising interest rates and foreign denominated BDC loan payments.

(in 000's Canadian Dollars)

Cash Flow – Year to Date

The cash position of the Company as at September 30, 2023, was $1,910 compared to a cash position of $12,246 in the comparative period.

The change in cash in the first nine months of 2023 was a decrease of $8,772 as compared to a decrease of $7,986 in the same period of 2022. This change is outlined in the table below:

	Nine Months Ended September 30,		
	2023	2022	Change
Cash used in operating activities			
Cash flow from operating activities	**$ 1,967**	$ (1,907)	$ 3,874
Net change in non-cash working capital items	**(4,227)**	(1,342)	(2,885)
	(2,260)	(3,249)	989
Cash used in investing activities	**(1,472)**	(3,402)	1,930
Cash used in financing activities	**(5,035)**	(1,391)	(3,644)
Foreign exchange effect on cash	**(5)**	56	(61)
Increase (decrease) in cash	**(8,772)**	(7,986)	(786)
Cash at beginning of period	**10,682**	20,232	(9,550)
Cash at end of period	**$ 1,910**	$ 12,246	$ (10,336)

Cash used in operating activities decreased by $989 due to the following:

- Cash flow from operating activities before non-cash working capital adjustments improved by $3,874 mainly due higher revenues and gross margins when compared to the prior quarter period.
- Net change in non-cash working capital items increased by $2,885, primarily due to the level of trade receivables and trade payables generated in the respective periods and the timing of their collection and disbursement.

Cash used in investing activities decreased by $1,930 due to the following:

- Long-term investment decreased by $2,156 as the company made investment in Glavel Inc. equity and convertible debentures in the prior period.
- Property and equipment additions increased by $278 compared to prior period.
- Proceeds from property and equipment dispositions increased by $52 compared to the prior period.

Cash used in financing activities increased by $3,644.

- The company repaid the April 2020 convertible debentures in the amount of $3,589.
- Repayment of the principal portion of finance lease obligations increased by $93 due to building and vehicle additions and foreign denominated lease payments.
- Long term debt repayment increased by $7 due to foreign denominated loan payments.
- Interest payments decreased by $45.

G. Liquidity and Capital Resources

Liquidity

The Company's liquidity, including obtaining cash resources to finance capital spending to increase its production capacity, is dependent on generating sales, profits, cash flow from operations, maintaining a facility to finance working capital and accessing capital debt facilities through loans or lease financing.

On September 30, 2023, the Company had cash balance of $1,910 versus $10,682 at December 31, 2022. The Company's Adjusted Net Working Capital was $8,010 on September 30, 2023 compared to $3,740 on December 31, 2022.

The convertible debentures that were issued in April 2020 were repaid on their maturity date of April 2023. This decreased cash balances but also reduced debt and future interest costs.

In February 2022 and amended May 2023, CEMATRIX entered into a financing arrangement with the Canadian Imperial Bank of Commerce (the "Bank" or "CIBC") which provides a $3,000 (originally $5,000) asset-based credit facility (the "Credit Facility"). The Credit Facility bears interest at an amount equal to 1.5% above the Bank's prime lending rate, which is at 7.20% as of September 30, 2023, and is secured by a general security agreement providing a first secured interest on the receivables and inventory of the Company. The Credit Facility is further guaranteed by the Company with a general security agreement providing a first secured interest on all present and after acquired property of the Company.

Under the terms of the amended Credit Facility, the Bank will advance up to $3,000 (originally $5,000) based on 75% of trade receivables less than ninety days outstanding at the end of each month and 50% of inventories. The calculated availability of the Credit Facility on September 30, 2023, was $3,000 of which $nil was outstanding ($nil – December 31, 2022). The actual availability of the credit facility is reduced by the value of letters of credit that are currently issued and outstanding on the facility. As of September 30, 2023, there were $865 in letters of credit outstanding ($1,387 – December 31, 2022).

The CIBC credit facility has three financial covenants that must be maintained on a consolidated basis (refer to Appendix C for detailed calculations). The three financial covenants are the current ratio, debt to EBITDA ratio, and debt service coverage ratio. The current ratio and debt to EBITDA ratios are tested quarterly and the debt service coverage ratio is tested annually. As at September 30, 2023, CEMATRIX was in compliance with the current ratio financial covenant and the debt to EBITDA ratio.

- Current ratio not less than 1.25, tested quarterly. This is the ratio of current assets to current liabilities. As at September 30, 2023, the Company was compliant with this covenant.
- Debt to EBITDA ratio of not more than 3.0 times, tested quarterly. This is a ratio of all long term debt divided by the rolling 12 months Adjusted EBITDA. The calculation for Adjusted EBITDA is illustrated in Appendix B. As at September 30, 2023 the Company was compliant with this covenant. In May 2023, CIBC and the Company amended the credit facility to waive the quarterly Debt to EBTIDA covenant for Q1 2023 to Q3 2023.
- Debt Service Coverage ratio of not less than 1.50 times, tested annually. This ratio is calculated by taking Adjusted EBITDA divided by the sum of all debt service costs (principle, interest, cash taxes, dividends and distributions).

The USD BDC Financing Loans have a consolidated fixed charge coverage ratio financial covenant which is tested annually. At December 31, 2022, the Company was not compliant with this covenant. On the same date, the BDC provided a tolerance for this covenant breach for the period up to and including December 31, 2022. This covenant will be tested again at December 31, 2023 at which time the Company is forecasting to be in compliance.

Capital resources

Although the Company has significant production capacity for the foreseeable future, building additional production capacity in future years for specific purposes is dependent on the Company generating the required funds from operations or new debt or equity financing. In the future, if the Company needs to add production capacity, there is no certainty that additional debt or equity financing will be available to the Company.

The Company defines its capital as the long term debt, the lease obligations and shareholders' equity. The current objective of the Company is to manage its capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders in relation to the risks underlying the Company's assets. The consolidated capital of the Company, as outlined in Note 20 - Capital Management to the Consolidated Financial Statements, was $30,736 on September 30, 2023, as compared to $35,317 on December 31, 2022 (see Section E. Consolidated Statements of Financial Position for details).

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements on September 30, 2023.

I. Transactions with Related Parties

During the three and nine months ended September 30, 2023, and 2022, the Company did not have any material transactions with related parties.

J. Critical Accounting Judgements, Estimates and Assumptions

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

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2022. There have been no changes since that date.

K. Changes in Accounting Policies including Initial Adoption

New accounting policies

There are no new standards issued but not yet effective as of January 1, 2023, that have a material impact to the Company's consolidated financial statements.

Future accounting pronouncements

The Company has reviewed new and revised standards and interpretations that have been approved by the IASB. There have been no new standards or interpretations issued during 2023 that significantly impact the Company.

L. Financial Instruments

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

Other financial liabilities

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

Equity instruments

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

Fair values of Non-derivative financial instruments

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, bank operating loan, US operating loan, and trade and other payables approximate their carrying values due to the relatively short periods to maturity of these instruments.

The fair value of the BDC Financing loans approximate their carrying value as the debt rate floats with prime and is representative of market rates offered to the Company.

The fair value of the long-term investment in convertible notes approximates its carrying value as the purchase price is a market rate for other investors participating in the private placement.

At the date of issue, the fair value of the debt components of the convertible debt was estimated using the prevailing market interest rates for similar non-convertible instruments. This amount was recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The fair value of the equity feature of the convertible debt was determined at the issue date by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This conversion option is recognized as net of income tax effects as equity and is not subsequently re-measured.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of financial instruments according to the following hierarchy based on the number of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The long-term investment in convertible notes, embedded derivatives related to the forced conversion, prepayment and conversion features on the convertible debt are measured based on level 2.

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

There were no transfers between level 1, 2 and 3 inputs during the year.

(in 000's Canadian Dollars)

Risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

Interest Rate Risk

The BDC Financings, which totaled $2,439 on September 30, 2023, are subject to floating market rates. Based on the floating rate debt outstanding, a 1% increase/decrease in interest rates would result in an increase/decrease in net loss attributable to common shareholders of approximately $24 excluding the effect of income taxes.

Credit Risk

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

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

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

Liquidity Risk

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

The table below summarizes the maturity profile of the Corporation's financial liabilities at September 30, 2023, and December 31, 2022, based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 6 years	Total
As at September 30, 2023				
Trade and other payables	**$ 7,849**	**$ -**	**$ -**	**$ 7,849**
Long-term debt	**935**	**864**	**640**	**2,439**
Lease obligations	**625**	**504**	**100**	**1,229**
	$ 9,409	**$ 1,368**	**$ 740**	**$ 11,517**
As at December 31, 2022				
Trade and other payables	$ 5,139	$ -	$ -	$ 5,139
Long-term debt	937	864	1,111	2,912
Lease obligations	590	545	29	1,164
Convertible debt	3,499	-	-	3,499
	$ 10,165	$ 1,409	$ 1,140	$ 12,714

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to balances denominated in US dollars and the operations of its US subsidiary which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain.

As at September 30, 2023, and December 31, 2022, the following balances were denominated in USD:

(in 000's US Dollars)		**2023**		2022
Cash and cash equivalents	**$**	**390**	$	361
Trade and other receivables		**9,129**		3,879
Prepaid expenses and deposits		**5**		122
Long-term investments		**1,836**		1,759
Trade and other payables		**(5,050)**		(2,849)
Long term debt		**(1,191)**		(1,400)
Lease obligations	**$**	**(336)**	$	(574)

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at September 30, 2023, a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net loss of approximately CAD $63 excluding the effect of income taxes.

M. Disclosure of Outstanding Share Data

As at September 30, 2023, and November 8, 2023, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	**Outstanding as at September 30, 2023**	**Outstanding as at November 8, 2023**
Voting or equity securities issued and outstanding	Unlimited Common Shares	134,433,452 Common Shares	135,265,715 Common Shares
Securities convertible or exercisable into voting or equity securities – stock options	Incentive equity plans up to 10% of outstanding Common Shares	Stock options to acquire 4,405,000 Common Shares at an exercise price at between $0.185 - $0.59	Stock options to acquire 4,405,000 Common Shares at an exercise price at between $0.185 - $0.59
Securities convertible or exercisable into voting or equity securities – Restricted Stock Units ("RSU's")	Incentive equity plans up to 10% of outstanding Common Shares	RSU's to acquire 983,149 Common Shares	RSU's to acquire 150,887 Common Shares

N. Outlook

Management's outlook continues to remain very positive for a strong finish to 2023, into 2024 and beyond.

In the third quarter we continued to see revenue growth coupled with improving gross margins that has the Company on track for a record year. We expect this trend to continue into Q4 of this year, with expected year end revenues significantly above last year coupled with improved margins ultimately leading to positive adjusted EBITDA and positive cashflow from operations.

Our investments in sales and sales support resources have been successful to date. Our sales teams continue to excel, finding and winning more projects. Market awareness and acceptance for cellular concrete in our targeted market applications continues to grow.

The inflationary pressures and supply chain challenges that significantly impacted the company in 2022 have eased largely due to the concerted efforts of the central banks and governments to bring inflation down. We will continue to experience inflationary pressure on salaries and wages as they need to be increased to offset inflation in prior periods in order to retain and attract employees.

The acquisitions we completed in the past have established CEMATRIX as the clear leader in its industry. For 2024, the Company will continue to be focused on the execution of its strategic plan. Our strategy includes continued regional expansion, particularly in the United States where the cellular concrete market continues to experience strong growth; and the identification of acquisitions of other cellular concrete applicators, specialty suppliers and/or other complimentary companies provided that they add value to CEMATRIX and its shareholders. In the short term, the Company has put a hold on further acquisitions and/or investments until our stock price rebounds from what is expected to be a strong 2023 and 2024.

Over the last three years, the Company has successfully de-levered the balance sheet and simplified the capital structure. The Company believes that it is appropriate to lever up the balance sheet to accomplish a key strategic priority or objective, but also believes that it is equally as important to lever back down afterwards. A strong balance sheet is the key to the long-term health and survivability of the Company. The remaining long-term debt with the BDC will be approximately $2.0 million at the end of 2023, with a built-in repayment plan to be completely repaid at rate of $1.0 million per year by the end of 2025. The overall debt reduction efforts undertaken in the last three years are estimated to save the Company over a $1.2 million per year annually in cash interest costs.

In summary, the company's financial sustainability remains strong. The Company has a strong balance sheet. The Company continues to demonstrate strong organic growth. We continue to invest in sales and sales support resources to grow our business. We are on track for a record year in terms of revenue and a return to profitability. We remain committed to our strategy and expect to see more of our efforts come to fruition in the remainder of 2023, into 2024, and beyond.

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the three and nine months ended September 30, 2023, are outlined below:

General

There are a number of statements in the MD&A which refer to “expect“, “expects”, “expected”, “believes”, “should”, “anticipated” and “will”.

The foregoing statements contains forward-looking statements which are based on sales forecasts prepared for 2023; sales forecasts include work which is under contract or Verbally Awarded for 2023, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in the coming year, where the probabilities applied to the sales forecast are based on management’s assessment of the particular project based on historical experience and the stage the project is in the sales cycle. There are a number of risks that could affect these assumptions which include: contracted work is delayed; the failure of 2023 sales to materialize, because of project delays or cancellations or because CEMATRIX’s cellular concrete is not specified into projects, management’s assumptions in applying probabilities to the various projects in the sales forecast are incorrect, and product acceptance in new markets takes longer than anticipated resulting in reduced sales.

Appendix B – Non-IFRS Measures

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

Sales Pipeline:

The Company's sales pipeline is defined as the total forecasted dollar amount of those future projects that CEMATRIX has been contracted by engineering firms, or owners, or contractors for design assistance (which could include thermal modelling), a quote, or both. The sales pipeline does not include the dollar value of contracted sales; or the dollar value of sales, where volumes have not been determined by the designers; or the dollar value of sales that have been lost for various reasons, including that the proposed project has been cancelled, lost to an alternative product or lost to a competitor. The sales pipeline is updated when changes in the status of a project becomes known to CEMATRIX. The sales pipeline includes projects from the current and future years and grows with the continued acceptance of the product throughout the Company's market territory, which currently includes significant parts of Canada and parts of the U.S.

Backlog:

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

Adjusted Net Working Capital:

Adjusted net working capital is calculated as net working capital adjusted for cash and cash equivalents, restricted cash, bank operating loan, current portion of long-term debt, current portion of lease obligations, current portion of earn-out liabilities and current portion of convertible debt.

(in 000's Canadian Dollars)

Appendix B – Non-IFRS Measures *(continued)*

Adjusted net working capital on September 30, 2023, and December 31, 2022, were as follows:

		2023		2022
Current Assets	$	**17,769**	$	19,561
Current Liabilities		**(9,338)**		(10,165)
Net working Capital		**8,431**		9,396
Adjustments				
Cash and cash equivalents		**(1,910)**		(10,682)
Current portion of long-term debt		**935**		937
Current portion of lease obligations		**554**		590
Current portion of convertible debt – host debt		**-**		3,499
Adjusted Net Working Capital	$	**8,010**	$	3,740

EBITDA

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

Adjusted EBITDA

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

Adjusted EBITDA for the three and nine months ended September 30, 2023, and 2022 were as follows:

	Three months ended September 30				Nine months ended September 30			
		2023		2022		2023		2022
Net income (loss)	**$**	**1,829**	$	(485)	**$**	**(803)**	$	(4,315)
Finance costs		**87**		218		**375**		540
Depreciation and amortization		**600**		455		**1,676**		1,348
Provision of deferred / current taxes		**617**		331		**388**		(167)
EBITDA		**3,133**		519		**1,636**		(2,594)
Unrealized foreign exchange (gain)		**16**		93		**(14)**		(30)
Accretion costs		**-**		102		**138**		286
Revaluation of derivatives		**-**		4		**21**		11
Stock based compensation		**2**		169		**284**		463
Adjusted EBITDA	**$**	**3,151**	$	887	**$**	**2,065**	$	(1,864)

(in 000's Canadian Dollars)

Appendix C – Covenant Calculations

		As at September 30, 2023
CIBC Covenants		
CURRENT RATIO		
Formula: Current Assets / Adjusted Current Liabilities		
Current Assets	$	17,769
Current liabilities		9,338
Current Ratio		**1.90**
Covenant tested quarterly, not less than		1.25
		Covenant Met
DEBT TO EBITDA RATIO		
Formula: Adjusted Debt / EBITDA		
Adjusted Debt		
Current portion – long term debt	$	935
Long term debt		1,504
Adjusted long term debt		2,439
Adjusted EBITDA (Rolling 12 months)		1,255
Debt to EBITDA Ratio		**1.94**
Covenant tested quarterly, not to exceed 3x		3.00
		Covenant Met