

# **CEMATRIX™**

*Lightweight Fill Solutions*

**Q3 2024**

**CEMATRIX Corporation**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the three and nine month periods ended

September 30, 2024, and 2023

(unaudited)

### **Notice to Reader**

The accompanying unaudited interim condensed consolidated financial statements have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2024, and 2023 have not been reviewed by MNP LLP, the Company's independent external auditor.

**CEMATRIX Corporation**  
**Consolidated Statement of Financial Position**  
**As at September 30, 2024, and December 31, 2023**  
(in thousands of Canadian dollars) (unaudited)

	Note	September 30, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 9,932	\$ 3,288
Trade and other receivables	7	8,917	12,865
Inventory	8	803	1,039
Other current assets	9	174	680
<b>Total current assets</b>		<b>19,826</b>	<b>17,872</b>
<b>Non-current assets</b>			
Long-term investments	10	2,643	2,341
Property and equipment		10,887	11,671
Right of use assets		2,774	1,392
Goodwill and intangibles		6,127	6,003
<b>Total non-current assets</b>		<b>22,431</b>	<b>21,407</b>
<b>TOTAL ASSETS</b>		<b>\$ 42,257</b>	<b>\$ 39,279</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	\$ 2,745	\$ 6,496
Current portion of long-term debt	13	467	915
Current portion of lease obligations	14	821	729
Current portion of earnout liability		-	175
<b>Total current liabilities</b>		<b>4,033</b>	<b>8,315</b>
<b>Non-current liabilities</b>			
Long-term debt	13	568	1,014
Lease obligations	14	1,787	586
Deferred tax liability		503	641
<b>Total non-current liabilities</b>		<b>2,858</b>	<b>2,241</b>
<b>TOTAL LIABILITIES</b>		<b>6,891</b>	<b>10,556</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	15	47,864	42,641
Contributed surplus		9,749	8,238
Accumulated other comprehensive income (loss)		379	(24)
Deficit		(22,626)	(22,132)
<b>Total shareholders' equity</b>		<b>35,366</b>	<b>28,723</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 42,257</b>	<b>\$ 39,279</b>

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

**CEMATRIX Corporation**  
**Consolidated Statement of Income**  
**For the three and nine month periods ended September 30, 2024, and 2023**  
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
Revenue	25	\$ 10,135	\$ 20,375	\$ 25,014	\$ 33,742
Cost of sales	16	(7,349)	(15,732)	(18,584)	(27,213)
<b>Gross margin</b>		<b>2,786</b>	<b>4,643</b>	<b>6,430</b>	<b>6,529</b>
<b>Operating expenses</b>					
Selling, general and administrative		(2,120)	(2,157)	(6,539)	(6,173)
<b>Operating income (loss)</b>		<b>666</b>	<b>2,486</b>	<b>(109)</b>	<b>356</b>
Stock-based compensation	20	(65)	(2)	(660)	(284)
Finance costs	17	(56)	(87)	(197)	(375)
Accretion costs	17	-	-	-	(138)
Other income (expenses)	18	129	49	321	47
Fair value adjustment of derivatives		-	-	-	(21)
<b>Income (loss) before income taxes</b>		<b>674</b>	<b>2,446</b>	<b>(645)</b>	<b>(415)</b>
Provision of deferred taxes		36	(617)	151	(373)
Provision of current taxes		-	-	-	(15)
<b>Income (loss) for the period</b>		<b>710</b>	<b>1,829</b>	<b>(494)</b>	<b>(803)</b>
Unrealized foreign exchange gain (loss) on translation of foreign subsidiaries		(319)	490	403	1
<b>Comprehensive income (loss) for the period</b>		<b>\$ 391</b>	<b>\$ 2,319</b>	<b>\$ (91)</b>	<b>\$ (802)</b>
<b>Earnings (loss) per common shares</b>	19				
Basic		0.005	0.014	(0.004)	(0.006)
Diluted		0.005	0.014	(0.004)	(0.006)

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

**CEMATRIX Corporation**  
**Consolidated Statement of Changes in Equity**  
**For the three and nine month periods ended September 30, 2024, and 2023**  
(in thousands of Canadian dollars) (unaudited)

	Note	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Convertible debt	Deficit	Total equity
Balance at December 31, 2022		\$ 42,404	\$ 7,611	\$ 563	\$ 532	\$ (23,368)	\$ 27,742
Reclassification of contributed surplus	15	81	(81)	-	-	-	-
Stock-based compensation	20	-	284	-	-	-	284
Warrant expiration		-	532	-	(532)	-	-
Net loss for the period		-	-	-	-	(803)	(803)
Unrealized foreign exchange gain on translation of foreign subsidiaries		-	-	1	-	-	1
Balance at September 30, 2023		\$ 42,485	\$ 8,346	\$ 564	\$ -	\$ (24,171)	\$ 27,224
Common shares issued		3	-	-	-	-	3
Reclassification of contributed surplus	15	153	(153)	-	-	-	-
Stock-based compensation	20	-	45	-	-	-	45
Net income for the period		-	-	-	-	2,039	2,039
Unrealized foreign exchange loss on translation of foreign subsidiaries		-	-	(588)	-	-	(588)
Balance at December 31, 2023		\$ 42,641	\$ 8,238	\$ (24)	\$ -	\$ (22,132)	\$ 28,723
<b>Private placement</b>	15	<b>5,024</b>	<b>942</b>	-	-	-	<b>5,966</b>
<b>Common shares issued</b>		<b>108</b>	-	-	-	-	<b>108</b>
<b>Reclassification of contributed surplus</b>	15	<b>91</b>	<b>(91)</b>	-	-	-	-
<b>Stock-based compensation</b>	20	-	<b>660</b>	-	-	-	<b>660</b>
<b>Net loss for the period</b>		-	-	-	-	<b>(494)</b>	<b>(494)</b>
<b>Unrealized foreign exchange gain on translation of foreign subsidiaries</b>		-	-	<b>403</b>	-	-	<b>403</b>
<b>Balance at September 30, 2024</b>		<b>\$ 47,864</b>	<b>\$ 9,749</b>	<b>\$ 379</b>	<b>\$ -</b>	<b>\$ (22,626)</b>	<b>\$ 35,366</b>

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

**CEMATRIX Corporation**  
**Consolidated Statement of Cash Flows**  
**For the three and nine month periods ended September 30, 2024, and 2023**  
(in thousands of Canadian dollars) (unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
<b>Cash flow from (used in) operating activities</b>					
Net income (loss) for the period		\$ 710	\$ 1,829	\$ (494)	\$ (803)
Items not involving cash:					
Provision for deferred taxes		(36)	617	(151)	373
Depreciation and amortization		572	600	1,641	1,676
Finance and accretion costs	17	56	87	197	513
(Gain) on sale of equipment		(60)	(1)	(61)	(30)
Stock-based compensation	20	65	2	660	284
Unrealized foreign exchange loss (gain)		(2)	16	(17)	(14)
Non-cash interest income		-	(18)	(50)	(53)
Fair value adjustment of derivatives			-	-	21
<b>Cash flows from (used in) operations before changes in non-cash working capital</b>		<b>1,305</b>	<b>3,132</b>	<b>1,725</b>	<b>1,967</b>
Net change in non-cash working capital items	21	(2,572)	(3,521)	781	(4,227)
<b>Net cash generated from (used in) operating activities</b>		<b>(1,267)</b>	<b>(389)</b>	<b>2,506</b>	<b>(2,260)</b>
<b>Cash flow from (used in) investing activities</b>					
Purchase of property and equipment		(73)	(520)	(139)	(1,573)
Proceeds on sale of property and equipment		60	28	61	101
<b>Net cash from (used in) investing activities</b>		<b>(13)</b>	<b>(492)</b>	<b>(78)</b>	<b>(1,472)</b>
<b>Cash flow from (used in) financing activities</b>					
Repayment of long-term debt	13	-	(464)	(951)	(464)
Repayment of finance lease obligations	14	(231)	(185)	(643)	(559)
Repayment of earnout liability		-	-	(175)	-
Interest paid		(56)	(87)	(197)	(423)
Proceeds from Private Placement, net of costs	15	5,966	-	5,966	-
Proceeds from exercise of options		-	-	108	-
Repayment of convertible debentures		-	-	-	(3,589)
<b>Net cash flow from (used in) financing activities</b>		<b>5,679</b>	<b>(736)</b>	<b>4,108</b>	<b>(5,035)</b>
Effects of foreign exchange on cash balances		(9)	8	108	(5)
<b>Net increase (decrease) in cash during the period</b>		<b>4,390</b>	<b>(1,609)</b>	<b>6,644</b>	<b>(8,772)</b>
<b>Cash, beginning of the period</b>		<b>5,542</b>	<b>3,519</b>	<b>3,288</b>	<b>10,682</b>
<b>Cash, end of the period</b>		<b>\$ 9,932</b>	<b>\$ 1,910</b>	<b>\$ 9,932</b>	<b>\$ 1,910</b>

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

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**CEMATRIX Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the three and nine month periods ended September 30, 2024, and 2023**

(in thousands of Canadian dollars, except per share amounts) (unaudited)

## 1. Corporate information

CEMATRIX Corporation (“CEMATRIX” or the “Company”) is a limited company incorporated in the province of Alberta, Canada whose common shares were publicly traded in Canada on the TSX Venture Exchange under the symbol “CEMX” and in the United States on the OTCQB under the symbol “CTXXF”. On July 16, 2024, the Company uplisted to the Toronto Stock Exchange (“TSX”) from the TSX Venture Exchange (“TSXV”). Concurrent with the uplisting, the Company’s ticker symbol changed to CEMX. The Company is domiciled in Canada with its registered office at 9727 – 40th Street S.E., Calgary, Alberta, Canada.

CEMATRIX is a leading manufacturer and supplier of cellular concrete products with applications in a variety of markets across North America. The Company operates through its subsidiaries CEMATRIX (Canada) Inc., CEMATRIX (USA) Inc. (“CUI”), MixOnSite USA, Inc. (“MOS”), and Pacific International Grout Company (“PIGCO”).

## 2. Basis of preparation

### Statement of compliance

These condensed consolidated financial statements for the three and nine months periods ended September 30, 2024, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including *IAS 34 Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the Company’s annual consolidated financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2023. These financial statements were authorized for issue on November 7, 2024, by the Company’s Board of Directors.

### Basis of measurement and going concern

These condensed consolidated financial statements were prepared on a going concern basis under the historical cost convention except for share-based payment transactions and certain financial instruments which are measured at fair value. Unless otherwise stated, all amounts presented in these financial statements are stated in thousands of Canadian dollars.

### Functional and presentation currency

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

## 3. Accounting judgements, estimates, and assumptions

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

The key sources of these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2023. There have been no changes since that date.

## 4. Material accounting policies

The material accounting policies of the Company are outlined in Note 4 of the audited consolidated financial statements for the year ended December 31, 2023. There have been no changes since that date.

**CEMATRIX Corporation**  
**Notes to the Condensed Consolidated Financial Statements**  
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**5. New accounting standards, amendments and interpretations adopted**

The Company has adopted amendments effective January 1, 2024, related to IAS 1 Presentation of Financial Statements relating to the classification of liabilities, and IFRS 16 Leases, that did not have a material impact on the Company's financial statements.

**6. Future accounting changes**

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2025, that have not been applied in preparing the financial statements for the period ended September 30, 2024. Except as disclosed below, these standards and interpretations are not expected to have a material impact on the Company's Financial Statements.

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1. IFRS 18 applies to annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The Company is currently assessing the impact and efforts related to adopting IFRS 18.

On May 30, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). These amendments apply to annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The Company is currently assessing the impact and efforts related to the amendments to IFRS 9 and IFRS 7.

**7. Trade and other receivables**

	September 30, 2024	December 31, 2023
Trade receivables	\$ 7,511	\$ 10,802
Holdbacks	1,420	2,053
Other receivables	31	54
Expected credit loss	(45)	(44)
	<u>\$ 8,917</u>	<u>\$ 12,865</u>

Trade receivables and holdbacks are unsecured and non-interest bearing and are generally on varying terms from net 30 to net 90 or paid when paid and are usually subject to standard ten percent construction holdback on most sales over \$100.

Holdbacks are generally collectible forty-five days after completion of the work performed by the Company. Holdbacks can be outstanding much longer if the holdback release is tied to the completion of the entire project by the general contractor or a warranty period. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more.



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The aging of the trade receivables were as follows:

	September 30, 2024	December 31, 2023
1-30 days	\$ 2,409	\$ 3,029
31-60 days	3,188	3,283
61-90 days	1,616	3,729
Greater than 90 days	298	761
	<u>\$ 7,511</u>	<u>\$ 10,802</u>

In determining the recoverable amount of a trade, holdbacks and other receivables, the Company performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties. The Company considers trade accounts receivable past due if they are past the agreed upon credit terms, except for holdbacks that have been invoiced and are part of trade receivables but are not collectible until the completion of the entire project as discussed above.

### 8. Inventory

Inventory consists of raw materials (foaming agent) which was \$803 at September 30, 2024 (December 31, 2023 - \$1,039). Inventory expensed as part of cost of sales was \$304 and \$770 for the three and nine months ended September 30, 2024, respectively (\$591 and \$946 for the same periods in 2023).

### 9. Other current assets

As at September 30, 2024, other current assets of \$174 (December 31, 2023 - \$680) are comprised of prepaids and deposits of \$174 (December 31, 2023 - \$479) and current portion of long-term investment of \$nil (December 31, 2023 - \$201).

### 10. Investments

	September 30, 2024	December 31, 2023
Equity investment in Glavel	\$ 2,643	\$ 1,396
Convertible notes investment in Glavel	-	945
Promissory note investment in Glavel	-	201
Total Investments	<u>2,643</u>	<u>2,542</u>
Less current portion	-	(201)
Long-term investment	<u>\$ 2,643</u>	<u>\$ 2,341</u>

#### Equity investment in Glavel

	September 30, 2024	December 31, 2023
Equity investments – beginning of period	\$ 1,396	\$ 1,486
Conversion of Convertible Notes	1,006	-
Conversion of Promissory Note	224	-
Share of the net (loss)	-	(56)
Unrealized foreign exchange gain (loss)	17	(34)
Equity investments – end of period	<u>\$ 2,643</u>	<u>\$ 1,396</u>

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On September 30, 2024, after the conversion of the Convertible Notes and the Promissory Note, the Company held 3,229,445 common and preferred shares of Glavel Inc (December 31, 2023 – 538,561 shares) with the Canadian dollar equivalent value of \$2,643 (December 31, 2023 - \$1,396).

**Convertible notes investment in Glavel**

	Nine months ended September 30, 2024		Year ended December 31, 2023	
	Number of units	Amortized Cost	Number of units	Amortized Cost
Convertible notes, beginning of period	625,000	\$ 945	625,000	\$ 896
Accrued interest income	-	32	-	71
Convertibles notes converted	(625,000)	(1,006)	-	-
Unrealized foreign exchange gain on translation	-	29	-	(22)
Convertible notes, end of period	-	\$ -	625,000	\$ 945

On April 11, 2022, the Company loaned Glavel USD \$625 or CAD \$800 in the form of convertible notes. The convertible notes carried an interest rate of 8% and matured on April 29, 2025. The Company has accrued interest income of \$nil and \$32 for the three and nine months ended September 30, 2024, respectively (\$18 and \$53 for the same periods in 2023).

Included in the convertible note purchase, the Company received 36,982 warrants that can be exercised into common shares at a price of USD \$1.69. The Company exercised the warrants on November 30, 2022.

On June 3, 2024, as part of the refinancing of Glavel Inc, the Company agreed to convert the outstanding convertible notes and accrued interest of USD \$737 or CAD \$1,006 for 2,200,523 preferred shares.

On September 30, 2024, the Canadian dollar equivalent of these convertible notes after the conversion was \$nil (December 31, 2023 - \$967).

**Promissory note investment in Glavel**

On December 11, 2023, the Company loaned Glavel USD \$150 or CAD \$204 in the form of short-term unsecured promissory note. The promissory note carried an interest rate of 20% and was redeemed on June 3, 2024, for shares of Glavel valued at USD \$164 or CAD \$224.

The Company has accrued interest income of \$nil and \$17 for the three and nine months ended September 30, 2024, respectively (\$nil and \$nil for the same periods in 2023).

On June 3, 2024, as part of the refinancing of Glavel Inc, the Company agreed to convert its outstanding promissory note and accrued interest of USD \$164 or CAD \$224 for 490,361 preferred shares.

On September 30, 2024, the Canadian dollar equivalent of the promissory note after conversion was \$nil (December 31, 2023 - \$201).

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**11. Bank operating loan**

On June 24, 2024, CEMATRIX updated its asset-based credit facility (the “Credit Facility”) financing arrangement with the Canadian Imperial Bank of Commerce (the “Bank” or “CIBC”) that provides a maximum \$8,000 (\$3,000 prior to June 2024) borrowing limit. The Credit Facility bears interest at an amount equal to 1.25% above the Bank’s prime lending rate, which is at 6.45% as of September 30, 2024, 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 Credit Facility, the Bank will advance up to \$8,000 (\$3,000 prior to June 2024) 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, 2024, was \$6,042 of which \$nil was outstanding (\$nil – December 31, 2023). 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, 2024, there were \$404 in letters of credit outstanding (\$865 – December 31, 2023).

The Credit Facility contains three financial covenants. The three financial covenants are the current ratio, debt to EBITDA ratio, and debt service coverage ratio. The current ratio and debt to EBITDA ratios are tested quarterly and the debt service coverage ratio is tested annually. As at September 30, 2024, CEMATRIX was in compliance with all financial covenants.

**12. Trade and other payables**

	September 30, 2024	December 31, 2023
Trade payables	\$ 1,768	\$ 4,323
Accruals	760	1,788
Payroll remittance and goods and services tax	217	385
	<u>\$ 2,745</u>	<u>\$ 6,496</u>

**13. Long-term debt**

			September 30, 2024	December 31, 2023
Long-term debt	Maturity	Interest rate		
Loan 4	August 1, 2026	Floating	\$ 405	\$ 694
Loan 5	December 1, 2025	Floating	630	1,235
Long-term debt			<u>1,035</u>	<u>1,929</u>
Less: current portion			(467)	(915)
Long-term debt			<u>\$ 568</u>	<u>\$ 1,014</u>

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Reconciliation of long-term debt:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Long-term debt, beginning of period	\$ <b>1,929</b>	\$ 2,912
Repayment of long-term debt	<b>(951)</b>	(933)
Long-term debt, before unrealized foreign exchange effects	<b>978</b>	1,979
Effect of unrealized foreign exchange loss (gain) on income	<b>20</b>	(17)
Effect of unrealized foreign exchange loss (gain) on translation	<b>37</b>	(33)
Long-term debt, end of period	<b>\$ 1,035</b>	\$ 1,929

Loan 4 – In May 2018 the Company entered into an agreement with the BDC for a loan of \$1,800 USD to fund a portion of the purchase price of the MOS acquisition. The interest, which is currently 11.35% and is payable monthly, is set at 1.60% above the BDC floating USD base rate of 9.75%. The loan is repayable over eight years, with seasonal payments of principal required. Payments of principal of \$38 USD were required from September to December 2018. Payments of principal of \$38 USD are required from July to December for the years 2019 to 2025 and from July to August 2026. In May 2024, the Company prepaid the 2024 seasonal payments of \$225 USD at no additional costs.

Loan 5 – In October 2019, the Company's wholly-owned subsidiary, CEMATRIX (USA) Inc. entered into an agreement with the BDC for a loan of \$2,800 USD to fund the purchase price of the PIGCO acquisition. The interest, which is currently 11.35% and is payable monthly, is set a 1.60% above the BDC floating USD base rate of 9.75%. The loan is repayable over six years, with seasonal payments of principal required. A principal repayment of \$78 USD is required from July to December from years 2020 to 2025. In May 2024, the Company prepaid the 2024 seasonal payments of \$466 USD at no additional costs.

Loans 4 and 5 may be prepaid, on each anniversary date, up to 15% of the then outstanding principal amount but if not used the prepayment privilege for that anniversary date ceases. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable. The prepayment option is considered to be an embedded derivative with a fair value, which is nominal in nature as at September 30, 2024.

The BDC Financing loans are secured with a general security agreement providing a first security interest in the Company's current owned equipment and new equipment acquired pursuant to the BDC Financings and a security interest in all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Company's demand operating loan and future charges on specific equipment to a creditor for financing the purchase or lease thereof.

The BDC Financing Loan 4 and Loan 5 have a consolidated fixed charge coverage ratio financial covenant which is tested annually. At December 31, 2023, the Company was in compliance with this covenant.

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**14. Lease obligations**

	Note	September 30, 2024	December 31, 2023
Lease obligations, beginning of period		\$ 1,315	\$ 1,164
Additions		1,924	970
Lease payments (including interest)		(722)	(878)
Interest expense	17	80	81
Foreign exchange		11	(22)
Lease obligations, end of period		2,608	1,315
Less: current portion		(821)	(729)
Lease obligations, non-current		\$ 1,787	\$ 586

**15. Share capital**

**Commons shares authorized**

Unlimited number of no-par value voting common shares.

Preferred shares – to be issued in series as authorized by the Board of Directors.

**Common shares issued**

	Note	Nine months ended September 30, 2024		Year ended December 31, 2023	
		Number of shares	Amount	Number of shares	Amount
Common shares, beginning of period		135,279,048	\$ 42,641	133,948,710	\$ 42,404
Private placement, net of issuance costs		14,667,000	5,024	-	-
Exercise of options and RSUs	20	480,438	199	1,330,338	237
Common shares, end of period		150,426,486	\$ 47,864	135,279,048	\$ 42,641

**Private placement**

On July 29, 2024, the Company closed its private placement financing, whereby the Company issued a total of 14,667,000 units (the “Units”) at a price of \$0.45 per Unit (the “Issue Price”) for aggregate gross proceeds to the Company of \$6.6 million (the “Offering”).

Each Unit consists of one common share of the Company (a “Unit Share”) and one half of one common share purchase warrant (each whole warrant, a “Private Placement Warrant”) of the Company. Each Private Placement Warrant entitles the holder thereof to acquire one common share (a “Warrant Share”) at a price per Warrant Share of \$0.60 for a period of 24 months from the closing of the Offering.

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**Warrants**

	Nine months ended September 30, 2024		Year ended December 31, 2023	
	Number of warrants	Weighted average price	Number of warrants	Weighted average price
Warrants, beginning of period	-	\$ -	-	\$ -
Private placement warrants	7,333,500	0.60	-	-
Broker warrants	880,020	0.45	-	-
Warrants, end of period	8,213,520	\$ 0.58	-	\$ -

On July 29, 2024, the Company issued 7,333,500 private placement warrants. Concurrently, the Company issued 880,020 broker warrants of the Company to agents equal to 6% of the units issued under the Private Placement. Each broker warrant entitles the holder to acquire one unit of the Company at \$0.45 for a period of 24 months from the closing of the Offering. The broker warrants and private placement warrants mentioned above were valued at \$942 in total, which was reclassified to contributed surplus.

The fair value per share purchase warrant was determined using the following weighted average assumptions at the time of issuance using the Black-Scholes option pricing model:

	2024
Estimated fair value per warrant	\$ 0.154 – 0.117
Warrants exercise common share price	\$ 0.45 – 0.60
Risk-free interest rate	3.50%
Expected life	2 years
Expected volatility in stock price	67%
Expected annual dividend yield	nil
Estimated forfeiture rate	5%

**16. Cost of sales**

Cost of sales for the manufacture of cellular concrete consists of the following components:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Materials	\$ 4,298	\$ 11,303	\$ 10,140	\$ 17,414
Direct labour	1,698	2,351	4,651	4,827
Variable and fixed overhead	846	1,539	2,415	3,517
Depreciation	507	539	1,378	1,455
	\$ 7,349	\$ 15,732	\$ 18,584	\$ 27,213

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**17. Finance costs**

The finance costs incurred during the period are as follows:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
Long-term debt	13	\$ 31	\$ 74	\$ 124	\$ 231
Lease obligations	14	25	13	80	45
Other		-	-	(7)	11
Convertible debt		-	-	-	88
		<u>\$ 56</u>	<u>\$ 87</u>	<u>\$ 197</u>	<u>\$ 375</u>

The accretion costs incurred during the period are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Convertible debt	-	-	-	138
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138</u>

**18. Other income (expenses)**

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Interest income	\$ 66	\$ 44	\$ 157	\$ 256
Foreign exchange gain (loss)	3	(9)	92	(254)
Gain on sale of equipment	60	-	61	30
Other	-	14	11	15
	<u>\$ 129</u>	<u>\$ 49</u>	<u>\$ 321</u>	<u>\$ 47</u>

**19. Earnings (loss) per common share**

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Basic	\$ 0.005	\$ 0.014	\$ (0.004)	\$ (0.006)
Diluted	\$ 0.005	\$ 0.014	\$ (0.004)	\$ (0.006)

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The number of common shares included in the computation of basic and diluted loss per common share for the period are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Weighted average common shares outstanding, basic	<b>145,962,616</b>	134,382,582	<b>138,985,806</b>	134,226,172
Effect of dilutive instruments	<b>2,717,553</b>	2,717,553	-	-
Weighted average common shares outstanding, diluted	<b>148,680,169</b>	137,100,135	<b>138,985,806</b>	134,226,172

The dilutive securities for the nine months ended September 30, 2024, and 2023, have no dilutive effect as the Company incurred losses in these periods.

## 20. Stock-based compensation

### Stock option grants

The Company has an Omnibus Equity Incentive Plan ("OEI Plan") for the issue of up to 10% of the issued and outstanding common shares of the Company. Stock options are part of the OEI Plan. All options that are outstanding will expire upon maturity, or earlier, if the optionee ceases to be a director, officer, employee or consultant or there is a merger, amalgamation or change in control of the Company. The purpose of the option grants is to reward and retain directors, management, and consultants important to the continued operation and growth of the Company.

The following table summarizes the changes in options for the period:

Note	Nine months ended September 30, 2024		Year ended December 31, 2023	
	Number of shares	Amount	Number of shares	Amount
Outstanding, beginning of period	<b>4,716,667</b>	\$ <b>0.321</b>	4,465,000	\$ 0.336
Granted	<b>1,650,000</b>	<b>0.401</b>	750,000	0.185
Exercised	15 <b>(471,666)</b>	<b>0.227</b>	(13,333)	0.250
Expired	-	-	(305,000)	0.200
Forfeited	<b>(300,001)</b>	<b>0.326</b>	(180,000)	0.343
Outstanding, end of period	<b>5,595,000</b>	<b>0.352</b>	4,716,667	0.321
Exercisable, end of period	<b>3,171,652</b>	\$ <b>0.359</b>	2,721,659	\$ 0.267



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The following table summarizes the stock options to acquire common shares outstanding as at September 30, 2024:

Range of exercise prices	Options outstanding	Options exercisable	Weighted average remaining life (years)	Weighted average exercise price – options outstanding	Weighted average exercise price – options exercisable
\$0.18 - \$0.22	1,250,000	799,995	1.59	0.20	0.20
\$0.23 - \$0.39	2,660,000	986,658	3.32	0.35	0.32
\$0.40 - \$0.59	1,685,000	1,384,999	2.31	0.47	0.48
\$0.18 - \$0.59	5,595,000	3,171,652	2.12	0.35	0.36

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

Range of exercise prices	Options outstanding	Options exercisable	Weighted average remaining life (years)	Weighted average exercise price – options outstanding	Weighted average exercise price – options exercisable
\$0.18 - \$0.22	1,375,000	450,000	1.63	0.19	0.20
\$0.23 - \$0.39	1,956,667	1,198,329	0.80	0.30	0.30
\$0.40 - \$0.59	1,835,000	1,073,330	1.72	0.48	0.50
\$0.18 - \$0.59	4,716,667	2,721,659	1.53	0.32	0.36

At the date of grant, the per share fair value of the options granted and other assumptions, using the Black-Scholes option pricing model are as follows:

	2024	2023
Estimated fair value per option	\$ 0.236 – 0.259	\$ 0.122
Options exercise common share price	\$ 0.390 – 0.430	\$ 0.185
Risk-free interest rate	3.63%	3.63%
Expected life	5 years	5 years
Expected volatility in stock price	79%	79%
Expected annual dividend yield	nil	nil
Estimated forfeiture rate	5%	5%

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**Restricted share units grants**

The Company has an Omnibus Equity Incentive Plan (“OEI Plan”) for the issue of up to 10% of the issued and outstanding common shares of the Company. Restricted Share Units (“RSU’s”) are part of the OEI Plan. Subject to the specific provisions of the RSU plan, eligibility, vesting period, terms of the RSU’s and the number of RSU’s granted are to be determined by the Board of Directors at the time of the grant. The purpose of the RSU grants is to reward and retain directors, management, and consultants important to the continued operation and growth of the Company.

		Nine months ended September 30, 2024	Year ended December 31, 2023
	Note		
Number of RSU’s outstanding, beginning of period		150,887	980,695
Granted		1,222,275	513,513
Forfeited		-	(26,316)
Exercised	15	(8,773)	(1,317,005)
Number of RSU’s outstanding, end of period		<u>1,364,389</u>	<u>150,887</u>

The fair value of each RSU granted was determined by using the company’s share price on the grant date. The estimated fair value of the RSU’s granted is being recognized as an expense over the vesting period of the RSU’s.

**Stock-based compensation**

Stock-based compensation for the three and nine months ended September 30, 2024, of \$65 and \$660, respectively (2023 - \$2 and \$284, respectively) was recognized in the consolidated statement of income (loss) and comprehensive income (loss) with an offsetting amount charged to contributed surplus. Stock-based compensation has no current period impact on the Company’s cash position.

**21. Change in non-cash working capital**

The changes in non-cash working capital items - asset (increases) decreases and liability increases (decreases) - are outlined below:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Trade and other receivables	\$ (2,679)	\$ (9,824)	\$ 4,030	\$ (7,565)
Inventory	149	128	245	200
Prepaid expenses and deposits	85	153	307	381
Trade and other payables	(127)	6,022	(3,801)	2,757
	<u>\$ (2,572)</u>	<u>\$ (3,521)</u>	<u>\$ 781</u>	<u>\$ (4,227)</u>

**22. Related party transactions**

Two of the buildings that the Company operates out of are owned by entities that are owned or controlled by certain officers or consultants of the Company. During the three and nine months ended September 30, 2024, the Company incurred costs of \$111 and \$331 respectively (\$95 and \$272 for the same periods in 2023) related to these rental leases. Lease obligations for the two buildings as at September 30, 2024, were in the amount of \$1,003 (December 31, 2023 - \$521).

## **23. Financial instruments and risk management**

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

### **Fair value of non-derivative financial instruments**

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, bank operating loan, 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.

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

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

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market data.

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

### **Risk management**

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

#### Interest rate risk

The Company's long-term debt, which totaled \$1,035 on September 30, 2024, 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 \$10 excluding the effect of income taxes.

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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 trade receivables. The Company's cash 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. At September 30, 2024, the Company had \$9,932 of cash (December 31, 2023 - \$3,288).

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 the availability of working capital financing to meet its financial obligations.

The table below summarizes the maturity profile of the Company's financial liabilities, based on contractual undiscounted payments:

<b>As at September 30, 2024</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 6 years</b>	<b>Total</b>
Trade and other payable	\$ 2,745	\$ -	\$ -	\$ 2,745
Long-term debt	575	582	-	1,157
Lease obligations	1,003	621	1,532	3,156
	\$ 4,323	\$ 1,203	\$ 1,532	\$ 7,058
<b>As at December 31, 2023</b>				
Trade and other payable	\$ 6,496	\$ -	\$ -	\$ 6,496
Earnout liability	175	-	-	175
Long-term debt	915	915	99	1,929
Lease obligations	816	569	69	1,454
	\$ 8,402	\$ 1,484	\$ 168	\$ 10,054

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Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to balances denominated in USD and the operations of its U.S. subsidiaries which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain. However, the management manages and mitigates foreign exchange risk by monitoring exchange rate trends and forecasted economic conditions.

The following balances are denominated in USD:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Cash and cash equivalent	\$ 621	\$ 1,347
Trade and other receivables	4,663	6,889
Prepaid expenses and deposits	30	96
Investments	1,958	1,921
Trade and other payables	1,015	3,190
Earnout liability	-	132
Long-term debt	467	933
Lease obligations	1,183	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, 2024, a 1% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in net income of approximately CAD \$62 excluding the effect of income taxes.

**24. Capital management**

Management defines capital as the Company's total shareholders' equity, its debt and finance lease obligations. The Company manages its capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of its underlying assets. The Board of Directors does not establish a quantitative return on capital for management, but rather promotes year over year sustainable profitable growth. In addition, the Board of Directors has established policies to monitor the Company's performance against its operating and capital budgets and forecasts.

The Company's current objective when managing capital is to increase the Company's capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the period ended September 30, 2024. The Company is subject to externally imposed financial covenants with its CIBC Credit Facility and long-term debt BDC loans.

	Note	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Long-term debt	13	\$ 1,035	\$ 1,929
Lease obligations	14	2,608	1,315
Total debt		3,643	3,244
Shareholder's equity		35,366	28,723
		\$ 39,009	\$ 31,967

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**25. Geographical segmented information**

The Company has one operating segment, and its primary business is the supply and placement of cellular concrete. It currently markets its services in Canada and the U.S.

The following balances present the sales to external customers attributable to the Company's geographical segments:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Canada	\$ 2,233	\$ 9,868	\$ 7,049	\$ 15,715
U.S.	7,902	10,507	17,965	18,027
	<u>\$ 10,135</u>	<u>\$ 20,375</u>	<u>\$ 25,014</u>	<u>\$ 33,742</u>

The following balances present the total non-current assets attributable to the Company's geographical segments:

	September 30, 2024	December 31, 2023
Canada	\$ 2,288	\$ 3,521
U.S.	20,143	17,886
	<u>\$ 22,431</u>	<u>\$ 21,407</u>