



*Cymat Technologies Ltd.*  
*Management's Discussion and Analysis (“MD&A”)*  
*As at January 31, 2025*

March 31, 2025

The following discussion and analysis of Cymat Technologies Ltd. [“Cymat” or the “Company”] financial condition and results of operations should be read in conjunction with the audited comparative consolidated financial statements of the Company for the year ended April 30, 2024, and the associated notes to the consolidated financial statements.

The Company prepares its unaudited interim consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board [“IASB”]. All financial information contained in this MD&A and in the unaudited consolidated interim financial statements has been prepared in accordance with IAS 34, Interim Financial Reporting.

This MD&A is dated March 31, 2025, and all amounts herein are denominated in Canadian dollars, unless otherwise stated. This MD&A reflects the accounts of Cymat and its wholly-owned subsidiary, ALU-MMC Hungary, Zrt.

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

## 1. Company Overview and Business of Company

Cymat was incorporated on June 14, 2006 under the Business Corporations Act (Ontario) and is the successor to Duntroon Energy (formerly Cymat Corp.) which was incorporated on June 30, 1998 under the Business Corporations Act (Ontario).

Cymat develops innovative materials for industry. The Company has worldwide rights, through patents and licenses, to produce Stabilized Aluminum Foam (“SAF”). This ultra-light metallic foam is produced using a proprietary, versatile process in which gas is bubbled into molten-alloyed aluminum containing a dispersion of fine ceramic particles to create foam that is then cast into either flat panels or near-net shapes. The result is a material, which is recyclable, with a wide array of features including very low density, mechanical energy absorption, thermal and acoustic insulation, time and temperature insensitivity and has a relatively low cost of production. Our technology is focused on producing products for 4 major markets: automotive, architecture, defense and general industrial markets seeking energy management systems.

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

## 2. Selected Financial Information

The following table presents selected financial information for the three and nine-month periods ended January 31, 2025, and January 31, 2024.

	Three Months Ended January 31		Nine Months Ended January 31	
	2025 (\$)	2024 (\$)	2025 (\$)	2024 (\$)
<b>Interim Statements of Operations</b>				
Revenue	1,156,777	238,049	3,481,541	1,388,114
Plant operating expenses	825,817	355,244	2,747,478	1,928,030
Research and material testing expense	44,344	40,967	225,464	126,649
Selling, general and administrative expenses	606,786	799,481	1,885,521	2,545,852
Loss from operations	(320,170)	(957,643)	(1,376,922)	(3,212,417)
Net loss	(625,028)	(1,063,644)	(2,118,327)	(3,467,497)
<b>Interim Statements of Cash Flows</b>				
Cash used in operating activities	(18,164)	(681,337)	(808,243)	(2,142,167)

The following tables present selected quarterly financial information for the eight most recent quarters for the period ended January 31, 2025.

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

Three months ended,	Jan 31, 2025	Oct 31, 2024	Jul 31, 2024	Apr 30, 2024	Jan 31, 2024	Oct 31, 2023	Jul 31, 2023	Apr 30, 2024
Revenue	1,157	333	1,992	231	238	113	1,037	653
Plant operating expenses	826	482	1,440	167	334	485	1,046	647
Research and material testing expenses	44	41	141	42	41	33	53	33
SG&A expenses	607	608	670	750	793	761	973	1,059
Net Loss	(625)	(952)	(542)	(879)	(1,037)	(1,223)	(1,127)	(1,260)
Net Loss per Share	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)
Operating cash flow	(18)	(1,062)	272	98	(772)	(886)	(622)	103
Cash & cash equivalents	55	211	196	56	235	209	44	324
Restricted cash	21	21	21	21	21	21	21	21
Working capital	(5,058)	(4,442)	(3,475)	(2,968)	(2,218)	(1,388)	(1,471)	(935)

### 3. Results of Operations

#### Comparison of the Three Months Ended January 31, 2025, and January 31, 2024

##### Revenue

Revenue for the third quarter of fiscal 2025 was \$1,157,000, representing a \$919,000, or 386%, increase over revenue of \$238,000 for the third quarter of fiscal 2024. Historically, the majority of the Company's sales have been derived from Alusion™, our architectural line of stabilized aluminum foam ("SAF"), with SmartMetal™, Cymat's SAF for engineered solutions, representing a much smaller percentage of overall sales. However, this quarter featured a reversal of that norm, with SmartMetal™ sales comprising 83% of the sales for the quarter.

Revenue for the current quarter included sales of Alusion™ in the amount of \$199,000 compared to sales of Alusion™ in the amount of \$228,000 in the third quarter of the prior fiscal year. Revenue for the current quarter included a \$154,000 order of panels for installation in a resort located in the Dominican Republic. Both quarters experienced lower than expected architectural sourced revenue as the result of delays in anticipated construction projects.

The third quarter of this fiscal year included SmartMetal™ sales of \$958,000 compared to SmartMetal™ sales of \$10,000 for the third quarter of the prior fiscal year. SmartMetal™ revenue for the current quarter included the shipment of environmental protection SmartMetal™ panels for NUVIA, a global specialist in nuclear technology based in France. The panels had a contract value of \$810,000.

Revenue is measured based on the consideration promised in a contract with a customer. The Company recognizes revenue when it transfers control of a good or service to a customer. Based on the terms of the specific transaction, control typically transfers at a point along a continuum that is as early as the products' departure from the Company's warehouse to as late as the passing of inspection following the products' arrival at a designated shipment location. Amounts received in advance of recognized revenues are recorded as deferred revenue.

## **Plant Operating Expenses**

Plant operating expenses for the quarter ended January 31, 2025, were approximately \$826,000, an increase of \$471,000, or 133%, as compared to expenses of \$355,000 for the quarter ended January 31, 2024.

Plant operating expenses include the direct operating expenses of labour, material, consumables, maintenance, freight and changes in inventory as well as manufacturing overhead costs. These direct operating expenses were \$628,000 for the third quarter of this fiscal year, compared to \$152,000 for the comparative quarter. Increased manufacturing expenses were in line with increased sales levels.

Plant operating expenses also includes factory overhead costs such as facility costs and utilities. These expenses totalled approximately \$100,000 for the third quarter of fiscal 2025 as compared to \$69,000 for the same quarter of fiscal 2024. Increased electricity consumption associated with higher production levels and increased common area charges from the landlord accounted for the quarter-over-quarter expense increases.

Plant operating expenses also include depreciation expense of approximately \$98,000 for the three months ended January 31, 2025, and \$135,000 for the same period ended January 31, 2024.

## **Research and Material Testing Expenses**

Research and material testing expenses for the third quarter of fiscal 2025 were \$44,000 compared to \$41,000 for the comparative quarter. Expenses in the current quarter related primarily testing expenses related to automotive business development initiatives. Expenses in the prior quarter related mainly to the development of thinner SAF panels and increased cell size homogeneity.

Research and material testing expenses also included depreciation expenses regarding lab and testing equipment of approximately \$2,000 in each of the quarters.

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

SG&A expenses for the quarter ended January 31, 2025, were approximately \$607,000, as compared to expenses of \$799,000 for the same quarter ended January 31, 2024. The expense reduction primarily resulted from reduced use of outside consultants (\$11,000), decreased stock-based compensation and consulting expenses (\$141,000) and software upgrade that occurred in the comparative quarter (\$58,000).

SG&A expenses include depreciation of \$16,000 for the third quarter of fiscal 2025 and \$24,000 for the third quarter of fiscal 2024.

## **Foreign Exchange Gain**

For the third quarter of fiscal 2025, there was a foreign exchange loss of \$8,000, compared to a nominal foreign exchange gain for the third quarter of fiscal 2024.

## **Interest and Financing Expense**

Interest and financing expense for the three months ended January 31, 2025, totals \$296,000 (January 31, 2024 - \$106,000), including \$49,000 in royalty-based financing fees (2024 - \$12,000) - including \$19,000 payable to a related party (2024 - \$4,000). The expense for the current quarter also includes \$38,000 of interest regarding the lease liability (2024 - \$45,000). Interest expense for the current quarter also includes \$205,000 pertaining to the promissory notes payable (2024 - \$45,000). Interest for the quarter also includes \$4,000 regarding the accretion of interest on the loan received through the federal government's Regional Relief and Recovery Fund (2024 - \$5,000).

## **Net Loss**

The third quarter of fiscal 2025 experienced a net loss of \$625,000 based on a loss from operations of \$320,000 before a foreign exchange loss and interest expense compared to a net loss of \$1,064,000 for the third quarter of fiscal 2024 based on a loss from operations of \$958,000 before a foreign exchange gain and interest expense. The net loss for the quarter ended January 31, 2025, includes the non-cash items of depreciation of approximately \$116,000 (2024 - \$161,000) and share-based compensation expenses of approximately \$2,000 (2024 - \$141,000).

## **Comparison of the Nine Months Ended January 31, 2025, and January 31, 2024**

### **Revenue**

Revenue for the first nine months of fiscal 2025 was \$3,482,000, representing a \$2,094,000, or 151%, increase compared to revenue of \$1,388,000 for the first nine months of fiscal 2024.

Revenue for the current period included sales of Alusion™ in the amount of \$2,109,000 compared to sales of Alusion™ in the amount of \$1,344,000 in the first half of the prior fiscal year. Current period orders included panels for a water park located in the Sindalah district of the NEOM development in the Kingdom of Saudi Arabia, panels for the exterior cladding of for an Italian energy company's facilities and panels destined for China marking a re-engagement of previously halted purchase activity from this geographic region. Major Alusion™ projects for the comparable period included cladding for the Nature of Innovation Technology Park in Bolzano, Italy and the façade of Wildflower Studios, a seven-story film production studio located in New York City.

The first nine months of this fiscal year included SmartMetal™ sales of \$1,373,000 compared to SmartMetal™ sales of \$43,000 for the first nine months of the prior fiscal year. SmartMetal™ revenue for the current period quarter included the first SmartMetal™ underbelly protection kits in an anticipated multi-year contract with our Asian military vehicle manufacturer customer, two shipments of aluminum foam cylinders for non-lethal projectiles and an order of SmartMetal™ panels engineered to protect critical infrastructure from environmental threats for NUVIA, a global specialist in nuclear technology based in France.

Revenue is measured based on the consideration promised in a contract with a customer. The Company recognizes revenue when it transfers control of a good or service to a customer. Based on the terms of the specific transaction, control typically transfers at a point along a continuum that is as early as the products' departure from the Company's warehouse to as late as the passing of inspection following the products' arrival at a designated shipment location. Amounts received in advance of recognized revenues are recorded as deferred revenue.

## **Plant Operating Expenses**

Plant operating expenses for the nine months ended January 31, 2025, were approximately \$2,747,000, an increase of \$819,000, or 42%, as compared to expenses of \$1,928,000 for the period ended January 31, 2024.

Plant operating expenses include the direct operating expenses of labour, material, consumables, maintenance, freight and changes in inventory as well as manufacturing overhead costs. These direct operating expenses were \$2,177,000 for the nine months of this fiscal year, compared to \$1,320,000 for the comparative period. Manufacturing expenses were elevated in the current year in keeping with the higher sales level. Additionally, production in the current period involved outside services such as powder-coating and waterjet cutting to a greater extent than the prior periods manufacturing processes.

Plant operating expenses also includes factory overhead costs such as facility costs and utilities. These expenses totalled approximately \$278,000 for the nine months of fiscal 2025 as compared to \$212,000 for the same period of fiscal 2024. Increased common area charges from the landlord were the primary driver of the period-over-period expense increases.

Plant operating expenses also include depreciation expense of approximately \$293,000 for the nine months ended January 31, 2025, and \$395,000 for the same period ended January 31, 2024.

## **Research and Material Testing Expenses**

Research and material testing expenses for the nine months of fiscal 2025 were \$225,000 compared to \$127,000 for the comparative period. Expenses in the current period related primarily testing expenses related to automotive business development initiatives. Expenses in the prior quarter related mainly to the development of thinner SAF panels and increased cell size homogeneity.

Research and material testing expenses also included depreciation expenses regarding lab and testing equipment of approximately \$6,000 in each of the periods.

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

SG&A expenses for the nine months ended January 31, 2025, were approximately \$1,886,000, as compared to expenses of \$2,546,000 for the same period ended January 31, 2024. The expense reduction primarily resulted from reduced use of outside consultants (\$170,000), decreased stock-based compensation and consulting expenses (\$396,000) and reduced software (\$67,000).

SG&A expenses include depreciation of \$49,000 for the first nine months of fiscal 2025 and \$72,000 for the first nine months of fiscal 2024.

## **Foreign Exchange Gain**

For the first nine months of fiscal 2025, there was a foreign exchange loss of \$19,000, compared to a foreign exchange gain of \$13,000 for the first nine months of fiscal 2024.

## **Interest and Financing Expense**

Interest and financing expense for the nine months ended January 31, 2025, totals \$722,000 (January 31, 2024 - \$268,000), including \$164,000 in royalty-based financing fees (2024 - \$69,000) - including \$63,000 payable to a related party (2024 - \$26,000). The expense for the current period also includes \$120,000 of interest regarding the lease liability (2024 - \$140,000). Interest expense for the current period also includes \$426,000 pertaining to the promissory notes payable (2024 - \$45,000). Interest for the current period also includes \$12,000 regarding the accretion of interest on the loan received through the federal government's Regional Relief and Recovery Fund (2024 - \$15,000).

## **Net Loss**

The first nine months of fiscal 2025 experienced a net loss of \$2,118,000 based on a loss from operations of \$1,377,000 before a foreign exchange loss and interest expense compared to a net loss of \$3,467,000 for the first nine months of fiscal 2024 based on a loss from operations of \$3,212,000 before a foreign exchange gain and interest expense. The net loss for the period ended January 31, 2025, includes the non-cash items of depreciation of approximately \$347,000 (2024 - \$374,000) and share-based compensation and consulting expenses of approximately \$26,000 (2024 - \$422,000).

## **4. Liquidity and Capital Resources**

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

As at January 31, 2025, the Company had approximately \$55,000 of cash and cash equivalents on hand. For the current nine-month period, the cash flow used by operating activities was approximately \$808,000 (January 31, 2024 - \$2,142,000 used by operations). For the current period, cash used by operating activities was the result of a net loss adjusted for items not involving cash of approximately \$1,197,000 (2024 - \$2,372,000) and cash provided by changes in non-cash working capital balances of \$389,000 (2024 - \$230,000 provided by changes in non-cash working capital).

For the current nine-month period, cash used in investing activities of \$34,000 (2024 - \$31,000) was the result of the purchase of foam casting line equipment and testing equipment.

For the nine months ended January 31, 2025, cash provided by financing activities in the amount of \$841,000 was the result of the proceeds from the issuance of promissory notes (\$1,243,000), offset by lease payments (\$378,000) and RRRF loan repayments (\$24,000). For the nine months ended January 31, 2024, cash provided by financing activities of \$2,085,000 was the result of the proceeds from a private placement equity raise (\$1,181,000), proceeds from the issuance of promissory notes (\$842,000) and from the exercise of warrants (\$412,000), partially offset by building lease payments (\$292,000) and RRRF loan payments (\$60,000).

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

In the first nine months of fiscal 2025, the Company incurred \$34,000 (fiscal 2024 - \$31,000) of capital expenditure for production equipment. Management maintains its capital expenditure with the goal of meeting expected production demands and to support research and development initiatives.

## **Licenses and technology rights**

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

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

The scope of patent protection provides Cymat with important cost advantages in the production of aluminum foams.

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

## **Going Concern Uncertainty**

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

As at January 31, 2025, the anticipated level of cash flows from operating activities for the next twelve months is not assured to be sufficient to sustain operations. The ability of the Company to continue as a going concern is dependent upon achieving future profitable operations and may also be dependent upon raising additional financing through borrowings or equity issuance. The outcome of these matters is dependent on a number of items outside the Company's control. As a result, there are material uncertainties that cast significant doubt as to whether the Company will have the ability to continue as a going concern.

The interim consolidated financial statements do not include any adjustments or disclosures that may result from the Company's inability to continue as a going concern. If the going concern assumption were not found to be appropriate for these consolidated financial statements, adjustments might be necessary in the carrying values of assets and liabilities, the statement of consolidated financial position classifications and the reported expenses. Such adjustments could be material.



## 5. Investments and Capitalization

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

The Company considers its capital to be its equity which consists of share capital, subscription receipts, contributed surplus and warrants, net of the deficit. The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its manufacturing operations, research and development activities, sales and administration expenses, working capital and overall capital expenditures. The Company makes every effort to manage its liquidity to minimize dilution to its shareholders when possible. The Company has funded its activities through public offerings and private placements of common shares and warrants, convertible debentures, promissory notes, royalty offerings, and grant contributions. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management did not change during the period ended January 31, 2025.

The table below sets out the number of issued and outstanding common shares as well as the number of common shares associated with issued and outstanding convertible securities as at March 31, 2025.

	Number of Securities
Common Shares	65,694,085
Employee Stock Options	8,345,000
Warrants	<u>4,128,173</u>
Total Diluted Shares Outstanding	<u>78,167,258</u>

### Share Capital

The Company is authorized to issue an unlimited number of common shares. At January 31, 2025, issued and outstanding common shares totalled approximately 65,694,085 shares.

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

- [a] In May 2023, the Company issued 459,423 common shares as the result of the fulfillment of subscription receipts outstanding at the end of April 2023 arising from the exercise of warrants. Gross proceeds from the exercise of these warrants was \$147,015.
- [b] In May 2023, the Company issued 1,288,450 common shares for gross proceeds of \$412,314 as the result of the exercise of warrants with an exercise price that was adjusted to \$0.32.
- [c] In October 2023, the Company issued 4,175,000 common shares for gross proceeds of \$1,043,750 as the result of the private placement of equity units priced at \$0.25 per unit. Each equity unit consisted of one common share and one half of a common share purchase warrant.
- [d] In November 2023, the Company issued 100,000 common shares for gross proceeds of \$25,000 as the result of the private placement of equity units priced at \$0.25 per unit. Each equity unit consisted of one common share and one half of a common share purchase warrant.
- [e] In December 2023, the Company issued 485,600 common shares for gross proceeds of \$121,400 as the result of the private placement of equity units priced at \$0.25 per unit. Each equity unit consisted of one common share and one half of a common share purchase warrant.

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

## Stock Options

Under the terms of the stock option plan approved at the Annual General Meeting on December 16, 2024, the aggregate number of common shares reserved for the issuance of stock options is 13,138,817.

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

- [a] 250,000 stock options with an exercise price of \$0.27 granted on August 22, 2023 to a consultant and vested on the date of grant.
- [b] 500,000 stock options with an exercise price of \$0.19 granted on January 4, 2024 to a consultant and vested on the date of grant.

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

## Warrants

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

- [a] In April 2023, the Company received approval from the TSX Venture Exchange (the "Exchange") to reprice the 3,859,862 warrants issued in May 2021 from an original exercise price of \$0.90 per share to a new exercise price of \$0.32 per share. The expiry date of May 5, 2023, remained unchanged. In April 2023, 459,423 of these repriced warrants were exercised. The exercise proceeds for these warrants are reflected in the subscription receipts account.
- [b] In April 2023, the Company received approval from the Exchange to issue Incentive Warrants to encourage holders of the May 2021 warrants to exercise their repriced warrants early. The Incentive Warrants have an exercise price of \$0.50 per share and an expiry date of April 28, 2025. In April 2023, 459,423 of these Incentive Warrants were issued. The fair value of the warrants was measured using the Black-Scholes pricing model calculated using a risk-free interest rate of 3.65%, volatility of 82% and expected life of 2 years.
- [d] In May 2023, 1,288,450 of the warrants adjusted to an exercise price of \$0.32 were exercised. The remaining 2,111,989 warrants expired unexercised.
- [e] In May 2023, 1,288,450 Incentive Warrants were issued. The fair value of the warrants was measured using the Black-Scholes pricing model calculated using a risk-free interest rate of 3.65%, volatility of 82% and expected life of 2 years.
- [f] In October 2023, the Company issued 2,137,500 warrants as the result of the private placement of equity units priced at \$0.25 per unit. The warrants have an exercise price of \$0.40 and an expiry date of October 19, 2025.
- [g] In November 2023, the Company issued 50,000 warrants as the result of the private placement of equity units priced at \$0.25 per unit. The warrants have an exercise price of \$0.40 and an expiry date of October 19, 2025.
- [h] In December 2023, the Company issued 242,800 warrants as the result of the private placement of equity units priced at \$0.25 per unit. The warrants have an exercise price of \$0.40 and an expiry date of October 19, 2025.

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

### **Revenue recognition**

Revenue is measured based on the consideration promised in a contract with a customer. The Company recognizes revenue when it transfers control of a good or service to a customer. Based on the terms of the specific transaction, control typically transfers at a point along a continuum that is as early as the products' departure from the Company's warehouse to as late as the passing of inspection following the products' arrival at a designated shipment location. Amounts received in advance of recognized revenues are recorded as deferred revenue.

### **Royalties Liability**

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

### **Use of estimates**

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

- the measurement of the cost of finished goods inventory, including the allocation of costs of conversion and manufacturing overhead,
- allowance for doubtful accounts,
- the determination appropriate discount rate for valuation of the expected cash flows associated with the note receivable, assumptions about the valuation of the conversion element and assumptions about the likelihood of conversion,
- the determination of the useful lives of long-lived assets,
- the determination of the appropriate amount, if any, of the writedown in the carrying value of long term assets, including the estimation of the asset's fair value and the cost of disposal,
- the expected amount of additional financing fees and the determination of the appropriate discount rate used in the valuation of the promissory notes payable,
- the valuation of the royalties liability, including the forecasted revenues and the appropriate discount rate to apply in the determination of present value,
- the determination of whether a contract contains a lease, and if so, the determination of the appropriate discount rate and term of the lease to use in the measurement of the lease liability, and
- the measurement of the fair value of share-based compensation, including the volatility and risk-free rates used in the option valuation models and the estimation of number of options expected to vest.

The Company's assessment of the recoverable amount of property, plant and equipment is based on management's assessment of potential indicators of impairment and best estimates of likely courses of action by the Company. This assessment is subject to significant measurement uncertainty. Material write-downs of these assets could occur if actual results differed from the estimates and assumptions used.

## **Judgements**

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

## **Government assistance**

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

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

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2025. Many are not applicable or do not have a significant impact on the Company's consolidated financial statements.

## **8. Related Party Transactions**

Interest and financing expense for the nine months ended January 31, 2025, includes cash-based royalties in the amount of \$63,000 (January 31, 2024 – \$26,000) and interest and financing fees on promissory notes payable of \$21,000 regarding a related party.

## **9. Risks and Uncertainties**

### **Financial and Liquidity Risk**

The Company has not yet attained sufficient sales levels to completely support its operations. As at January 31, 2025, the anticipated level of cash flow from operations for the next twelve months is not assured to be sufficient to sustain the business. In addition to being able to successfully execute its business plan, which includes increased sales, it may be necessary for the Company to raise additional financing through either borrowings or equity financing.

### **Interruption of Raw Material Supply**

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

## **Outbreak of Disease**

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

## **International Trade Barriers and Tariffs**

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

## **Dependence on Key Personnel**

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

## **Proprietary Technology Protection**

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

## **Government Regulation and Certification Requirements Imposed by Customers**

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

## **Other Risks**

The Company may be subject to a number of other risks that could materially and adversely affect Cymat's business, financial condition, liquidity or results of operations. Such risks include those associated with competing products, commodity price risks associated with aluminum-based raw materials, fluctuating currency exchange rates and the ability of the Company to manage growth.

## **10. Management's Assessment of Disclosure Controls and Procedures**

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

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

There were no changes in the internal controls over financial reporting during the reporting period ended January 31, 2025, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## **11. Outlook**

In a continuing break from historical sales trends, revenue from SmartMetal™ exceeded sales from Cymat's architectural business for the second quarter in a row. Project delays resulted in lower revenue from the Alusion™ brand than expected for the quarter. However, the pipeline of inquiries and quotes for new Alusion™ projects remains robust and the Company expects that Alusion™ will continue to be a significant source of revenue for the upcoming calendar year.

In the recently ended quarter, Cymat delivered SmartMetal™ panels to NUVIA, our nuclear technology customer. The panels were engineered to provide protection from environmental threats to critical nuclear power infrastructure. We expect the second phase of this order to be placed in mid calendar 2025. France's ongoing life extension programs for their nuclear power generating facilities are expected to result in a future stream of similar orders. Furthermore, Cymat and Nuvia are also discussing several new applications featuring SmartMetal™ aluminum foam for future sales to Nuvia's customer base. Based on the effectiveness of SmartMetal™ within Nuvia's NuFoam™ platform, Cymat is engaging in conversations with a number of entities outside of France interested in providing enhanced resilience for new energy infrastructure projects.

In recent days, Cymat has received a request to provide a sales quotation for the next installment of SmartMetal™ underbelly protection kits to our Asian military vehicle manufacturer customer. The order size of 60 kits is an escalation from the 24-kit order fulfilled earlier in the fiscal year. Details are being finalized for a contract that will address the remainder of the expected 350 kit order to be delivered over 3 years. The Asian OEM's marketing efforts for this vehicle are expected to extend to the broader global military customer base, where earlier vehicle variants are in service. Cymat continues to support additional defense and security SmartMetal™ initiatives that are focused on blast mitigation, light-weighting and multi-threat protection applications.

Cymat continues to place a high priority on business development efforts targeting the automotive industry, with a focus on electrified vehicle platforms. A SmartMetal™ automotive prototype has demonstrated its efficacy for battery impact protection in an independently performed dynamic test. Tariffs on automotive imports newly enacted by the US administration will severely disrupt the North American automotive market by significantly increasing manufacturing costs. Incorporation of SmartMetal™ automotive components could provide automotive manufacturers with cost savings and to contribute to system simplification goals. Current R&D activities focus on the advancement of a number of these automotive business opportunities. Cymat has recently commissioned prototype testing equipment in the aid of these activities.

As a further demonstration of the possibility for an all-Canadian, zero emission passenger vehicle, the Automotive Parts Manufacturers' Association ("APMA") is launching Project Arrow 2.0 ("PA2.0"), as a continuation of its program started in 2023. Cymat has been selected as a pre-qualified partner in PA2.0. Cymat's participation on the PA2.0 is expected to increase the exposure of the benefits and capabilities of SmartMetal™ to a broader range of manufacturers in the automotive industry.