Cymat Technologies Ltd.
Management's Discussion and Analysis ("MD&A")
As at July 31, 2014

September 25, 2014

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 Cymat's unaudited interim financial statements for the three month period ended July 31, 2014, and the audited financial statements for the year ended April 30, 2014, and the associated notes to the financial statements.

The Company prepares its interim financial statements in accordance with International Financial Reporting Standards ("IFRS") as set out in the Handbook of The Canadian Institute of Chartered Accountants ("CICA Handbook"). All financial information contained in this MD&A and in the unaudited interim financial statements has been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A is dated September 25, 2014 and all amounts herein are denominated in Canadian dollars, unless otherwise stated.

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 13, 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. The technology is focused on producing products for 3 major markets: automotive, architecture and blast mitigation industries. Cymat markets architectural material under the trademark, “Alusion™” and automotive and blast mitigation products under the “SmartMetal™” trademark.

2. Summary of Operating Results and Highlights

Select financial information for the three month periods ended July 31, 2014 and July 31, 2013:

	Three Months Ended July 31	
	2014 ($)	2013 ($)
Interim Statements of Operations		
Revenue	**146,740**	214,694
Plant operating expenses	**135,329**	277,583
Research and material testing expense	**1,605**	2,007
Selling, general and administrative expenses	**212,240**	232,939
Loss from operations	**(202,434)**	(297,835)
Net loss	**(238,404)**	(302,972)
Interim Statements of Cash Flows		
Cash used in operating activities	**(407,121)**	(51,429)

Operational Highlights

Operational highlights for the quarter ended July 31, 2014, compared to the same period ended July 31, 2013 include:

- Revenues for the quarter decreased by $68,000, when compared to revenues from the same quarter of last year which included $161,000 pertaining to the 9/11 Memorial project, while no large project revenue was reported in the current quarter. Alusion™ transactional sales experienced a quarter-over-quarter increase of $103,000, or 91%. SmartMetal™ were up by $44,000 on a quarter-over-quarter basis.

- Despite the decline in revenue, the loss from operations improved by $95,000 on a quarter-over-quarter basis.

Other Highlights

- In the first quarter of fiscal 2015, Cymat raised gross proceeds of $1,220,000 through the issuance of convertible debentures.

3. Results of Operations

Comparison of the Three Months Ended July 31, 2014 and July 31, 2013

Revenue

Revenue for the quarter ended July 31, 2014 was approximately $147,000, a decrease of $68,000, or 32%, from revenue for the quarter ended July 31, 2013, of $215,000. The first quarter of last fiscal year included revenue of $161,000 relating to the 9/11 Memorial project, while the first quarter of this fiscal year contained no revenue from major architectural projects. The first quarter of fiscal 2015 experienced increased transactional Alusion™ sales, representing a 91% increase over transactional Alusion™ sales for the first quarter of fiscal 2014. Fiscal 2015 also included SmartMetal™ sales of approximately $44,000; whereas the same quarter of fiscal 2014 had no revenue from this source.

Cymat recognizes product revenue when rights and obligations to the product are transferred to Cymat's customers. Normally this transfer occurs when the products depart the Company warehouse; however this transfer can also occur upon the product arrival at a designated shipping location.

Plant Operating Expenses

Plant operating expenses for the quarter ended July 31, 2014 were approximately $135,000, a decrease of $143,000, or 51%, as compared to the same expenses of $278,000 for the quarter ended July 31, 2013.

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 approximately $55,000 for the first quarter of fiscal 2015, as compared to $194,000 for the first quarter of fiscal 2014. This expense reduction arose primarily from decreased variable costs from decreased sales levels, a reduced headcount resulting in lower labour costs, and inventorying of costs associated with the production of material for the Prada Museum project.

Plant operating expenses also includes factory overhead costs such as rent and utilities. These expenses totalled approximately $67,000 for the first quarter of fiscal 2015 as compared to similar expenses of $65,000 for the same period of fiscal 2014.

Plant operating expenses also include depreciation and amortization expense of approximately $13,000 for the three months ended July 31, 2014 and $19,000 for the same period ended July 31, 2013.

Research and Material Testing Expenses

Research and material testing expenses consisted of depreciation expenses on lab and testing equipment. For the first quarters of fiscal 2015 and fiscal 2014, depreciation expenses were approximately $2,000 in each quarter.

Selling, General and Administrative Expenses ("SG&A")

SG&A expenses for the three months ended July 31, 2014 were approximately $212,000, as compared to an expense of $233,000 for the same three months ended July 31, 2013. Favourable variances included reduced stock-based compensation expenses ($11,000) and reduced professional fees ($9,000).

SG&A expenses also include depreciation and amortization in the approximate amounts of $1,000 and $4,000, respectively, for the first quarters of fiscal 2015 and 2014.

Interest and Financing Expense

Interest and financing expense for the three months ended July 31, 2014, includes cash-based amounts of approximately $32,000 which consisted of $19,000 in interest and royalty-based financing fees payable on the promissory notes (including $7,000 payable to a related party), $1,000 interest on the repayable government contributions liability, $10,000 in cash-based interest on the convertible debentures (including $2,000 payable to a related party) and $1,000 of fees on advances from related parties. The expense for the quarter also includes a non-cash-based amount of $3,000 pertaining to the accretion of interest on the carrying value of the loan component of the convertible debt.

Interest expense for the three months ended July 31, 2013, of approximately $5,000 consisted interest on related party advances in the amount of $3,000 and interest on the repayable government contributions liability in the amount of $2,000.

Net Income (Loss)

A net loss of $238,000 was recorded for the first quarter of fiscal 2015, compared to a net loss of $303,000 for the first quarter of fiscal 2014.
The net loss for the first quarter of fiscal 2015 includes the non-cash items of depreciation and amortization of approximately $16,000 (fiscal 2014 – $25,000), share-based compensation expense of approximately $2,000 (fiscal 2014 – $13,000) and non-cash interest of $3,000 (fiscal 2014 – $Nil).

4. Selected Quarterly Financial Information

The following tables present selected quarterly financial information derived from the Company's unaudited statements of operations and cash flows for the eight most recent quarters ended July 31, 2014. The comparative net loss per share figures have been adjusted to reflect the effect of the 10 to 1 share consolidation that was enacted in June of 2014. These operating results are not necessarily indicative of results to be achieved for any future period and should not be relied upon to predict future performance.

Selected Financial Information by Fiscal Quarter All items in $ 000's, except Net (Loss) Income per Share								
Three months ended,	**Jul. 31, 2014**	**Apr. 30, 2014**	**Jan. 31, 2014**	**Oct. 31, 2013**	**Jul. 31, 2013**	**Apr. 30, 2013**	**Jan. 31, 2013**	**Oct. 31, 2012**
Revenue	147	214	45	315	215	132	200	251
Plant operating expenses	135	254	214	281	278	259	272	247
Research and material testing expenses	2	2	2	2	2	2	3	2
SG&A expenses	212	301	244	249	233	285	(91)	482
Gain on settlement of debt	-	-	-	-	-	2,010	-	-
Net (Loss) Income	(238)	(857)	(440)	(224)	(303)	1,594	(9)	(532)
Net Loss per Share	(0.02)	(0.06)	(0.03)	(0.02)	(0.02)	0.11	-	(0.04)
Operating Cash flow	(407)	(145)	(121)	(113)	(51)	27	(223)	(628)

5. Liquidity and Capital Resources

Sources and Uses of Cash

As at July 31, 2014 the Company had approximately $312,000 of cash and cash equivalents on hand. For the first quarter of fiscal 2015, the cash flow used in operating activities was approximately $407,000 (fiscal 2014 – used $51,000). For first three months of fiscal 2015, cash utilized by operating activities was the result of a net loss adjusted for items not involving cash of approximately $218,000 (fiscal 2014 - $266,000) and cash used in changes in non-cash working capital balances of $189,000 (fiscal 2014 –cash provided by changes in working capital $214,000).

For the three month periods ended July 31, 2014, and July 31, 2013, there were no cash flows as the result of investing activities.

For the quarter ended July 31, 2014, cash provided by financing activities was $618,000 as the result of proceeds from the convertible debenture issuance ($1,220,000), less repayment of the promissory notes ($568,000), repayment of government contributions ($34,000). For the quarter ended July 31, 2013, cash provided by financing activities was $45,000 as the result advances from related parties ($58,000), partially offset by repayment of government contributions ($13,000).

Investments in Property, Plant and Equipment

There was no capital expenditure for the quarters ended July 31, 2014 and 2013. Management maintains its capital expenditure with the goal of meeting expected production demands and with a reduced emphasis on investing in assets that are focused solely on R&D activities.

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.

Some of these patents are controlled under a license from Alcan International Inc. [“Alcan”]; some have been acquired from Hydro Aluminum a.s. [“Hydro”]; and Cymat has developed others independently. 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, the Company has financed its operations primarily through share issuances, investment tax credits, interest income, and collaborative co-development agreements. The Company has incurred significant operating losses and cash outflows from operations. As at July 31, 2014, 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 raising additional financing through borrowings or equity financing and ultimately achieving future profitable operations. Subsequent to the period end, the Company raised further gross proceeds of $395,000 from the issuance of convertible debt. The outcome of these matters is dependent on a number of items outside the Company's control. As a result, there are material uncertainties that may cast significant doubt as to whether the Company will have the ability to continue as a going concern. These financial statements do not include any adjustments or disclosures that may result from the Corporation's inability to continue as a going concern. If the going concern assumption were not found to be appropriate for these financial statements, adjustments might be necessary in the carrying values of assets and liabilities, the statement of financial position classifications and the reported expenses. Such adjustments could be material.

6. Investments and Capitalization

Cymat is listed on the TSX – Venture Exchange, trading under the symbol CYM.

The table below sets out the number of issued and outstanding common shares as well as the number of issued and outstanding convertible securities as at September 25, 2014. The figures reported below reflect the 10:1 share consolidation that occurred in June of 2014. These figures have also been affected by the further issuance of convertible debentures with a face value of $395,000 occurring subsequent to the July 31, 2014 period. These convertible debentures are convertible into 1,975,000 common shares and 1,975,000 common share purchase warrants were issued in conjunction with this financing.

	Number of Securities (Post Share Consolidation)
Common Shares	14.407,180
Convertible Debentures	8,075,000
Employee Options	892,120
Warrants	11,152,860
Total Diluted Shares Outstanding	34,527,160

Share Capital

The Company is authorized to issue an unlimited number of common shares. At July 31, 2014, issued and outstanding common shares were approximately 14,407,180 common shares, on a post share consolidation basis.

In June of 2014, the Company enacted a Share Consolidation (the "Consolidation") whereby ten (10) pre-consolidation common shares were exchanged for one (1) post consolidation share. After the Consolidation, issued and outstanding common shares totalled approximately 14,407,180 shares. As a result of the Consolidation, the warrants and stock options that were outstanding at the time were also reduced in number by a factor of ten and their associated exercise prices were adjusted by a multiple of ten. The numbers of outstanding common shares reflected in these financial statements have been retroactively adjusted to give effect to the Consolidation. This adjustment affects the weighted average number of common shares and the associated loss per share calculations, among other share-related figures.

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

Stock Options

The Company's stock option plan allows for the issuance of options, in aggregate, to acquire up to twenty percent (20%) of the number of common shares issued and outstanding on the effective date of the plan. The aggregate number of shares reserved for issuance under the terms of the Company's stock option plan is 2,881,437 on a post share consolidation basis.

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.

No options were granted in the three months ended July 31, 2014, or in the year ended April 30, 2014.

No options were exercised in the quarter ended July 31, 2014, or in the year ended April 30, 2014.

7. Critical Accounting Policies and Estimates

Revenue recognition

Revenue from the sale of manufactured products is recognized when the rights and obligations associated with the products are transferred to the purchaser. Normally this transfer occurs upon the products' departure from the Company's warehouse; however based on the terms of the specific transaction, transfer can also occur upon the product arrival at a designated shipment location. Amounts received in advance of earned revenues are recorded as deferred revenue.

Impairment of non-financial assets

The Company tests non-financial assets such as property, plant and equipment and licenses and technology rights for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Licenses and technology rights are subject to an impairment test on an annual basis at minimum. For the purpose of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units or "CGUs"]. The Company consists of one CGU, namely the sale of SAF. The recoverable value is the higher of an asset's fair value less costs to sell and value in use, which is the present value of the expected future cash flows of the relevant asset or CGU. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value. The Company evaluates potential reversals of impairment losses when events or circumstances warrant such consideration.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

Compound financial instruments

The convertible debt issuance contains both a liability component, represented by the loan, and an equity component, represented by the share purchase warrants and conversion feature. The Company has allocated the total proceeds of the issuance between the debt and equity components of the convertible debenture using the residual method. First the fair value of the debt component was calculated as the present value of the related cash flows using an appropriate discount rate. The remaining proceeds were allocated to the equity components of the convertible debt with this amount divided between the warrants and the conversion feature based on their relative fair values as calculated using the Black-Scholes option pricing model. The fair value of the debt portion is accreted to its face value through the recording of interest expense, calculated using the effective rate method, over the term of the convertible debentures.

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,
- impairment of inventory,
- allowance for doubtful accounts,
- 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 associated future cash flows and the appropriate discount rate used to estimate the recoverable amount,
- the valuation of the accrued royalties on the promissory notes, including the forecasted revenues and the appropriate discount rate to apply in the determination of the present value,
- the valuation of repayable government contributions, including the timing of the future repayments and the appropriate discount rate to apply in the determination of present value,
- the valuation of the debt and equity components of the convertible debentures, including the appropriate discount rate to apply in the determination of the fair value of the debt component, 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.

Judgments

In the process of applying the Company's accounting policies, management has made judgments regarding the determination of whether there has been impairment in the carrying value of long term assets which has the most significant effect on the amounts recognized in the financial statements.

8. Accounting Standards Issued But Not Yet Applied

The IASB has issued a number of amendments to standards that are not yet effective for the fiscal year ended April 30, 2014. Accordingly these standards have not been applied by the Company in the preparation of these financial statements.

The following is a description of the new standards:

The IASB published IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, substantially overhauls accounting requirements related to hedging and introduces a new credit loss impairment model. The IASB also has a separate active project on accounting for macro hedging.

IFRS 9 will be effective for annual periods beginning on or after January 31, 2018. The Company does not anticipate early adoption of this standard and has not yet assessed its impact on the financial statements.

IAS 32 Financial Instruments: Presentation was amended to address inconsistencies in current practice when applying the offsetting criteria. The amendments clarify the meaning of “currently has a legally enforceable right of set-off” and clarify that some gross settlement systems may be considered to net settlement. The amendment is effective for annual periods beginning on or after July 1, 2014. The adoption of this standard will not have a material impact on the Company’s financial statements.

9. Related Party Transactions

During the three months ended July 31, 2014, the Company received advances totaling $14,500 (year ended April 30, 2014 - $135,000) from certain officers of the Company and repaid advances totaling $14,500 (year ended April 30, 2014 - $50,000). Additionally, in the year ended April 30, 2014, advances totaling $181,500 and associated interest and fees totaling $37,000 were settled via issuance of a promissory note.

Interest and financing expense for the three month period ended July 31, 2014 includes interest expense totaling $Nil (2013 - $3,000) and other fees totaling $1,500 (2013 - $Nil) paid or payable to related parties with respect to advances. Interest and financing expense for the first quarter of fiscal 2015 interest and royalties in the amount of $7,000 regarding the promissory notes and interest in the amount of $2,000 that are payable to a related party.

10. Risks and Uncertainties

Cymat is an Early Stage Company

Cymat is an early stage company, having transitioned from a primarily research and development focused Company to a commercial production Company. The Company has not yet attained sufficient sales levels to completely support its operations.

Financial and Liquidity Risk

As at July 31, 2014, 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. Subsequent to the period end, the Company raised further gross proceeds of $395,000 from the issuance of convertible debt. There can be no assurance that the Company will succeed in growing sales sufficiently or in completing additional financing.

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, international markets and the possibilities of trade restrictions and the ability of the Company to manage growth.

11. 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 three month period ended July 31, 2014, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting

12. Subsequent Event

In August 2014, the Company issued Convertible Debentures (the "Debentures") with a face value of $395,000 through a non-brokered Private Placement Financing (the "Financing"). The Financing consisted of Debenture Units (the "Units") priced at $1,000 per Unit with each Unit consisting of Debentures in the principal amount of $1,000 and 5,000 Common Share Purchase Warrants (the 'Warrants"). The Debentures bear interest at a rate of 12% per annum, mature on June 30, 2017, and are convertible, at the option of the holder, into 5,000 Common Shares. Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.25 until June 30, 2017.

13. Outlook

For the balance of fiscal 2015, architectural sales are expected to provide the majority of Cymat revenue. The Company has continuing expectations for the inclusion of Alusion™ in significant architectural projects. Panel production is under way for the Fondazione Prada Museum project installing in Milan, Italy. The Prada Museum will be a centre-piece for Expo 2015 which the city of Milan is hosting. This order is expected to begin shipping in the second quarter, with completion targeted for the third quarter. Recent sales activities seem to indicate that the declining trend for European sales is reversing, in keeping with indications of signs of recovery within the European Economic Community. Latin American sales increased modestly in fiscal 2014 as the result of agent activities by Hunter Douglas. Fiscal 2015 is expected to bring increased sales levels from this geographic region, including potential for major architectural projects.

Cymat continues to participate in discussions with several OEMs and their suppliers in connection with the possible use of SmartMetal™ for blast mitigation in various military vehicle platforms, with significant developments expected for fiscal 2015. Fiscal 2015 also has potential for the use of SmartMetal™ in the French nuclear energy industry.

On the automotive front, the Company continues its discussions with two automotive industry suppliers regarding the possible use of SmartMetal™ in vehicle bumper system applications for the North American automotive industry. Management remains convinced that SmartMetal™ has the potential to resolve the conflicting requirements within automotive design for increased vehicle crashworthiness while at the same time reducing vehicle weight.