Cymat Technologies Ltd.
Management's Discussion and Analysis (“MD&A”)
As at April 30, 2016

August 25, 2016

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 financial statements of the Company for the year ended April 30, 2016, and the associated notes to the financial statements.

The Company prepares financial statements in accordance with International Financial Reporting Standards (“IFRS”) as set out in the Handbook of The Chartered Professional Accountants of Canada (“CPA Handbook”). All financial information contained in this MD&A and in the audited financial statements has been prepared in accordance with IFRS.

This MD&A is dated August 25, 2016 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 Market and Industry Environment

Cymat's business environment is divided into its three lines of business – Architecture, Blast Mitigation and Energy Absorption, and Automotive.

The materials industry for architectural and construction is characterized by a highly competitive environment with numerous solutions competing for high profile projects. The global economic outlook is generally characterized by volatility and uncertainty which can have unfavourable effects upon large architectural projects. Europe remains a key market for Alusion™, Cymat's architectural line of products. Although Europe's recovery from the recent recession remains uneven, Cymat has witnessed some increased architectural activity in this region. Cymat's foray into the South American market, on the other hand, continues to produce results lower than expected as the region faces significant economic challenges.

Improvised explosive devices ("IED's") continue to be a significant threat to military forces and, increasingly, to homeland law enforcement agencies as well. Lightweight, high-energy absorption materials such as SmartMetal™ are elements being used by military and police forces and OEM manufacturers to counter these IED threats. SmartMetal™ blast mitigation capabilities, its high strength to weight ratio and its ability to maintain its physical properties over time and over a wide temperature range, make it an attractive solution for blast mitigation applications. Test results have confirmed that the use of SmartMetal™, in conjunction with other materials, offers a lower weight solution that significantly reduces mortality and serious injury for the vehicle occupants. In fiscal 2016, the appeal of SmartMetal™ as a blast mitigation application was confirmed by the order from Panhard General Defense ("Panhard") of 250 SmartMetal™ vehicle blast mitigation kits. While the threat from this newer form of warfare rises, military and police budgets are, at the same time, being challenged by cost-cutting initiatives as the result of government deficit and debt levels.

In fiscal 2016, SmartMetal™ panels were ordered for installation in France in the base of a cargo lift used in the transport of radioactive material. The SmartMetal™ pad is intended to act as failsafe energy absorber in the event of a major lift failure. Approximately 75% of France's electricity is derived from nuclear energy. France's fleet of 58 reactors had an average age of 30 years as at the end of calendar 2015. French parliament has approved a plan to extend the life expectancy of the reactor fleet which includes budget allocations for post-Fukushima safety modifications and enhancement of protection against external events.

The automotive industry continues to face increased societal demands for environmental sustainability at a time when several high-profile vehicle recalls has lead to increased industry scrutiny. In North America, tough standards for fleet fuel consumption are being mandated by CAFE (Corporate Average Fuel Economy) regulations. According to the energy.gov website, a ten percent reduction in vehicle weight can result in a six-eight percent increase in fuel economy. Accordingly, most automotive manufacturers are undertaking comprehensive light-weighting initiatives. These light-weighting projects have the potential to result in the addition of new materials, such as SAF, into the automotive design. Additionally the IIHS (Insurance Institute for Highway Safety) is rating vehicles for their performance in a new small offset frontal crash test. This environment is compelling automotive OEM's to employ innovative energy absorption design solutions to meet these enhanced requirements. In addition to its flat-panel SAF production line, Cymat has developed proprietary Low Pressure Foam Casting ("LPFC™") aluminum foam technology which can produce near net shaped components that, among other uses, may have utility in automotive industry applications

3. Operating Highlights and Year in Review

Architecture

Sales of Alusion™ for fiscal 2016 were approximately $1.0 million compared to Alusion™ sales of $1.5 million for fiscal 2015. Reduced revenue from large architecture projects was the main driver of this revenue decrease. In fiscal 2016, large architectural project revenue totalling $600,000 was derived from a cultural centre in Seville, Spain; a banking office building in Madrid, Spain; the continued supply of panels for the Mallorca Convention Center and an auditorium in Princeton University. In fiscal 2015, large architectural project revenue of $1.0 million from the Fondazione Prada Museum project in Milan, Italy and the Mallorca Convention Center. A refurbishment of Cymat's aluminum-melting furnaces in the latter part of fiscal 2016 resulted in production downtime that delayed the shipment of $300,000 in panels relating to the Madrid bank and Princeton University orders until after year-end.

Blast Mitigation and Energy Absorption

SmartMetal™ sales for fiscal 2016 were approximately $400,000 compared to sales of $200,000 for fiscal 2015. Fiscal 2016 included a sales order of approximately $300,000 for use in a French Atomic Energy Commission facility. The SmartMetal™ panels were for installation in the base of a cargo lift used in the transport of radioactive material. The SmartMetal™ pad will provide a failsafe energy absorber as protection in the event of a major lift failure.

Although not reflected in the revenue number, in fiscal 2016 Cymat received an initial order from Panhard, a division of Renault Trucks Defense and part of the Volvo Group, for 250 SmartMetal™ vehicle blast mitigation kits. The kits will be installed on the underside of Panhard's light armoured protected 4X4 wheeled class of vehicles. The SmartMetalTM panels have been engineered to provide a lightweight solution offering occupant protection from blast energy such as that resulting from the detonation of Improvised Explosive Devices. As a result of the furnace refurbishment, the first shipment of these kits occurred after the year-end. The approximate value of this order is $400,000.

Automotive

Cymat's efforts to develop a market for SmartMetal™ within the automotive industry continued to focus on applications that would incorporate SAF produced on its flat-panel production line. During fiscal 2016, discussions progressed in regards to the use of SmartMetal™ in crash management systems and NVH (noise, vibration and harshness) applications.

Other Highlights

During fiscal 2016, Cymat raised proceeds of $463,000 through private placement of convertible debt and warrants. The convertible debt bears an interest rate of 12% and is convertible in common shares at a conversion price of $0.20 per share. The share purchase warrants have an exercise price of $0.25 per share.

4. Selected Financial Information

The following table presents selected annual financial information for the three most recent fiscal years, prepared in accordance with IFRS.

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

	2016	**2015**	**2014**
Revenue	1,355	1,609	789
Cash flow used in operations	(520)	(1,251)	(430)
Net (Loss) Income	(1,513)	(1,171)	(1,824)
Net (Loss) Income per Share, basic and diluted	(0.10)	(0.08)	(0.13)
Total Assets	862	1,039	814
Non-current Financial Liabilities	2,804	2,126	363

The following tables present selected quarterly financial information for the eight most recent quarters for the period ended April 30, 2016.

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

Three months ended,	Apr 30, 2016	Jan 31, 2016	Oct 31, 2015	Jul 31, 2015	Apr 30, 2015	Jan 31, 2015	Oct 31, 2014	Jul 31, 2014
Revenue	522	332	244	257	256	581	625	147
Plant operating expenses	219	265	351	330	302	439	364	135
Research and material testing expenses	1	1	1	2	1	1	2	2
SG&A expenses	275	276	267	274	319	253	343	212
Net Loss	(147)	(386)	(505)	(475)	(528)	(230)	(175)	(238)
Net Loss per Share	(0.01)	(0.03)	(0.04)	(0.03)	(0.04)	(0.02)	(0.01)	(0.02)
Operating cash flow	(2)	(223)	(88)	(207)	(318)	(183)	(343)	(407)

As at:	Apr 30, 2016	Jan 31, 2016	Oct 31, 2015	Jul 31, 2015	Apr 30, 2015	Jan 31, 2015	Oct 31, 2014	Jul 31, 2014
Cash & cash equivalents	172	209	8	96	302	158	350	312
Restricted cash	14	14	14	14	14	14	14	14
Working capital	(801)	(669)	(857)	(475)	(108)	(281)	(121)	(456)

5. Financial Condition

The following table presents significant changes in the Company's financial position from April 30, 2015 to April 30, 2016.

As at April 30 (Thousands of Dollars)	2016 $	2015 $	Increase (Decrease) $	 %
Cash and cash equivalents	172	302	(130)	(43)
Restricted cash	14	14	-	-
Trade and other receivables	167	172	(5)	(3)
Inventory	180	211	(31)	(15)
Prepaid expenses	14	20	(6)	(30)
Other assets	28	28	-	-
Property, plant and equipment, net	287	292	(5)	(2)
Trade and other payables	762	629	133	21
Deferred revenue	290	6	284	4,733
Deferred rent liability	20	29	(9)	(31)
Accrued royalties	544	523	21	4
Repayable government contributions	77	74	3	4
Convertible debentures	2,459	1,713	746	44
Share capital	65,797	65,782	15	-
Contributed surplus	6,583	5,983	600	10
Equity portion of convertible debentures	345	305	40	13
Warrants	347	844	(497)	(59)

Cash and cash equivalents decrease of $130,000: See Liquidity and Capital Resources section for an explanation of the change in cash and cash equivalents for fiscal 2016.

Trade and other receivables decrease of $5,000: The decrease in receivables was primarily the result of decreased sales activity.

Inventory decrease of $31,000: The reduction in inventory is the result of a reduction in raw materials on hand ($15,000) and a decrease in finished goods inventory ($16,000), both as a result of increased order shipments at year end.

Property, plant and equipment decrease of $5,000: The reduction in the carrying value of property, plant and equipment is the result of depreciation expense ($84,000), partially offset by the purchase of machinery and equipment ($79,000).

Trade and other payables increase of $133,000: Payables increased in conjunction with the production curtailment in the latter part of fiscal 2016.

Deferred revenue increase of $284,000: Deferred revenue increased owing to customer deposits on orders which experienced delayed fulfillment resulting from the production downtime.

Accrued royalties increase of $21,000: The increase was the result of a fair value adjustment recorded to reflect the present value of the estimated future royalty stream.

Repayable government contributions increase of $3,000: The increase in the repayable government contributions liability is the result of interest accrued on the obligation to Industry Canada.

Convertible debenture increase of $746,000: A December 2015 issuance of convertible debentures with an aggregate face value of $463,000 resulted in an increase of $381,000 to the recorded fair value of the debentures. The remaining increase was the result of accrued and accreted interest.

Share capital increase of $15,000: Share capital increased as the result of the conversion of convertible debentures with a face value of $10,000 and the exercise of 17,000 employee stock options.

Contributed surplus increase of $600,000: Contributed surplus increased as the result of the expiration of warrants that had a recorded value of $538,000. The remainder of the increase was the result of stock-based compensation and consulting expenses.

Equity portion of convertible debentures increase of $40,000: A December 2015 issuance of convertible debentures resulted in an increase of $40,000 to the recorded fair value of the equity portion of convertible debentures.

Warrants decrease of $497,000: The May 2015 expiration of 3.1 million warrants resulted in a decrease in warrants by $538,000. A partially offsetting increase in the amount of $41,000 resulted from the issuance of 2,315,000 warrants in conjunction with the convertible debenture issuance.

6. Results of Operations

Fourth Quarter and Year Ended April 30, 2016 Compared to the Fourth Quarter and Year Ended April 30, 2015

Revenue

Revenue for the quarter ended April 30, 2016 was approximately $522,000, an increase of $266,000, or 104%, from revenue for the quarter ended April 30, 2015, of $256,000. Sales for the fourth quarter of 2016 include Alusion™ panel sales regarding large architectural projects of $127,000 as compared to sales from similarly-sized architectural projects of $115,000 for the fourth quarter of 2015. The fourth quarter of 2016 also included SmartMetal™ sales relating to a nuclear facility application of approximately $284,000.

Revenue for fiscal 2016 was approximately $1,355,000, a decrease of $254,000, or 16%, from revenue for fiscal 2015, of $1,609,000. Revenue from Alusion™ sales was $958,000 for fiscal 2016 as compared to $1,370,000 for fiscal 2015. The year-over-year decrease in revenue was the largely the result of lower revenue from large Alusion™ architectural projects. Fiscal 2016 included revenue from four large Alusion™ architectural projects in the aggregate amount of $618,000, while fiscal 2015 included revenue from two such large projects of $1,022,000. A major contributor to this 2016 revenue decline was the production suspension arising from an overhaul of the aluminum furnaces. Approximately $300,000 in revenue from large architectural projects was delayed until after year-end as a result of the manufacturing downtime. Annual SmartMetal™ sales increased by $244,000, or 159%, to $397,000 for fiscal 2016 from $153,000 for fiscal. As mentioned above, fiscal 2016 SmartMetal™ sales included revenue of $284,000 from a French nuclear application order. Cymat received an order from Panhard General Defense for 250 vehicular blast protection kits in fiscal 2016. However the furnace overhaul precluded any shipments for the Panhard order until after year-end. The Panhard order has a value of approximately $400,000.

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 April 30, 2016 were approximately $230,000, a decrease of 24%, as compared to the same expenses of $302,000 for the quarter ended April 30, 2015. Plant operating expenses for the year ended April 30, 2016 were approximately $1,165,000, a decrease of $77,000, or 6%, from the same expenses of $1,242,000 for the year ended April 30, 2015.

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 $123,000 for the fourth quarter of fiscal 2016, as compared to $208,000 for the fourth quarter of fiscal 2015, representing a 41% quarter-over-quarter decrease. The lower costs were primarily the result of manufacturing costs relating to orders shipped out after year-end being allocated to inventory in the current quarter combined with higher freight costs associated with the Prada Museum project experienced in the comparative quarter.

Direct operating expenses were approximately $780,000 for fiscal 2016, a decrease of $131,000, or 14%, from the same expenses of $911,000 for fiscal 2015. Factors contributing to this decline included lower variable costs as the result of lower sales and lower material costs as the result of the buy-back of offcuts from the Mallorca project. The decline was partially offset by increased repair and maintenance expenses primarily relating to the aluminum-melting furnaces.

Plant operating expenses also includes factory overhead costs such as rent and utilities. These expenses totalled approximately $81,000 for the fourth quarter of fiscal 2016 as compared to similar expenses of $80,000 for the same period of fiscal 2015. Factory overhead expenses totalled approximately $310,000 for fiscal 2016 and $275,000 for fiscal 2015. A property tax refund received in fiscal 2015 was the primary reason for the differential in overhead expenses.

Plant operating expenses also include depreciation and amortization expense of approximately $26,000 for the three months ended April 30, 2016 and $15,000 for the same period ended April 30, 2015. For fiscal 2016 depreciation and amortization expense included in plant operating expenses was approximately $75,000 compared to $55,000 for fiscal 2015. Higher depreciation relating to furnace linings was the reason for the increased expenses for 2016.

Research and Material Testing Expenses

Research and material testing expenses consisted of depreciation expenses on lab and testing equipment. For the fourth quarters of fiscal 2016 and fiscal 2015, depreciation expenses were approximately $1,000 and $2,000, respectively. For the full fiscal years of 2016 and 2015, depreciation expenses were approximately $5,000 and $6,000, respectively.

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

SG&A expenses for the quarter ended April 30, 2016 were approximately $275,000, as compared to an expense of $319,000 for the same quarter ended April 30, 2015. The decrease was primarily the result of lower employee stock-based compensation expenses.

SG&A expenses for fiscal 2016 totalled approximately $1,092,000, a decrease of $35,000, or 3%, from SG&A of $1,127,000 for fiscal 2015. Expense decreases included share-based compensation ($44,000), and accounting and legal expenses ($19,000). These decreases were partially offset by increased consulting fees ($33,000).

Non-vesting performance-based stock options produced a share-based compensation expense recovery of $31,000 for the fourth quarter of 2016, compared to an expense of $16,000 for the fourth quarter of 2015. For fiscal 2016 a share-based compensation expense in the amount of $52,000 stood in comparison to a similar expense of $96,000 for fiscal 2015.

SG&A expenses also include depreciation and amortization in the approximate amounts of $1,000 for each of the fourth quarters of fiscal 2016 and 2015. For fiscal 2016 and 2015 depreciation and amortization was $4,000 and $5,000, respectively.

Foreign Exchange Gain

For the quarter ended April 30, 2016, there was a foreign exchange gain of $26,000 as compared to a foreign exchange loss of $18,000 for the quarter ended April 30, 2015. For fiscal 2016 there was a foreign exchange gain of $10,000, as compared to a foreign exchange loss of $14,000 for fiscal 2015.

Interest and Financing Expense

Interest and financing expense for the three months ended April 30, 2016, includes cash-based amounts of approximately $113,000 which consisted of:

- $83,000 in convertible debenture interest,
- $28,000 in royalty-based financing fees payable on the promissory notes (including $11,000 payable to a related party) and
- $2,000 interest on the repayable government contributions liability.

The expense for the quarter also includes a non-cash-based amount of $87,000 which consisted of:

- a change in the present value of the estimated future royalty outflow on the promissory notes of $21,000 (including $8,000 with respect to a related party), and
- accreted interest on the convertible debentures in the amount of $66,000 arising from the difference between the face value and the recorded value of the debentures.

Interest and financing expense for the three months ended April 30, 2015, includes cash-based amounts of approximately $63,000 which consisted of:

- $50,000 in convertible debenture interest,
- $12,000 in royalty-based financing fees payable on the promissory notes (including $5,000 payable to a related party), and
- $1,000 interest on the repayable government contributions liability.

The expense for the quarter also includes a non-cash-based amount of $81,000 which consisted of:

- a change in the present value of the estimated future royalty outflow on the promissory notes of $42,000 (including $16,000 with respect to a related party), and
- accreted interest on the convertible debentures in the amount of $39,000 arising from the difference between the face value and the recorded value of the debentures.

Interest and financing expense for fiscal 2016 includes cash-based amounts of approximately $376,000 which consisted of

- $69,000 in royalty-based financing fees payable on the promissory notes (including $27,000 payable to a related party),
- $291,000 in convertible debenture interest,

- $3,000 interest on the repayable government contributions liability and
- $13,000 in financing fees related to the issuance of convertible debentures.

The expense for 2016 also includes a non-cash-based amount of $241,000 which consisted of:

- a change in the present value of the estimated future royalty outflow on the promissory notes of $21,000 (including $8,000 with respect to a related party), and
- accreted interest on the convertible debentures in the amount of $220,000 arising from the difference between the face value and the recorded value of the debentures.

Interest and financing expense for fiscal 2015 includes cash-based amounts of approximately $253,000 which consisted of

- $93,000 in interest and royalty-based financing fees payable on the promissory notes (including $36,000 payable to a related party),
- $155,000 in convertible debenture interest,
- $3,000 interest on the repayable government contributions liability and
- $1,000 of interest and fees on advances from related parties.

The expense for 2015 also includes a non-cash-based amount of $138,000 which consisted of:

- a change in the present value of the estimated future royalty outflow on the promissory notes of $42,000 (including $16,000 with respect to a related party), and
- accreted interest on the convertible debentures in the amount of $96,000 arising from the difference between the face value and the recorded value of the debentures.

Net Income (Loss)

A net loss of $147,000 was recorded for the fourth quarter of fiscal 2016, compared to a net loss of $528,000 for the same quarter of last year.

The net loss for the fourth quarter of fiscal 2016 includes the non-cash items of depreciation and amortization of approximately $17,000 (2015 – $18,000), a recovery of share-based compensation of approximately $31,000 (2015 – expense of $18,000), a change in the accrual for future royalty payments of $21,000 (2015 – 42,000) and non-cash interest of $66,000 (2015 - $39,000) regarding the convertible debt.

A net loss of $1,513,000 was recorded for fiscal 2016 and a net loss of $1,171,000 was recorded for fiscal 2015.

The net loss for fiscal 2016 includes the non-cash items of depreciation and amortization of approximately $84,000 (2015 – $66,000), share-based compensation expense of $52,000 (2015 - $98,000), share-based consulting fees of $13,000 (2015 - $2,000), a change in the accrual for future royalty payments of $21,000 (2015 - $42,000) and non-cash interest of $220,000 (2015 - $96,000) regarding the convertible debt.

7. Liquidity and Capital Resources

Sources and Uses of Cash

As at April 30, 2016 the Company had approximately $172,000 of cash and cash equivalents on hand. For fiscal 2016, the cash flow used in operating activities was approximately $520,000 (2015 – used $1,251,000). For fiscal 2016, cash utilized by operating activities was the result of a net loss adjusted for items not involving cash of approximately $973,000 (2015 - $727,000) and cash provided by changes in non-cash working capital balances of $453,000 (2015 –$524,000) used by changes in non-cash working capital).

For the year ended April 30, 2016, cash used by investing activities of $79,000 was the result of expenditures on equipment (2015 - $35,000).

For fiscal 2016, cash provided by financing activities was $468,000, largely as the result of proceeds from issuance of the convertible debentures in the amount of $463,000. For fiscal 2015, cash provided by financing activities was $1,487,000 as the result of proceeds from issuance of the convertible debentures in the amount of $1,543,000, partially offset by repayments of government contributions in the amount of $56,000.

Investments in Property, Plant and Equipment

In fiscal 2016, the Company incurred $79,000 (2015 - $35,000) of capital expenditure. The 2016 capital expenditure pertained to the refurbishment of the furnace coils. The furnaces are employed to bring the SAF raw materials to a molten state in order to facilitate foaming. As a result of this outlay, the service life of the furnaces has been significantly extended. 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 and convertible debt 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 April 30, 2016, 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. 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.

8. 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 common shares associated with issued and outstanding convertible securities as at August 24, 2016. The numbers reported in the table have been affected by following items that occurred subsequent to the April 30, 2016 year end:

1. In May of 2016, 27,477 common shares were issued as the result of exercised employee stock options.
2. In June of 2016, 209,000 employee incentive stock options expired. On June 7, 2016, the Company granted 970,000 incentive stock options with an exercise price of $0.20 per share, exercisable until June 7, 2021. The options vest in three tranches over a two year period.

	Number of Securities (Post Share Consolidation)
Common Shares	14.551,963
Convertible Debentures	12,871,250
Stock Options	2,543861
Warrants	13,021,250
Total Diluted Shares Outstanding	42,988,324

Share Capital

The Company is authorized to issue an unlimited number of common shares. At April 30, 2016, issued and outstanding common shares totalled approximately 14,524,486 shares.

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 June 7, 2016, the aggregate number of common shares reserved for the issuance of stock options is 2,910,392.

On October 28, 2014, the Company granted 100,000 options to directors at an exercise price of $0.185, with 34% vesting upon grant, 33% vesting on the first anniversary of the grant date and 33% vesting on the second anniversary of the grant date.

On October 28, 2014, the Company granted 850,000 options to certain officers at an exercise price of $0.185, with 34% vesting upon grant, 33% vesting at the end of fiscal 2016 and 33% vesting at the end of fiscal 2017. The final number of options to vest in fiscal 2016 and 2017 is dependent upon the attainment of operational cash-flow break-even. The 283,335 options that were to vest in 2016, failed to vest as the performance criteria was not met.

On April 24, 2015, the Company granted 100,000 options to a consultant at an exercise price of $0.13, with 25% vesting on July 24, 2015, 25% vesting on October 24, 2015, 25% vesting on January 24, 2015 and 25% vesting on April 24, 2016.

On June 19, 2015, the Company granted 447,859 options to certain directors, officers and employees at an exercise price of $0.125, with one third vesting on June 19, 2015, on third vesting on June 19, 2016 and one third vesting on June 19, 2017.

In fiscal 2016, 17,306 stock options were exercised. No stock options were exercised in fiscal 2015.

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.

Convertible debentures

The convertible debentures are accounted for as a compound financial instrument that 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 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 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 present value,

- the valuation of the debt and equity components of the convertible debt, including the appropriate discount rate to apply in the determination of the fair value of the debt and the volatility and risk free rates used in the valuation of the warrants and conversion feature, 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, and intangible assets 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.

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. The Company has also applied significant judgment in classifying the perpetual royalty related to promissory notes as a derivative liability.

9. 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 ending April 30, 2016. 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 fundamentally rewrites the accounting rules for financial instruments. IFRS 9 introduces a new approach for financial asset classification, a more-forward looking expected loss model, and major new requirements on hedge accounting.

IFRS 9 divides all financial assets into two classifications – those measured at amortised cost and those measured at fair value. Classification is made at the time the financial asset is initially recognized when the entity becomes a party to the contractual provisions of the instrument. The transition guidance is complex and mainly requires retrospective application.

A new measurement category of 'fair value through other comprehensive income' is also included in IFRS 9. The Standard requires an entity to measure a financial asset at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing of the entity's own credit risk to be presented in other comprehensive income. An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss. The requirements in IAS 39 related to derecognition of financial assets and financial liabilities have been incorporated unchanged into IFRS 9.

IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate early adoption of this standard and has not yet assessed its impact on the financial statements.

The IASB has published IFRS 15 Revenue from Contracts with Customers, the product of a major joint project between the IASB and the US Financial Accounting Standards Board. The previous requirements of IFRS and US GAAP were not harmonized and often resulted in different accounting treatments for economically similar transactions. In response, the Boards developed new, fully converged requirements for the recognition of revenue under both IFRS and US GAAP.

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations; establishes a new control-based revenue recognition model; changes the basis for deciding whether revenue is to be recognized over time or at a point in time; provides new and more detailed guidance on specific topics; and expands and improves disclosures about revenue.

IFRS 15 applies to contracts with customers to provide goods or services, including construction contracts and licensing of intellectual property. It will not apply to certain contracts within the scope of other IFRSs such as lease contracts, insurance contracts, financing arrangements, financial instruments, guarantees other than product warranties, and non-monetary exchanges between entities in the same line of business to facilitate sales to third-party customers.

IFRS 15 will be effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate early adoption of this standard and has not yet assessed its impact on the financial statements.

10. Related Party Transactions

During the year ended April 30, 2016, the Company received advances totaling $Nil (2015 - $14,500) from certain officers of the Company and repaid advances totaling $Nil (2015 - $14,500).

Interest and financing expense for fiscal 2016 includes fees totaling $Nil (2015 - $1,500) paid or payable to related parties with respect to advances. Interest and financing expense for fiscal 2016 includes cash-based royalties in the amount of $27,000 (2015 – interest and royalties of $36,000) and an accrual of royalties based on future sales of $8,000 (2015 - $16,000) regarding a related party. Fiscal 2016, also includes interest in the amount of $52,000 (2015 - $37,000) regarding convertible debentures that are payable to a related party.

11. Risks and Uncertainties

Financial and Liquidity Risk

The Company has not yet attained sufficient sales levels to completely support its operations. As at April 30, 2016, 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. 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, fluctuating currency exchange rates and the possibilities of trade restrictions and the ability of the Company to manage growth.

12. 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 period ended April 30, 2016, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting

13. Subsequent Events

In June of 2016, the Company granted 970,000 stock options to certain of its directors, officers and employees, with an exercise price of $0.20 per share. The options vest in three tranches over a two-year period and expire on June 7, 2021.

14. Outlook

For Fiscal 2017, Cymat has expectations for the inclusion of Alusion™ in significant architectural projects including installations located in Europe, the United States and South America. The Alusion™ installations in the Mallorca Convention Center and the Fondazione Prada Museum in Milan continue to generate interest in the design community for the use of Alusion™, especially in the outer façade of buildings. Sales of Alusion™ are expected to continue to be the largest source of revenue for Fiscal 2017.

As stated above, subsequent to year-end Cymat began delivering on its first serial production military blast protection order. This initial order from Panhard for 250 SmartMetal™ vehicle blast mitigation kits, has the potential to generate additional sales. Based on further prototype and quoting activity in the military segment, Cymat expects significant future developments in SmartMetal™ blast mitigation applications for military/security vehicles. Cymat also continues to explore non-vehicular energy absorption applications for SmartMetal™ including the use of SmartMetal™ in the French nuclear energy industry for designs similar to that supplied in 2016 as well as additional applications involving the transport of radioactive material.

In the automotive sector, the Company is engaged in discussions concerning the development of SmartMetal™ applications on several fronts including NVH applications and vehicle crash mitigation systems. 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.