Cymat Technologies Ltd.
Management's Discussion and Analysis (“MD&A”)
As at April 30, 2020

August 27, 2020

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, 2020, and the associated notes to the consolidated financial statements.

The Company prepares its consolidated 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 consolidated financial statements has been prepared in accordance with IFRS.

This MD&A is dated August 27, 2020 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 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 4 major markets: automotive, architecture, defense and general industrial markets seeking energy management sytems. Cymat markets architectural material under the trademark, "Alusion™" and energy management products under the "SmartMetal™" trademark.

2. Summary of Market and Industry Environment

In December 2019, a new strain of coronavirus ("COVID-19") was reported in Wuhan, China. By March 2020, the World Health Organization ("WHO") had declared COVID-19 to constitute a "Public Health Emergency of International Concern" and had categorized the outbreak as a pandemic. Covid-19 has been, and continues to be, highly disruptive to the global economy and has the potential to negatively impact all of the markets for Cymat's SAF. In addition to the effects of the pandemic on this discussion of the market and industry environment, its impact is also reflected in the below discussions of results of operations (Sections 3 and 6), the going concern uncertainty (Section 7), the use of estimates and judgements (Section 10), risks and uncertainties (Section 13) and the discussion of the Company's outlook (Section 15).

Architecture

The market for architectural and construction materials is characterized by a highly competitive environment with numerous solutions competing for high profile projects. COVID-19 as well as escalating international trade tensions, such as those between the United States and China, has created an environment of global trade uncertainty. Such volatility can have unfavourable effects upon the timing and budgets for large architectural projects. While Cymat's architectural line of products is not among the lowest cost cladding options, its light weight can lead to significant construction savings as it may require less robust, hence less expensive, hanging systems. Europe remains a key market for Alusion™, some high-profile orders are expected for the United States, and the Far East continues to demonstrate increased demand for Cymat's architectural line of products.

Defense and Law Enforcement

Regions of conflict and unrest continue to present military forces and homeland law enforcement agencies with challenges for the safe movement of personnel and the deployment of valuable assets. The asymmetrical nature of these conflicts presents unique threats such as those created by Improvised Explosive Devices ("IED's"). 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. While threats from these types of attacks continue, the sales cycle associated with these types of customers is a lengthy one. Often the process that commences with vehicle system design, progresses through system validation and testing, the competitive bidding and contract awarding process and finally arrives at budget allocation and purchase approval can span several years. COVID-19 relief efforts have placed significant pressure on government budgets; accordingly military and police budgets continue to be challenged. On the other hand, government adoption of infrastructure stimulus to combat the economic effects of COVID-19 may have potential to positively impact large defense equipment orders.

SmartMetal™'s unique properties also make it attractive for use in other innovative defense and law enforcement applications such as non-lethal bullets. Non-lethal bullets are primarily used for crowd control and as a deterrent in both civilian and military situations where less-than-lethal force is determined to be the best course of action. While rubber bullets have traditionally been used in these situations, there have been numerous instances where their use has resulted in serious physical harm and fatalities. As such, there is significant interest by law enforcement agencies and military forces around the world to find a suitable replacement. Cymat's customer, Nobel Sport, has received certification from the

French Armed Forces for their non-lethal bullets that feature SmartMetal™ as a key component. Nobel Sport's international marketing efforts for this new product are ongoing.

Automotive

The automotive industry has experienced a substantial sales decline as a result of the pandemic. Despite the recent sales decline, automotive original equipment manufacturers ("OEMs") continue to focus efforts on developing electric and other green powered vehicles. Vehicle light-weighting is a key element in the successful execution of green vehicle design. These light-weighting projects have the potential to result in the addition of new materials, such as SAF, into the automotive design.

Additionally, crash performance standards for automotives continue to be strengthened. In order to meet these toughened safety standards, automotive OEM's continue to seek out innovative energy absorption design solutions. SmartMetal™'s energy absorption profile, combined with its low weight, can present an attractive solution for such crash management systems. 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 2020 were approximately $1.6 million compared to Alusion™ sales of $2.5 million for fiscal 2019. As the result of COVID-19, Asian sales orders for Alusion™, in the approximate amount of $1.5 million, that were expected in the final part of fiscal 2020 were not realized.

Blast Mitigation and Energy Absorption

SmartMetal™ sales for fiscal 2020 were approximately $94,000 compared to sales of $177,000 for fiscal 2019. Business development initiatives regarding blast protection kits for military personnel transport vehicles and development of markets for non-lethal projectiles employing SmartMetal™ remained ongoing during fiscal 2020.

Automotive

Although not significantly represented in annual sales, Cymat continued its efforts to develop a market for SmartMetal™ within the automotive industry including applications for SmartMetal™ relating to crash management systems and vehicle light-weighting.

Other Highlights

During fiscal 2020 Cymat raised proceeds of $1.4 million from the private placement of equity.

Under the Government of Canada's Steel and Aluminum Initiative as administered by the Federal Economic Development Agency for Southern Ontario, Cymat received a grant of $157,000.

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

	2020	**2019**	**2018**
Revenue	1,687	2,644	3,046
Cash flow used in operations	(1,333)	(471)	(763)
Net Loss	(1,815)	(1,359)	(1,116)
Net Loss per Share, basic and diluted	(0.04)	(0.04)	(0.03)
Total Assets	1,862	735	1,691
Non-current Financial Liabilities	1,392	489	505

The following tables present selected quarterly financial information for the eight most recent quarters for the period ended April 30, 2020.

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

Three months ended,	Apr 30, 2020	Jan 31, 2020	Oct 31, 2019	Jul 31, 2019	Apr 30, 2019	Jan 31, 2019	Oct 31, 2018	Jul 31, 2018
Revenue	357	212	466	652	619	604	1,030	391
Plant operating expenses	277	274	419	344	411	533	693	385
Research and material testing expenses	52	21	36	34	36	42	53	65
SG&A expenses	428	419	426	650	464	382	368	400
Net Loss	(376)	(536)	(465)	(438)	(351)	(383)	(136)	(489)
Net Loss per Share	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)
Operating cash flow	(172)	(393)	(409)	(359)	61	(158)	(152)	(222)

As at:	Apr 30, 2020	Jan 31, 2020	Oct 31, 2019	Jul 31, 2019	Apr 30, 2019	Jan 31, 2019	Oct 31, 2018	Jul 31, 2018
Cash & cash equivalents	252	89	111	461	182	125	287	275
Restricted cash	14	15	15	15	15	23	-	-
Working capital	(747)	(663)	(618)	(334)	(705)	(398)	(52)	(120)

5. Financial Condition

The following table presents significant changes in the Company's financial position from April 30, 2019 to April 30, 2020.

As at April 30 (Thousands of Dollars)	2020 $	2019 $	Increase (Decrease) $	%
Cash and cash equivalents	252	182	70	38
Restricted cash	14	15	(1)	(7)
Trade and other receivables	204	107	97	91
Inventory	130	166	(36)	(22)
Prepaid expenses	12	13	(1)	(8)
Other assets	28	28	-	-
Property, plant and equipment, net	1,222	223	999	448
Trade and other payables	1,035	887	148	17
Deferred revenue	63	135	(72)	(53)
Lease liability	1,062	-	1,062	n/a
Accrued royalties	592	657	(65)	(10)
Share capital	72,928	71,314	1,614	2
Contributed surplus	7,846	7,624	222	3
Warrants	33	-	33	n/a

Cash and cash equivalents increase of $70,000: See Liquidity and Capital Resources section for an explanation of the change in cash and cash equivalents for fiscal 2020.

Restricted cash decrease of $1,000: Restricted cash is comprised of cash held in a Hungarian financial institution as the result of the incorporation of ALU-MMC Hungary Zrt. The decrease is a result of the payment of administrative expenses.

Trade and other receivables increase of $97,000: The increase in receivables was primarily the result of government grant/subsidy receivables of $121,000 at the end of fiscal 2020. No such government receivables existed at the end of fiscal 2019.

Inventory decrease of $36,000: The decrease in inventory is primarily the result of the expensing of research and development related inventory of $25,000.

Property, plant and equipment increase of $999,000: The change in accounting policy for leases created a right-of-use asset for the Company's building that had a net carrying value of $1,010,000 at the end of fiscal 2020. Other changes resulted from the purchase of production equipment ($48,000), offset by depreciation expense ($59,000).

Payables increase of $148,000: The increase in payables was primarily the result of an increase in unpaid royalties and an increase in sales commission payable.

Deferred revenue decrease of $72,000: Deferred revenue decreased as a result of the relatively higher volume of to orders shipping immediately after the fiscal 2019 year end.

Accrued royalties decrease of $65,000: The decrease was the result of a fair value adjustment recorded to reflect the present value of the estimated future royalty stream. The use of a higher discount rate reflecting the increased risk adjustment associate with the COVID-19 pandemic was the main driver behind the decrease.

Share capital increase of $1,614,000: Share capital increased as the result of three rounds of private placements ($1,361,000) and the exercise of stock options ($253,000).

Contributed surplus increase of $222,000: Contributed surplus increased as the result of stock-based compensation and consultant options ($348,000), partially offset by the exercise of options ($126,000).

Warrants increase of $33,000: Warrants increased as the result of three rounds of private placements.

6. Results of Operations

Fourth Quarter and Year Ended April 30, 2020 Compared to the Fourth Quarter and Year Ended April 30, 2019

Revenue

In December 2019, the first cases of COVID-19 were reported in Wuhan, China and the virus soon began to spread quickly throughout Asia. By March 2020 spread of this virus had been declared to constitute a pandemic by the World Health Organization ("WHO"). COVID-19 has caused significant disruption to the global economy, with the impact first being felt by Cymat at the end of its third fiscal quarter ended January 31, 2020. Cymat's sales pipeline for the January to April 2020 timeframe had included two large Alusion™ orders for the Asian market with an aggregate sales volume of more than $1.5M. As a result of COVID-19, these sales orders did not materialize by the fiscal year's end. Revenue for the final quarter of fiscal 2020 and for fiscal 2020 overall was depressed by the exclusion of these Asian orders.

Revenue for the last quarter of fiscal 2020 was approximately $357,000, a decrease of $262,000, or 42%, below revenue from the last quarter of fiscal 2019 in the amount of $619,000. Revenue for the current quarter included sales of Alusion™ in the amount of $323,000 compared to sales of Alusion™ in the amount of $599,000 in the fourth quarter of fiscal 2019. The fourth quarter of 2020 included SmartMetal™ sales of $34,000 compared to SmartMetal™ sales of $20,000 for the last quarter of fiscal 2019.

Revenue for the year ended April 30, 2020 was approximately $1,687,000, a decrease of $957,000, or 36%, from the previous fiscal year of $2,644,000. Alusion™ sales for fiscal 2020 were $1,593,000 compared to $2,467,000 for the same period of last fiscal year. Revenue from SmartMetal™ for the 2020 fiscal year was approximately $94,000, compared to SmartMetal™ revenue of $177,000 for the prior fiscal year.

Revenue from the sale of manufactured products is recognized at the point in time when control of the product is transferred to the 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 April 30, 2020 were approximately $277,000, a decrease of $134,000, or 33%, as compared to expenses of $411,000 for the quarter ended April 30, 2019. Plant operating expenses for the fiscal 2020 year were approximately $1,314,000, a decrease of $708,000, or 35%, as compared to expenses of $2,022,000 for the prior fiscal year.

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 $196,000 for the fourth quarter of fiscal 2020, as compared to $298,000 for the fourth quarter of last fiscal year. The reduced operating expenses were in keeping with the decline in quarter-over-quarter revenue.

Direct operating expenses were approximately $970,000 for fiscal 2020, a decrease of $631,000, or 39%, from the same expenses of $1,601,000 for fiscal 2019. The reduced sales volume for fiscal 2020 was the primary driver of the decline in direct operating expenses.

Plant operating expenses also includes factory overhead costs such as facility costs and utilities. These expenses totalled approximately $43,000 for the fourth quarter of fiscal 2020 as compared to $99,000 for the same quarter of fiscal 2019. As a result of the change in accounting policy for leases, the current period does not reflect a rent expense, while the comparative period includes a rent expense of $41,000. Additionally, utility expense was lower by $15,000 primarily the result of lower electricity usage related to lower production volumes. Factory overhead expenses totalled approximately $196,000 for fiscal 2020 as compared to similar expenses of $366,000 for fiscal 2019. As a result of the change in accounting policy for leases, the year does not reflect a rent expense, while the prior year includes a rent expense of $158,000.

Plant operating expenses also include depreciation expense of approximately $38,000 for the three months ended April 30, 2020 and $14,000 for the same period ended April 30, 2019. As the result of the change in the lease accounting policy, the current quarter's depreciation includes $24,000 regarding the building right-to-use asset. The comparative quarter contains no similar depreciation item. Plant operating expenses include depreciation expense of approximately $148,000 for fiscal 2020 and $55,000 for fiscal 2019. Again depreciation of $122,000 regarding the building right-to-use asset was included in the figure for fiscal 2020, while last fiscal year contained no equivalent depreciation item.

Research and Material Testing Expenses

Research and material testing expenses for the final quarter of fiscal 2020 included net costs in the amount of $52,000 (Fiscal 2019 - $36,000) related to the development of a new aluminum foam in support of the Company's sandwich panel venture, and development of a new architectural aluminum foam. The current quarter's expense is reported net of grant funds receivable from the Federal Economic Development Agency for Southern Ontario ("FedDev") under the federal government's Steel and Aluminum Initiative. Research and material testing expenses also included depreciation expenses regarding lab and testing equipment of approximately $1,000 in each of the fourth quarters of fiscal 2020 and fiscal 2019.

Research and material testing expenses for fiscal 2020 included net costs in the amount of $143,000 (Fiscal 2019 - $196,000) related to the development of a new aluminum foam in support of the Company's sandwich panel venture, and development of a new architectural aluminum foam. The current year's expense is reported net of $72,000 in FedDev grant funds. Research and material testing expenses also included depreciation expenses regarding lab and testing equipment of approximately $2,000 in fiscal 2020 and $3,000 in fiscal 2019.

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

SG&A expenses for the quarter ended April 30, 2020 were approximately $427,000, as compared to an expense of 464,000 for the same quarter ended April 30, 2019. The expense decline included lower cash-based compensation expenses ($25,000) net of Government of Canada COVID-19 relief in the form of the Canada Emergency Wage Subsidy ("CEWS") and the FedDev grant, lower sales commissions

($12,000), and lower marketing and travel ($6,000). These declines were partially offset by a higher stock-based compensation expense ($7,000).

SG&A expenses for fiscal 2020 were approximately $1,924,000, as compared to expenses of $1,614,000 for fiscal 2019. The most significant expense increases included higher employee stock-based compensation expenses ($133,000), stock-option-based consulting expense ($62,000), higher investor relations expenses ($65,000) and sales commissions ($32,000).

SG&A expenses also include depreciation of $8,000 for the fourth quarter of fiscal 2020 and $1,000 for the fourth quarter of fiscal 2019. Depreciation for the current quarter includes an amount of $7,000 pertaining to the depreciation of the right-to-use building asset that arose from the change in the lease accounting policy. Annual SG&A expenses include depreciation of $31,000 for fiscal 2020 and $4,000 for fiscal 2019. Fiscal 2020 includes depreciation of the right-to-use building asset in the amount of $28,000.

Foreign Exchange Gain

For the last quarter of fiscal 2020, there was a negligible foreign exchange gain as compared to a foreign exchange loss of $4,000 for the last quarter of 2019.

For the fiscal 2020, there was a foreign exchange loss of $1,000 as compared to a loss of $16,000 for fiscal 2019. The exchange loss for the current year was largely the result of changing $US exchange rates on $US denominated payables. The loss for the prior year was primarily the result of the exchange differentials on trade receivable balances denominated in Euros and payables denominated in $US.

Interest and Financing Expense

Interest and financing expense for the three months ended April 30, 2020, of $23,000 (2019 -$54,000), includes cash-based amounts of $18,000 in royalty-based financing fees (2019 - $33,000) - including $7,000 payable to a related party (2019 - $13,000). The expense for the current quarter also includes a non-cash-based expense recovery of $65,000 (2019 – expense of $21,000) - including a $25,000 recovery pertaining to a related party (2019 - $8,000 expense) - which arose from a change in the present value of the estimated future royalty payments. The expense for the current quarter also includes $24,000 of interest regarding the lease liability.

Interest and financing expense for the year ended April 30, 2020, of $121,000 (2019 -$154,000), includes cash-based amounts of $87,000 in royalty-based financing fees (2019 - $133,000) - including $33,000 payable to a related party (2019 - $51,000). The expense for the current year also includes a non-cash-based expense recovery of $65,000 (2019 – expense of $21,000) - including a $25,000 recovery pertaining to a related party (2019 - $8,000 expense) - which arose from a change in the present value of the estimated future royalty payments. The expense for the current year also includes $98,000 of interest regarding the lease liability.

Net Income (Loss)

The last quarter of fiscal 2020 experienced a net loss of $376,000 compared to a net loss of $343,000 for the last quarter of 2019. The net loss for the fourth quarter of fiscal 2020 includes the non-cash items of depreciation of approximately $41,000 (fiscal 2019 – $16,000), a share-based compensation expense of approximately $43,000 (fiscal 2019 – $33,000) and an expense recovery arising from the change in the accrual for future royalty payments of $65,000 (2019 – $21,000 expense).

The net loss for fiscal 2020 of $1,815,000 (fiscal 2019 - $1,359,000) includes the non-cash items of depreciation and amortization of approximately $182,000 (fiscal 2019 – $62,000), a share-based compensation expense of approximately $286,000 (fiscal 2019 – $152,000), share-based consulting fees of $62,000 (fiscal 2019 - $Nil) and an expense recovery arising from the change in the accrual for future royalty payments of $65,000 (2019 – $21,000 expense).

7. Liquidity and Capital Resources

Sources and Uses of Cash

As at April 30, 2020, the Company had approximately $252,000 of cash and cash equivalents on hand. For fiscal 2020, the cash flow used in operating activities was approximately $1,333,000 (fiscal 2019 – used $471,000). For the current year, cash utilized by operating activities was the result of a net loss adjusted for items not involving cash of approximately $1,350,000 (fiscal 2019 – $1,125,000) and cash provided by changes in non-cash working capital balances of $17,000 (fiscal 2019 –$654,000 provided by changes in non-cash working capital).

For fiscal, 2020, cash used in investing activities was $48,000, primarily the result of improvements to the production line associated with the new aluminum foam development. This amount is shown net of the FedDev grant. For fiscal 2019, cash used in investing activities was $40,000, primarily the result of the capital refurbishment of the production furnaces and the ventilation system.

For fiscal 2020, cash provided by financing was the product of proceeds from three equity private placements ($1,394,000) and the exercise of employee and consultant stock options ($127,000), partially offset by payments on the building lease ($70,000). For fiscal 2019, cash provided by financing activities in the amount of $169,000 was the result of warrant exercises.

Investments in Property, Plant and Equipment

In fiscal 2020, the Company incurred $48,000 (2019 – $40,000) of capital expenditure for production equipment, net of the FedDev grant. 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, the Company has financed its operations primarily through share and convertible debt issuances. The Company has incurred significant operating losses and cash outflows from operations. As at April 30, 2020, 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 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 Company'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 Company considers its capital to be its equity which consists of share capital, 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

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 27, 2020. The table reflects the issuance of 351,192 common shares as the result of the June 2020 exercise of employee stock options.

	Number of Securities
Common Shares	43,251,726
Stock Options	5,345,833
Warrants	4,384,320
Total Diluted Shares Outstanding	52,981,879

Share Capital

The Company is authorized to issue an unlimited number of common shares. At April 30, 2020, issued and outstanding common shares totalled approximately 42,900,534 shares.

In October 2018, the Company issued 675,000 common shares as the result of the exercise of warrants.

In July 2019, the Company issued 2,092,952 equity units via a private placement. Each equity unit had a price of $0.315 and consisted of one common share and one common share purchase warrant. Proceeds of

$654,208, net of issuance fees, were allocated between the carrying values of common shares and warrants using the residual valuation method, with an allocation of $643,824 being allocated to the common shares carrying value.

In October 2019, the Company issued 616,883 common shares as the result of the exercise of employee stock options.

In December 2019, the Company issued 1,209,860 equity units via a private placement. Each equity unit had a price of $0.325 and consisted of one common share and one common share purchase warrant. Proceeds of $389,634, net of issuance fees, were allocated between the carrying values of common shares and warrants using the residual valuation method, with an allocation of $383,640 being allocated to the common shares carrying value.

In February 2020, the Company issued 520,000 equity units via a private placement. Each equity unit had a price of $0.325 and consisted of one common share and one common share purchase warrant. Proceeds of $169,000, net of issuance fees, were allocated between the carrying values of common shares and warrants using the residual valuation method, with an allocation of $166,400 being allocated to the common shares carrying value.

In March 2020, the Company issued 561,538 equity units via a private placement. Each equity unit had a price of $0.325 and consisted of one common share and one common share purchase warrant. Proceeds of $180,837, net of issuance fees, were allocated between the carrying values of common shares and warrants using the residual valuation method, with an allocation of $166,926 being allocated to the common shares carrying value.

In April 2020, the Company issued 100,000 common shares as a result of the exercise of stock options by a consultant.

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 July 13, 2017, the aggregate number of common shares reserved for the issuance of stock options is 7,424,866.

On June 11, 2018, the Company granted 25,000 options with an exercise price of $0.28 to an employee with one third vesting upon grant, one third vesting on June 11, 2019 and one third vesting on June 11, 2020. These options expired on January 18, 2019.

On February 13, 2019, the Company granted 100,000 options with an exercise price of $0.235 to certain directors with one third vesting upon grant, one third vesting on February 13, 2020 and one third vesting on February 13, 2021.

On May 23, 2019, the Company granted 1,085,000 stock options with an exercise price of $0.31 to certain of its directors, officers and employees, with one third vesting on May 23, 2019, one third vesting on May 23, 2020 and the final third vesting on May 23, 2021.

On May 30, 2019, the Company granted 200,000 stock options with an exercise price of $0.325 to a consulting firm with vesting on the date of grant.

In October 2019, 616,883 employee stock options with an exercise price of $0.185 per share were exercised.

Warrants

In October 2018, 675,000 warrants with an exercise price of $0.25 each were exercised resulting in aggregate gross proceeds of $168,750. Also in October, the remaining 512,500 warrants expired unexercised.

In July 2019, the Company issued 2,092,952 equity units via a private placement. Each equity unit had a price of $0.315 and consisted of one common share and one common share purchase warrant. The warrants have an exercise price of $0.525 and expire on July 9, 2022. The warrants have an accelerated expiry clause that may be exercised by the Company should the 10-day weighted price of the common shares be equal to or greater than $1.05. Proceeds of $654,208, net of issuance fees, were allocated between the carrying values of common shares and warrants using the residual valuation method, with an allocation of $10,384 being allocated to the warrant carrying value.

In December 2019, the Company issued 1,209,830 equity units via a private placement. Each equity unit had a price of $0.325 and consisted of one common share and one common share purchase warrant. The warrants have an exercise price of $0.425 and expire on December 30, 2021. Proceeds of $389,634, net of issuance fees, were allocated between the carrying values of common shares and warrants using the residual valuation method, with an allocation of $5.994 being allocated to the warrant carrying value.

In February 2020, the Company issued 520,000 equity units via a private placement. Each equity unit had a price of $0.325 and consisted of one common share and one common share purchase warrant. The warrants have an exercise price of $0.425 and expire on December 30, 2021. Proceeds of $169,000, net of issuance fees, were allocated between the carrying values of common shares and warrants using the residual valuation method, with an allocation of $2,600 being allocated to the warrant carrying value.

In March 2020, the Company issued 561,538 equity units via a private placement. Each equity unit had a price of $0.325 and consisted of one common share and one common share purchase warrant. The warrants have an exercise price of $0.425 and expire on March 12, 2022. Proceeds of $180,837, net of issuance fees, were allocated between the carrying values of common shares and warrants using the residual valuation method, with an allocation of $13.911 being allocated to the warrant carrying value.

9. Change in Accounting Policies

In January 2016, the IASB released IFRS 16 "Leases" replacing IAS 17 "Leases" and related interpretations. The new standard eliminates the classification of leases as either operating or finance leases for lessees and requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019. The Company has adopted IFRS 16, effective May 1, 2019, using the modified retrospective approach and has not restated prior periods for the impact of IFRS 16. Comparative information is still reported under IAS 17 and IFRIC 4. On initial adoption, the Company applied the following practical expedients permitted under the standard:

- Contracts that were not previously identified as containing a lease under the previous standard have not been reassessed under IFRS 16.
- Initial direct costs were excluded from the measurement of right-of-use assets for the purpose of initial measurement on transition.
- The Company elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

- Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 9.43%.

The Company leases its manufacturing and office premises. Upon transition to IFRS 16, the Company recognized a related right-of-use asset in the amount of $1,132,267 and a lease liability in the amount of $1,132,267 in its consolidated Statements of Financial Position as at May 1, 2019. This non-cash adjustment has been excluded from the Interim Consolidated Statements of Cash Flows. There was no impact on opening retained earnings.

The following is a reconciliation of total operating lease commitments as reported at April 30, 2019 and the lease liability recognized at May 1, 2019:

	$
Operating lease commitment reported at April 30, 2019	755,176
Impact of reasonably certain extension options	917,350
Operating lease liability before discounting	1,672,526
Discount using incremental borrowing rate	(540,259)
	1,132,267

Accounting policy applicable from May 1, 2019

For any new contracts entered into on or after May 1, 2019, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Company has the right to direct the use of the identified assets throughout the period of use. The Company assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these will be recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statements of financial position, right-of-use assets have been included in property, plant and equipment.

10. Critical Accounting Policies and Estimates

Revenue recognition

Revenue from the sale of manufactured products is recognized at the point in time when control of the product is transferred to the 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.

Accrued royalties

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 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 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.

Impact of COVID-19

The Company has considered the impact of COVID-19 and the related market volatility in preparing its financial statements. While the specific areas of estimates and judgement as noted above did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates that have been applied in the measurement of the Company's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.
Key elements of the financial statements and related disclosures that have been impacted by COVID-19 include:

- Going Concern Uncertainty: The disclosure made in the going concern uncertainty note considers the uncertainty that the pandemic adds in the Company's endeavours to sell its SAF, ability to achieve profitable production and ability to raise additional financing.
- Revenue: A number of orders that were expected from Asian customers were not realized in the reporting period as a result of COVID-19 supply chain disruptions. Some of these orders were realized in the first quarter of fiscal 2021. In certain cases, the size of the order was not as large as had been anticipated prior to year-end.
- Inventory: Net realizable value for inventory was calculated using estimated selling prices and selling expenses in the context of the pandemic.
- Property, Plant and Equipment: In assessing impairment of regarding the non-financial assets of property, plant and equipment, the recoverable amount of each asset or cash generating unit was based on estimates of asset fair value less costs of disposal using management's best estimates of such amounts in the context of the COVID-19 pandemic.
- Accrued Royalties: Future cash flow estimates used in the valuation of the accrued royalty liability incorporated management's best estimates of anticipated amounts and timing of future sales incorporating management's expectations for the impact of COVID-19 on global SAF

sales. The discount rate used in calculating the fair value of the royalty liability incorporated management's assessment of the additional risk presented by the COVID-19 pandemic.

- Revenue: Significant orders that were expected from Asian customers were not realized in the reporting period as a result of COVID-19 supply chain disruptions.

Government assistance

Government assistance may be available to the Company through income tax investment and innovation tax credits, other programs providing innovation funding and relief programs associated with Covid-19. 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 the applicable costs are incurred. Research and product development funding is presented as a reduction in research and material testing costs 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.

11. Accounting Standards Issued But Not Yet Applied

At the date of approval of the financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Company. Those standards and amendments are not expected to be relevant to the Company's financial statements.

12. Related Party Transactions

Interest and financing expense for fiscal 2020 includes cash-based royalties in the amount of $33,000 (2019 – $51,000) and a decrease to accrued royalties of based on future sales of $25,000 (2019 – increase of $8,000) regarding a related party.

13. 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, 2020, 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.

Outbreak of Disease

A global outbreak of disease or similar public health threat could have a material adverse effect on the operations of Cymat. In March of 2020, the World Health Organization ("WHO") declared COVID-19 to constitute a "Public Health Emergency of International Concern" and has categorized the outbreak as a pandemic. COVID-19 has been, and continues 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.

14. 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 year ended April 30, 2020, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting

15. Outlook

The spread of COVID-19 has triggered extraordinary disruptions to businesses worldwide. To date, Cymat's production facility has remained operational. Cymat has modified production procedures and adopted protocols to ensure the continued health and safety of our employees, customers and suppliers as well as the community at large. The Canadian government continues to develop and re-assess relief measures enacted to ease the economic impact of the pandemic. Cymat management continues to closely monitor and assess the evolving situation and will respond accordingly.

There have been strong indications of resurgence in the demand for Alusion™, Cymat's architectural aluminum foam. The Asian orders originally anticipated for the end of fiscal 2020 have been received and shipped, although final material quantities were reduced from our original expectations. The pace of current Alusion™ orders combined with the strength of the sales pipeline, indicate that sales for the first half of this fiscal year will exceed the total annual sales experienced last fiscal year. Cymat continues to market its newly developed premium version of architectural foam, Alusion™ Plus. Alusion™ Plus features a number of enhanced attributes including increased ductility, lustre and corrosion resistance and is anticipated to further augment Cymat's aluminum foam's appeal as an option for building facades.

Earlier in the year, Cymat shipped panels of its enhanced version of newly developed aluminum foam to our partner, Alucoil SA. in Spain. This new aluminum foam is specifically designed to support the rigours of a commercial-scale brazing process in the production of metallurgically-bonded sandwich panels. In response to COVID-19's impact, Alucoil has increased its focus on its core business and sandwich panel development has accordingly experienced a slowdown. However, the completion of brazing trials is expected for this fall which is planned to lead to testing and certification with select Alucoil clients.

The disruption resulting from the COVID-19 crisis has diminished the pace of a number of Cymat SmartMetal™ development projects as partners retrench in response to the pandemic. However progress continues for a number of promising avenues for SmartMetal™ sales including:

- the use of SmartMetal™ cores for the manufacture of non-lethal projectiles as an alternative to rubber bullets,
- the use of SmartMetal™ in Defence industry applications including vehicle blast mitigation assemblies for several military OEMs and military vehicle light-weighting applications,
- the use of SmartMetal™ in energy absorption applications for the nuclear industry, and
- SmartMetal™ applications for passenger vehicle crash mitigation systems and light-weighting applications.

Revenue for fiscal 2021 arising from these SmartMetal™ initiatives is expected to be modest. However the potential remains for significant positive future revenue streams arising from these business development projects.