UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

CYMAT TECHNOLOGIES LTD.

Three and Six Months Ended October 31, 2020 and October 31, 2019

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INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

As at:	October 31, 2020 $	April 30, 2020 $
ASSETS		
Current assets		
Cash and cash equivalents	**552,800**	251,580
Restricted cash [Note 5]	**14,105**	14,105
Trade and other receivables [Note 6]	**136,667**	203,865
Inventory [Note 7]	**456,928**	130,113
Prepaid expenses	**12,894**	12,434
Total current assets	**1,173,394**	612,097
Other assets	**27,930**	27,930
Property, plant and equipment, net [Note 8]	**1,138,366**	1,221,928
Total assets	**2,339,690**	1,861,955
LIABILITIES		
Current liabilities		
Line of credit [Note 14]	**40,000**	-
Trade and other payables	**1,021,940**	1,035,107
Deferred revenue	**559,269**	62,650
Current portion of lease liability [Note 9]	**91,067**	83,805
Current portion of accrued royalties [Note 10]	**177,724**	177,724
Total current liabilities	**1,890,000**	1,359,286
Non-current liabilities		
Lease liability [Note 9]	**931,126**	978,142
Accrued royalties [Note 10]	**414,045**	414,045
Total liabilities	**3,235,171**	2,751,473
(DEFICIENCY) EQUITY		
Share capital [Note 11]	**73,015,663**	72,927,598
Contributed surplus	**7,854,701**	7,846,266
Warrants [Note 12]	**32,889**	32,889
Deficit	**(81,798,734)**	(81,696,271)
Total (deficiency) equity	**(895,481)**	(889,518)
Total liabilities and (deficiency) equity	**2,339,690**	1,861,955

See accompanying Notes

On behalf of the Board:

Michael Liik Director

Jon Gill Director

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

(Unaudited)

	Three Months Ended October 31		Six Months Ended October 31	
	2020	2019	**2020**	2019
	$	$	**$**	$
Revenues	**605,977**	465,744	**1,371,313**	1,117,406
Plant operating expenses	**291,566**	419,087	**663,949**	763,541
Research and material testing expenses	**33,544**	35,997	**67,518**	70,406
Selling, general and administrative expenses	**340,702**	426,095	**636,330**	1,076,393
	665,812	881,179	**1,367,797**	1,910,340
Income (loss) from operations	**(59,835)**	(415,435)	**3,516**	(792,934)
Foreign exchange loss	**2,508**	(2,092)	**9,923**	(1,962)
Interest and financing expense [Notes 9 and 10]	**(51,751)**	(47,414)	**(115,902)**	(107,778)
	(49,243)	(49,506)	**(105,979)**	(109,740)
Net Income (loss) and comprehensive income (loss) for the period	**(109,078)**	(464,941)	**(102,463)**	(902,674)
Deficit, beginning of the period	**(81,689,656)**	(80,319,027)	**(81,696,271)**	(79,881,294)
Net income (loss)	**(109,078)**	(464,941)	**(102,463)**	(902,674)
Deficit, end of the period	**(81,798,734)**	(80,783,968)	**(81,798,734)**	(80,783,968)
Basic and diluted net income (loss) per share	**(0.00)**	(0.01)	**(0.00)**	(0.02)
Weighted average number of shares:				
Basic and diluted	**43,251,726**	39,961,451	**43,168,284**	39,130,625

See accompanying Notes

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIENCY) EQUITY

	Common Shares		Contributed Surplus	Warrants	Deficit	Total Shareholders' (Deficiency) Equity
	#	$	$	$	$	$
May 1, 2019	**37,799,331**	**71,314,148**	**7,624,005**	**-**	**(79,881,294)**	**(943,141)**
Equity private placement	2,092,952	643,824	-	10,384	-	654,208
Exercise of options	616,883	227,259	(113,136)	-	-	114,123
Stock-based compensation	-	-	201,521	-	-	201,521
Stock-based consulting fee	-	-	62,145	-	-	62,145
Net loss for the period	-	-	-	-	(902,674)	(902,674)
October 31, 2019	**40,509,166**	**72,185,231**	**7,774,535**	**10,384**	**(80,783,968)**	**(813,818)**
Equity private placement	2,291,368	716,967	-	22,505	-	739,472
Exercise of options	100,000	25,400	(12,400)	-	-	13,000
Stock-based compensation	-	-	84,131	-	-	84,131
Net loss for the period	-	-	-	-	(912,303)	(912,303)
April 30, 2020	**42,900,534**	**72,927,598**	**7,846,266**	**32,889**	**(81,696,271)**	**(889,518)**
Exercise of options	351,192	88,065	(43,899)	-	-	44,166
Stock-based compensation	-	-	35,364	-	-	35,364
Stock-based consulting fee	-	-	16,970	-	-	16,970
Net income for the period	-	-	-	-	(102,463)	(102,463)
October 31, 2020	**43,251,726**	**73,015,663**	**7,854,701**	**32,889**	**(81,798,734)**	**(895,481)**

See accompanying Notes

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended October 31		Six Months Ended October 31	
	2020	2019	**2020**	2019
	$	$	**$**	$
Cash and cash equivalents provided by (used in):				
OPERATING ACTIVITIES				
Net income (loss) for the period	**(109,078)**	(464,941)	**(102,463)**	(902,674)
Add items not involving cash				
Depreciation and amortization	**40,720**	44,695	**83,562**	89,073
Stock-based compensation expense [Note 13]	**14,457**	43,333	**35,364**	201,521
Stock-based consulting fees [Note 13]	**-**	-	**16,970**	62,145
	(53,901)	(376,913)	**33,433**	(549,935)
Changes in non-cash working capital				
balances related to operations:				
Trade and other receivables	**82,668**	(61,603)	**67,198**	(51,508)
Inventory	**(321,373)**	101,298	**(326,815)**	28,564
Prepaid expenses	**(8,750)**	28,724	**(460)**	6,246
Line of credit	**10,000**	-	**40,000**	-
Trade and other payables	**24,995**	6,066	**(13,167)**	(155,691)
Deferred revenue	**355,072**	(106,792)	**496,619**	(45,659)
Cash provided by (used in) operating activities	**88,711**	(409,220)	**296,808**	(767,983)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**-**	(38,098)	**-**	(38,098)
Cash used in investing activities	**-**	(38,098)	**-**	(38,098)
FINANCING ACTIVITIES				
Proceeds from issuance of common shares and warrants [Note 11]	**-**	-	**-**	654,208
Proceeds from exercise of options [Note 13]	**-**	114,123	**44,166**	114,123
Repayment of lease liability [Note 9]	**(20,924)**	(17,576)	**(39,754)**	(33,408)
Cash provided by financing activities	**(20,924)**	96,547	**4,412**	734,923
Net increase in cash and cash equivalents during the period	**67,787**	(350,771)	**301,220**	(71,158)
Cash and cash equivalents, beginning of period	**485,013**	461,278	**251,580**	181,665
Cash and cash equivalents, end of period	**552,800**	110,507	**552,800**	110,507
Supplemental cash flow information				
Interest and financing expenses paid	**23,304**	107,067	**47,066**	132,189

See accompanying Notes

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Nature of Operations

Cymat Technologies Ltd. ["Cymat" or the "Company"] is a manufacturing company, which holds licenses and related patents to make, use and sell Stabilized Aluminum Foam ["SAF"]. SAF is produced utilizing a proprietary process in which gas is bubbled into molten alloyed aluminum containing a dispersion of fine ceramic particles to create foam, which is then cast into strong, lightweight panels and shapes. The Company is manufacturing SAF for use in architectural, blast mitigation and energy absorption applications. Cymat continues to develop applications for use in the automotive and industrial markets.

The Company was incorporated under the Business Corporations Act (Ontario) on June 14, 2006. The Company's registered office is located at 6320-2 Danville Road, Mississauga, Ontario, L5T 2L7. Prior to June 14, 2006, the operations of the company were carried out under Cymat Corp., a company that was formed by articles of amalgamation under the Business Corporations Act (Ontario) on June 30, 1998.

Going Concern Uncertainty

To date, the Company has financed its operations primarily through share and convertible debt issuances. The development of applications utilizing SAF as well as its production process involve significant financial risks, including the ability of the Company to develop and penetrate new markets, obtain additional financing as required, achieve profitable production and the ability for the Company to be able to successfully assert its intellectual property rights and protect against patent infringement. The Company has incurred significant operating losses and cash outflows from operations.

As at October 31, 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 interim consolidated financial statements do not include any adjustments or disclosures that may result from the Company's inability to continue as a going concern. If the going concern assumption were not found to be appropriate for these consolidated financial statements, adjustments might be necessary in the carrying values of assets and liabilities, the statement of consolidated financial position classifications and the reported expenses. Such adjustments could be material.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements for the six months ended October 31, 2020 have been prepared in accordance with IAS 34, Interim Financial Reporting. The disclosures contained in these unaudited interim financial statements do not include all of the requirements of International Financial Reporting Standards ["IFRS"] for annual financial statements. The accounting policies used in the preparation of these unaudited interim financial statements are consistent with those used in the audited annual financial statements for the year ended April 30, 2020, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board ["IASB"] and interpretations of the International Financial Reporting Interpretations Committee ["IFRIC"]. These unaudited interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended April 30, 2020.

These consolidated financial statements of the Company include the accounts of Cymat and its wholly-owned subsidiary, ALU-MMC Hungary, Zrt., a company incorporated under the laws of Hungary with a registered office in the city of Miskolc. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

These financial statements were prepared under the historical cost convention, as modified by the revaluation of financial instruments measured at fair value. These consolidated financial statements have been prepared on the basis of IFRS in effect as of October 31, 2020. The Company's Board of Directors approved these consolidated financial statements on December 22, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

Outlined below are those policies considered particularly significant:

Use of estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make critical judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management critical judgements

Policies that are critical for the presentation of the consolidated financial position and financial performance of the Company that require judgements are as follows:

- Functional currency: The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which the respective entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Management estimates and assumptions

Estimates and assumptions incorporated in policies that are critical for the presentation of the consolidated financial position and financial performance of the Company include the following:

- Inventory: Inventory is valued at the lower of cost and net realizable value. The cost of finished goods inventory, includes cost of purchases, costs of conversion, the allocation of manufacturing overhead and other costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completions. Provisions are made in profit or loss of the current period for any difference between book value and realizable value.
- Impairment of non-financial assets and intangibles: In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on the asset's fair value less costs of disposal. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset under current market conditions, including assumptions about risk. Estimation uncertainty relates to the assumptions used in the fair value determination.
- Property, plant and equipment: The Company records depreciation expense on property, plant and equipment at rates designed to amortize the cost of individual items and material components over their estimated useful lives. Management makes estimates of future useful life based on patterns of benefit consumption and of impairments based on past experience and market conditions. Impairment losses and depreciation expenses are presented in profit or loss of the current period.
- Accrued royalties: When funding that involves a royalty agreement is received, the Company is required to recognize a liability for the future royalty obligation at its fair value. To estimate this fair value, the Company estimates future cash flows and applies a discount rate that is appropriate to the Company's prevailing market conditions. Management updates the associated estimated future cash flows and market conditions at each reporting date to assess whether the value of the obligation should be adjusted. The effects of any change in the fair value of the obligation are recognized in profit or loss in the current period. (See Note 10.)
- Share-based payments: The fair value of share-based payments is determined using the Black-Scholes option pricing model based on estimated values at the date of grant. This model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate. (See Note 14.)

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.

Cash and cash equivalents

Cash and cash equivalents, including restricted cash, consist of cash on hand, deposits held with banks and short-term highly liquid investments that are readily convertible to known amounts of cash with remaining maturities of three months or less at acquisition.

Financial instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
• *amortized cost*
• *fair value through profit or loss (FVTPL)*
• *fair value through other comprehensive income (FVOCI).*
In the periods presented the Company does not have any financial assets categorized as FVOCI.

The classification is determined by both:
• the entity's business model for managing the financial asset
• the contractual cash flow characteristics of the financial asset.
All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets
Financial assets at amortized cost
Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):
• they are held within a business model whose objective is to hold the financial assets and collect
its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding
After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial

instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Company does not have financial assets categorized as FVTPL.

Trade and other receivables and contract assets
The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 16 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities
The Company's financial liabilities include trade and other payables, the lease liability and accrued royalties.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Leases

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.

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.

Inventory

The Company's inventory consists of raw materials, work-in-process and finished goods, and research and development related materials which are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and, in the case of work-in-process and finished goods includes the cost of materials plus direct labour applied to the product and the applicable share of manufacturing overhead. Net realizable value is the estimated selling price less the applicable selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at their historical cost, and presented on the consolidated statement of financial position net of accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The cost and accumulated depreciation of replaced assets are derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations and comprehensive income (loss) during the period in which they are incurred.

Depreciation is calculated on a diminishing balance method so as to expense the cost of the assets less their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Office equipment	20% declining balance
Computer equipment	30% declining balance
Manufacturing equipment	20% declining balance and straight line over 2 years
Building (right-of-use asset)	straight-line over the term of the lease
Leasehold improvements	straight-line over the term of the lease

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying value of the asset and are included as part of other gains and losses in the statement of operations and comprehensive income (loss).

Impairment of non-financial assets

The Company tests non-financial assets such as property, plant and equipment and licenses and technology rights for impairment annually. For the purpose of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units or "CGUs"]. The Company consists of one CGU, namely the sale of SAF. The recoverable value is the higher of an asset's fair value less costs of disposal and value in use, which is the present value of the expected future cash flows of the relevant asset or CGU. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value. The Company evaluates potential reversals of impairment losses when events or circumstances warrant such consideration.

Foreign currency transactions

Transactions in foreign currencies are translated at rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at each reporting date at current foreign exchange rates with the resulting gains or losses included in the statement of operations, comprehensive income (loss) and deficit.

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 cost expenses unless it is for reimbursement of an asset, in which case it is accounted for as a reduction in the carrying amount of the applicable asset. Where the Company receives government contributions that include terms for repayment, a financial liability is recognized and measured in accordance with the terms of IFRS 9.

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.

Share-based compensation

The Company has a share-based compensation plan, which is described further in Note 13.

The Company follows the guidance in IFRS 2, Share-based Payments, which includes the fair-value based method of accounting for all its share-based awards. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period, based on the number of options that are expected to vest, with an offsetting increase to contributed surplus. The number of options expected to vest is reviewed at least quarterly, with any impact recognized immediately.

Share capital

Common shares are classified as equity. Common shares are measured at the consideration received for the shares that have been issued, net of incremental costs directly attributable to the issuance of shares.

Warrants

Common share purchase warrants which entitle the holder to acquire common shares of the Company at a specified price for a specified period of time are classified as equity. Warrants included as a component of a compound financial instrument are measured at the residual value, after fair value of primary financial instrument has been allocated.

Net income (loss) per share

Basic net loss per share is calculated based on the weighted average number of common shares outstanding for the period. Diluted net income (loss) per share is calculated using the weighted average number of common shares outstanding for the period for basic net income (loss) per share plus the weighted average number of potential dilutive shares that would have been outstanding during the period had all potential common shares been issued at the beginning of the period or when the underlying options or warrants were granted, if later, unless they were anti-dilutive. The treasury stock method is used to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of stock options and warrants to acquire common shares.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

At the date of approval of these 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.

5. RESTRICTED CASH

Restricted cash is held in a financial institution in Hungary as the result of the incorporation of ALU-MMC Hungary Zrt.

6. TRADE AND OTHER RECEIVABLES

	October 31, 2020 $	April 30, 2020 $
Trade accounts receivable	**21,106**	22,811
Other receivables	**115,561**	181,054
	136,667	203,865

7. INVENTORY

	October 31, 2020 $	April 30, 2020 $
Raw materials and consumables	**133,264**	46,586
Work-in-process and finished goods	**323,664**	83,527
	456,928	130,113

During the six months ended October 31, 2020, the Company recorded a charge of $nil (fiscal 2020 - $nil) to reduce the carrying values of inventory to net realizable values.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Office Equipment $	Computer Equipment $	Manufacturing Equipment $	Building $	Leasehold Improvements $	Total $
May 1, 2019	260,462	276,431	3,019,035	1,132,267	1,036,442	5,724,637
Additions	-	-	47,918	-	-	47,918
April 30, 2020	260,462	276,431	3,066,953	1,132,267	1,036,442	5,772,555
Additions	-	-	-	-	-	-
October 31, 2020	**260,462**	**276,431**	**3,066,953**	**1,132,267**	**1,036,442**	**5,772,555**
Accumulated Depreciation						
May 1,2019	255,138	269,685	2,807,732	-	1,036,442	4,368,997
Additions	1,065	2,024	56,134	122,407	-	181,630
April 30, 2020	256,203	271,709	2,863,866	122,407	1,036,442	4,550,627
Additions	426	708	21,224	61,204	-	83,562
October 31, 2020	**256,629**	**272,417**	**2,885,090**	**183,611**	**1,036,442**	**4,634,189**
Carrying Amount						
April 30, 2020	4,259	4,722	203,087	1,009,860	-	1,221,928
October 31, 2020	**3,833**	**4,014**	**181,863**	**948,656**	**-**	**1,138,366**

Included in the net carrying amount of property plant and equipment at October 31, 2020, is a right-of-use asset relating to building in the amount of $948,656 (April 30, 2020 - $1,009,860).

9. LEASE LIABILITY

The Company has a lease for the building that houses its manufacturing facility, office space and warehouse. The lease has an expiry date of July 31, 2023, with an option to renew for an additional five-year term. The lease has been discounted using an interest rate of 9.43%. A summary of the items impacting the value of the lease liability is as follows:

	October 31, 2020 **$**	April 30, 2020 $
Openning balance	**1,061,947**	1,132,267
Lease payments	**(86,820)**	(168,727)
Interest expense	**47,066**	98,407
Ending balance	**1,022,193**	1,061,947
Less: Current portion	**(91,067)**	(83,805)
	931,126	978,142

Future minimum lease payments at October 31, 2020 are as follows:

	Within One Year $	Two to Five Years $	More than Five Years $	Total $
Lease payments	178,556	733,880	504,543	1,416,979
Finance charges	(87,489)	(251,340)	(55,957)	(394,786)
Net present values	91,067	482,540	448,586	1,022,193

Interest expense regarding the lease liability in the amount of $47,066 has been recognized in the six months ended October 31, 2020 (October 2019 - $50,136).

10. ACCRUED ROYALTIES

	October 31, 2020 **$**	April 30, 2020 $
Accrued royalties	**591,769**	591,769
Less: accrued royalties relating to fiscal 2021	**177,724**	177,724
	414,045	414,045

In January of 2014, the Company issued promissory notes (the "Notes") for gross proceeds in the aggregate amount of $568,367. The Notes carried an interest rate of 12% per annum and additional consideration of a perpetual royalty equal to one percent of sales for each pro-rata portion of $100,000 in principal. The principal amount of the notes ($568,367), as well as a portion of the accrued interest ($29,633), was settled in July 2014 by the issuance of convertible debt with a face value of $598,000. The royalty survived the settlement of the Notes.

A liability for the estimated future royalty-based financing fees payable has been recorded with an offset to (non-cash) interest and financing expense. In calculating the fair value of these accrued royalties, the Company estimated future revenues and applied a risk adjusted discount factor of 35%.

Royalties payable based on sales pertaining to the period ended October 31, 2020, in the amount of $158,221 (April 30, 2020 - $86,886) are included in trade and other payables.

The fair value of the accrued royalty is inherently subject to estimation uncertainty given the unpredictability of the timing and amount of revenues. Changes to these estimates could have a significant impact on the fair value estimate of the accrued royalty.

Interest and financing expense for the six months ended October 31, 2020 includes cash-based royalties in the amount of $71,334 (October 31, 2019 - $57,717), including royalties of $27,407 (October 31, 2019 - $22,175) paid or payable to a related party.

11. SHARE CAPITAL

[a] The Company is authorised to issue an unlimited number of common shares.

[b] 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.

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

[d] 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. 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.

[e] 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.

[f] 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.

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

[h] In June 2020, the Company issued 351,192 common shares as the result of the exercise of employee stock options.

[i] To date, the Company has not paid dividends on its common shares.

12. WARRANTS

[a] 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.

[b] 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.

[c] 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.

[d] 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.

13. SHARE-BASED COMPENSATION

The Company's stock option plan allows for the issuance of options, in aggregate, to acquire up to twenty percent (20%) of the number of common shares issued and outstanding on the effective date of the plan. The aggregate number of shares reserved for issuance under the terms of the Company's stock option plan is 7,424,866.

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

[a] 1,085,000 stock options with an exercise price of $0.31 granted on May 23, 2019 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.

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

[c] 100,000 stock options with an exercise price of $0.25 granted on July 16, 2020 to a consulting firm and vesting on the date of grant.

In October 2019, 616,883 employee stock options with an exercise price of $0.185 were exercised. In April 2020, 100,000 stock options issued to a consultant with an exercise price of $0.13 were exercised. In July 2020, 315,192 employee stock options with an exercise price of $0.125 were exercised.

During the six months ended October 31, 2020, the Company recognized a share-based compensation expense in the amount of $35,364 (October 31, 2019 - $201,521). Share-based compensation expense is included in selling, general and administrative expenses.

During the six months ended October 31, 2020, 100,000 options relating to consulting services were issued and the Company recognized a related expense in the amount of $16,970 (October 31, 2019 - $62,145) at the estimated value of the services received.

14. GOVERNMENT ASSISTANCE

In April, 2020, the Government of Canada passed legislation creating the Canada Emergency Business Account ("CEBA") as part of its response to the COVID-19 pandemic. CEBA provides a line of credit of up to $40,000. No interest is payable on outstanding balances prior to January 1, 2023 and if 75% of the outstanding amount is repaid by December 31, 2022, then the remaining 25% of the balance will be forgiven. At October 31, 2020, the Company had borrowed $40,000 under the CEBA which is reflected on the consolidated statements of financial position as a current liability.

In April, 2020, the Government of Canada passed legislation creating the Canada Emergency Wage Subsidy ("CEWS") as part of its response to the COVID-19 pandemic. The first iteration of the CEWS entitled eligible employers to receive a 75% wage reimbursement for eligible employees up to a maximum of $847 per employee per week commencing on March 15, 2020. For pay periods commencing on July 5, 2020, the Government has amended eligibility requirements and the formulas pertaining to the calculation of the CEWS with the result that the percentage of wage reimbursement has become considerably more variable. For the six months ended October 31, 2020, Cymat has qualified for $216,919 under the CEWS program. Proceeds were recognized as a reduction to plant operating expenses ($84,015) and to selling, general and administrative expenses ($132,904).

In November, 2020, the Government of Canada passed legislation creating the Canada Emergency Rent Subsidy ("CERS") as part of its response to the COVID-19 pandemic. The CERS entitles eligible businesses to receive a reimbursement of a portion of rent, property taxes and certain related expenses. The legislation retroactively designated the first period of eligibility for CERS to commence on September 27, 2020. For the six months ended October 31, 2020, Cymat qualifies for $4,096 under the CERS program. Proceeds were recognized as a reduction to plant operating expenses ($1,597) and interest expense ($2,499).

15. CAPITAL DISCLOSURES

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

16. FINANCIAL INSTRUMENTS

The Company's consolidated financial instruments are classified into one of the following categories: financial assets at amortized cost, financial liabilities at amortized cost and financial liabilities at fair value through profit and loss. The carrying values of the Company's financial instruments are summarized as follows:

	October 31, 2020	April 30, 2020
	$	$
Financial assets at amortized cost (1)	**703,572**	469,550
Financial liabilities at amortized cost (2)	**2,084,133**	2,097,054
Financial liabilities at fair value through profit and loss (3)	**591,769**	591,769

(1) Includes cash and cash equivalents, restricted cash, and trade and other receivables.

(2) Includes line of credit, trade and other payables and the lease liability.

(3) Includes accrued royalty.

The reported value is a reasonable approximation of fair value for financial instruments recorded as financial assets at amortized cost and financial liabilities at amortized cost as underlying assumptions have not varied significantly from the date of initial recognition to year end.

Financial risks

The main risks arising from the Company's consolidated financial instruments are liquidity risk, foreign currency risk, commodity price risk (market risks), interest rate risk and credit risk. The Board of Directors reviews and approves the policies for managing these risks and they are summarized as follows:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has sustained annual losses and negative annual cash flows from operations since its inception. The Company's objective for liquidity risk management is to maintain sufficient liquid financial resources to meet financial obligations and commitments in the most cost-effective manner possible. The Company manages its liquidity risk by continually forecasting cash flows from operations and anticipated investing and financing activities. As of October 31, 2020, the Company was holding cash and cash equivalents of $552,800 (April 30, 2020 - $265,685) and trade and other receivables of $136,667 (April 30, 2020 - $203,865).

There are uncertainties regarding the Company's liquidity conditions. See Note 1 regarding the Company's ability to continue as a going concern.

The following table presents the expected payment timing for the Company's financial liabilities on an undiscounted basis.

Fiscal Years	2021 $	2022 $	2023 $	2024 $	2025 $
Line of credit	-	-	40,000	-	-
Trade and other payables	914,992	-	-	-	106,948
Lease liability	73,716	181,832	183,470	45,868	-
Accrued royalties	177,724	183,056	188,547	194,204	200,030

Foreign currency risk

The Company is primarily exposed to the fluctuation of the European Euro and United States (US) dollar relative to the Canadian dollar in as much as certain sales and raw material and consumable purchases are denominated in those currencies. Revenue and expenses are translated into Canadian dollars at the time of the transaction. The Company typically extends regular credit terms to its customers and recognizes foreign exchange translation gains or losses on a monthly basis through foreign currency translation of foreign currency receivables and payables using the temporal method.

At present, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. In some cases, the Company does have the ability to mitigate foreign currency risk by adjusting prices charged to non-Canadian customers.

For the six months ended October 31, 2020, the Company had a net operating foreign exchange gain of $9,923 (October 31, 2019 – loss of $1.962), which is included in the statement of operations, comprehensive income (loss) and deficit and is classified separately.

As at October 31, 2020, the Company's financial instruments exposed to foreign currency risk consist of cash, restricted cash, accounts receivable and accounts payable.

Commodity price risk

At present, the Company is exposed to commodity price risk through its purchasing of raw materials as it uses aluminum as its primary raw material.

Metal prices and international commodity quotations are external variables over which the Company has no significant influence or control. This potentially exposes the Company to price volatilities that could significantly impact its future operating cash flows. As part of its routine activities, management is closely monitoring the trend in international metal prices. The Company does have the ability to mitigate commodity price risk by adjusting prices charged customers.

At present, the Company does not use derivative instruments to reduce its exposure to commodity price risk.

Credit risk

Credit risk arises from the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge the obligation. The Company is exposed to credit risk from customers. At October 31, 2020, the Company's maximum exposure to credit risk is $21,106 (April 30, 2020 - $22,811). Accounts receivable that are outstanding greater than 3 months but for which no allowance for doubtful accounts has been taken total $20,270 (April 30, 2020 - $22,080).

Management seeks to minimize credit risk through customer review. Payment terms typically require the receipt of order payment prior to shipment. In some cases payment terms, generally between 30 and 60 days after shipment, are granted to customers. When deemed appropriate by management, letters of credit are also employed to secure payment on product orders. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Accounts receivable are reviewed by management at each balance sheet reporting date on an account-by-account basis to determine their collectability. The review considers such factors as customer payment history, the current financial conditions of the customers and the general economic environment. A provision for bad debts of $Nil was recorded during the six months ended October 31, 2020 (October 31, 2019 - $Nil).

Fair value measurements

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the reporting date based on relevant market information and information about the financial instrument.

Financial assets and liabilities recorded at fair value in the Company's consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The hierarchical levels, defined by IFRS 13 and which are directly related to the amount of subjectivity associated with inputs to fair valuation of these financial assets and liabilities, are as follows:

Level 1 – Quoted prices are available in active markets for identical financial assets or liabilities for which the Company has the ability to access at the measurement date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable for the financial asset or liability as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – One or more significant pricing inputs are unobservable for the financial asset or liability and include situations where there is little, if any, market activity for the financial asset or liability.

The inputs into the determination of fair value require significant management judgment or estimation.

The accrued royalty liability is valued using level 3 inputs. Additional disclosure regarding the valuation methods is included in Note 10.

There were no significant transfers between levels 1, 2 or 3 during the six months ended October 31, 2020, nor during the prior fiscal year.

17. CORONAVIRUS ("COVID-19") IMPACT

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organization in March 2020. COVID-19, and the related measures taken to slow the spread of the virus, has had a significant impact on global economies. The Company has considered the impact of COVID-19 and the related market volatility in preparing its financial statements. While the specific areas of 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 (Note 1): 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 at the end of the preceding fiscal year were not realized that reporting period as a result of COVID-19 supply chain disruptions. Some of these orders were realized in the current fiscal year. However, in certain cases, the size of the order was not as large as had been originally anticipated.
- Inventory (Note 7): Net realizable value for inventory was calculated using estimated selling prices and selling expenses in the context of the pandemic.

- Property, Plant and Equipment (Note 8): 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 (Note 10): 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.

18. POST-REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.