Cymat Technologies Ltd.
Management's Discussion and Analysis ("MD&A")
As at July 31, 2021

September 29, 2021

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, 2021, and the associated notes to the consolidated financial statements.

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

This MD&A is dated September 29, 2021 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, manufactures and sells 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. Selected Financial Information

The following table presents selected financial information for the three-month periods ended July 31, 2021 and July 31, 2020.

	Three Months Ended July 31	
	2021 ($)	2020 ($)
Interim Consolidated Statements of Operations		
Revenue	**946,331**	765,336
Plant operating expenses	**556,121**	372,382
Research and material testing expense	**30,735**	33,974
Selling, general and administrative expenses	**1,408,683**	295,629
Income (loss) from operations	**(1,049,208)**	63,351
Net income (loss)	**(1,134,358)**	6,615
Interim Statements of Cash Flows		
Cash provided by (used in) operating activities	**(1,308,159)**	208,096

The following table presents selected quarterly financial information for the eight most recent quarters for the period ended July 31, 2021.

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

Three months ended,	Jul 31, 2021	Apr 30, 2021	Jan 31, 2021	Oct 31, 2020	Jul 31, 2020	Apr 30, 2020	Jan 31, 2020	Oct 31, 2019
Revenue	946	1,655	1,126	606	765	357	212	466
Plant operating expenses	556	708	657	292	372	277	274	419
Research and material testing expenses	31	32	31	34	34	52	21	36
SG&A expenses	1,409	860	432	341	296	428	419	426
Net Loss	(1,134)	(371)	(70)	(109)	7	(376)	(536)	(465)
Net Loss per Share	(0.02)	(0.01)	-	-	-	(0.01)	(0.01)	(0.01)
Operating cash flow	(1,308)	416	(280)	89	208	(172)	(393)	(409)

As at:	Jul 31, 2021	Apr 30, 2021	Jan 31, 2021	Oct 31, 2020	Jul 31, 2020	Apr 30, 2020	Jan 31, 2020	Oct 31, 2019
Cash & cash equivalents	5,232	5,018	226	553	485	252	89	111
Restricted cash	15	15	14	14	14	14	15	15
Working capital	4,819	3,511	(781)	(677)	(608)	(747)	(663)	(618)

3. Results of Operations

Comparison of the Three Months Ended July 31, 2021 and July 31, 2020

Revenue

Revenue for the first quarter of fiscal 2022 in the amount of $946,000 represented an increase of $181,000, or 24%, over revenue from the first quarter of the preceding year of $765,000.

Revenue for the current quarter included sales of Alusion™ in the amount of $754,000 compared to sales of Alusion™ in the amount of $739,000 in comparative quarter of fiscal 2021.

The first quarter of fiscal 2022 included SmartMetal™ sales of $192,000 compared to SmartMetal™ sales of $26,000 for the first quarter of fiscal 2021. SmartMetal™ sales for the current quarter included SAF panels for a protection system employed in the transportation of explosive material.

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 July 31, 2021 were approximately $556,000, an increase of $184,000, or 49%, as compared to expenses of $372,000 for the quarter ended July 31, 2020.

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 $453,000 for the first quarter of fiscal 2022, as compared to $289,000 for the first quarter of last fiscal year. Plant operating expenses from last year benefited from a $54,000 reduction in labour expenses resulting from the Canada Emergency Wage Subsidy ("CEWS"). Due to increased revenue, the Company was not eligible for the CEWS program in the current quarter.

Plant operating expenses also includes factory overhead costs such as facility costs and utilities. These expenses totalled approximately $69,000 for the first quarter of fiscal 2022 as compared to $48,000 for the same quarter of fiscal 2021. Higher electricity costs as the result of higher production levels and increased rates accounted for the quarter-over-quarter increase in expenses.

Plant operating expenses also include depreciation expense of approximately $34,000 for the three months ended July 31, 2021 and $35,000 for the same period ended July 31, 2020.

Research and Material Testing Expenses

Research and material testing expenses for the first quarter of fiscal 2022 included net costs in the amount of $31,000 as compared to $34,000 for the first quarter of last fiscal year. Expenses 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.

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

SG&A expenses for the quarter ended July 31, 2021 were approximately $1,409,000, as compared to an expense of $296,000 for the same quarter ended July 31, 2020. The expense increase included increased non-cash, stock option expenses associated with employee ($640,000) and consultant ($200,000) option grants made in June 2021; increased consulting and advisory service fees ($135,000), no current quarter qualification for CEWS ($84,000); increased commission expense ($29,000) and increased salary expenses ($21,000).

SG&A expenses also include depreciation of $8,000 for each of the first quarters of fiscal 2022 and fiscal 2021.

Foreign Exchange Gain

For the first quarter of fiscal 2022, there was a foreign exchange loss of $12,000 as compared to a foreign exchange gain of $7,000 for the first quarter of fiscal 2021. The effect of a weakened Canadian dollar on US denominated payables was the primary driver of the current quarter's loss.

Interest and Financing Expense

Interest and financing expense for the three months ended July 31, 2021, of $74,000 (2020 -$64,000), includes $48,000 in royalty-based financing fees (2020 - $40,000), $22,000 of interest regarding the lease liability (2020 - $24,000) and $4,000 regarding the accretion of interest on the loan received through the federal government's Regional Relief and Recovery Fund (2020 - $Nil).

Net Income (Loss)

The net loss for the three months ended July 31, 2021 of $1,134,000 (2020 – income of $7,000) includes the non-cash items of depreciation of approximately $42,000 (2020 – $43,000), share-based compensation expenses of approximately $878,000 (2020 – $38,000) and non-cash interest arising from the RRRF loan of $4,000 (2020 - $Nil). The first quarter of last year also benefited from $138,000 in CEWS eligibility.

4. Liquidity and Capital Resources

Sources and Uses of Cash

As at July 31, 2021, the Company had approximately $5,232,000 of cash and cash equivalents on hand. For the three months ended July 31, 2021, the cash flow used by operating activities was approximately $1,308,000 (2020 – provided by operations $178,000). For the current quarter, cash utilized by operating activities was the result of a net loss adjusted for items not involving cash of approximately $211,000 (2020 – income adjusted for non-cash items of $87,000) and cash used by changes in non-cash working capital balances of $1,097,000 (2020 –$91,000 provided by changes in non-cash working capital).

For the first quarter of fiscal 2021, cash provided by financing activities in the amount of $1,522,000 was the result of proceeds received from an equity private placement that was initiated in April 2021 ($1,281,000), the exercise of employee stock options ($185,000) and the exercise of warrants ($79,000), partially offset by building lease payments ($22,000). For the first quarter of the preceding fiscal year, cash provided by financing was the product of proceeds from the exercise of stock options ($44,000) and proceeds from the Canada Emergency Business Account ($30,000), partially offset by payments on the building lease ($19,000).

Investments in Property, Plant and Equipment

Management maintains its capital expenditure with the goal of meeting expected production demands and to support research and development initiatives.

Licenses and technology rights

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

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

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

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

5. 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, subscription receipts, contributed surplus, advisory options/warrants 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 July 31, 2021.

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 September 29, 2021.

	Number of Securities
Common Shares	53,141,628
Employee Stock Options	7,397,500
Advisory Options/Warrants	1,155,000
Warrants	7,107,338
Total Diluted Shares Outstanding	68,801,466

Share Capital

The Company is authorized to issue an unlimited number of common shares. At July 31, 2021, issued and outstanding common shares totalled approximately 53,141,628 shares.

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

In April 2021, the Company issued 986,844 common shares as a result of the exercise of warrants.

In April 2021, the Company issued 108,333 common shares as a result of the exercise of employee stock options.

In May 2021, the Company completed a private equity placement that had been initiated in the previous month, issuing a total of 7,719,725 equity units. The Each equity unit was priced at $0.65 per unit, with a unit consisting of one Cymat common share and one half (1/2) of a common share purchase warrant. Each whole warrant entitles the holder to purchase one Cymat common share at a price of $0.90 for a twenty-four (24) month period. In May 2021, the Company received gross proceeds in the aggregate amount of $1,306,386 associated with the issuance of 2,009,832 equity units. Additionally, 5,709,893 equity units were issued related to the subscription receipts representing proceeds of $3,711.430 received in the preceding month. In total, 7,719,725 common shares were issued as a result of this private placement. As compensation for services related to the private placement, the Company issued 770,000 advisory options/warrants as described below. The net proceeds were allocated between common shares and warrants using the residual valuation method, resulting in $4,811,469 of net proceeds allocated to common shares.

In May 2021, the Company issued 150,000 common shares as the result of the exercise of warrants.

In May and June of 2021, the Company issued 925,000 common shares as the result of the exercise of employee stock options.

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

Subscription Receipts

In April 2021, the Company initiated a private placement of equity units. Each equity unit was priced at $0.65 per unit, with a unit consisting of one Cymat common share and one half (1/2) of a common share purchase warrant. Each whole warrant will entitle the holder to purchase one Cymat common share at a price of $0.90 for a twenty-four (24) month period. In April 2021, the Company received gross proceeds in the aggregate amount of $3,711,430 representing the subscriptions for 5,709,893 equity units.

In May 2021, the private placement was completed and the subscription receipts for 5,709,893 equity units resulted in the issuance of 5,709,893 common shares and 2,854,946 common share purchase warrants.

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

In July 2020, 315,192 employee stock options with an exercise price of $0.20 per share were exercised.

In April 2021, 108,333 employee stock options with an exercise price of $0.20 per share were exercised.

On June 10, 2021, 2,635,000 stock options with an exercise price of $0.79 were granted to certain directors, officers and employees with one third of the options vesting on the date of grant and each of the remaining third of the options vesting on each of the subsequent two grant anniversary dates.

On June 10, 2021, 350,000 stock options with an exercise price of $0.79 were granted to a consulting firm and vested on the date of grant.

Warrants

In April 2021, 317,460 warrants with an exercise price of $0.525 per share and 669,384 warrants with an exercise price of $0.425 per share were exercised.

In May 2021, the Company completed a private equity placement that had been initiated in the previous month, issuing a total of 7,719,725 equity units. The Each equity unit was priced at $0.65 per unit, with a unit consisting of one Cymat common share and one half (1/2) of a common share purchase warrant. Each whole warrant entitles the holder to purchase one Cymat common share at a price of $0.90 for a twenty-four (24) month period. The net proceeds were allocated between common shares and warrants using the residual valuation method, resulting in $18,847 of net proceeds allocated to warrants.

In May 2021, 150,000 warrants with an exercise price of $5.25 per share were exercised.

Advisory Options/Warrants

As compensation for services related to the private placement completed in May 2021, the Company issued 770,000 advisory options/warrants. Each option entitles the holder to purchase an equity unit at a price of $0.65 per unit, with a unit consisting of one Cymat common share and one half (1/2) of a common share purchase warrant. Each whole warrant will entitle the holder to purchase one Cymat common share at a price of $0.90 until May 2023. The options have an expiry date of November 5, 2022. The advisory options/warrants were valued at $91,667, the fair value of the services received.

6. 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.

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.

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 determination of whether a contract contains a lease, and if so, the determination of the appropriate discount rate and term of the lease to use in the measurement of the lease liability, and
- the measurement of the fair value of share-based compensation, including the volatility and risk free rates used in the option valuation models and the estimation of number of options expected to vest.

The Company's assessment of the recoverable amount of property, plant and equipment, 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.

Judgements

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

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:

- Revenue: Timing of some anticipated orders continues to be affected by increased uncertainty as a result of the pandemic.
- 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.

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.

7. 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.

8. Related Party Transactions

Interest and financing expense for the three months ended July 31, 2021 includes cash-based royalties in the amount of $18,000 (2020 – $16,000) regarding a related party.

9. Risks and Uncertainties

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.

10. Management's Assessment of Disclosure Controls and Procedures

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

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

There were no changes in the internal controls over financial reporting during the reporting period ended July 31, 2021, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting

11. Outlook

The Covid-19 pandemic's disruption of the global economy remains as vaccine distribution efforts work to counteract the prevalence of the more transmissible Delta variant. Cymat continues to employ modified production procedures and has adopted protocols to ensure the continued health and safety of our employees, customers and suppliers as well as the community at large.

In the current quarter, Cymat experienced performance issues with one of its primary melting furnaces. Repair procedures required curtailment of foam casting operations into mid-September as the supply chain for parts and skilled technicians was disrupted, hampering repair efforts. Deployment of recently raised funds is underway for capital improvements targeted to increase manufacturing productivity, equipment resiliency and expand output capacity.

Alusion™, Cymat's architectural aluminum foam, is expected to continue to provide the majority of revenue for the current fiscal year. Some near-term delays in the timing of architecture orders are expected as the pandemic continues to exert its economic influence; however, the pipeline of major construction projects continues to be strong. In its efforts to further broaden this sale pipeline, Cymat has engaged a European architectural sales agency to further augment its traditionally strong continental presence. Cymat has also commenced a search for an additional full-time senior sales person with a focus on new business development in North America.

Cymat continues to focus a significant portion of its business development efforts on the promotion of SmartMetal™'s utility to the automotive sector as a solution to achieve vehicle light-weighting and energy absorption objectives. The production line upgrades are expected to be beneficial to these efforts as the ability to demonstrate high volume manufacturing readiness to automotive OEMs and Tier 1 suppliers is a significant factor in winning long-term serial production contracts.

As recently announced, Cymat has received an order for two SmartMetal™ underbelly blast protection kits from an Asian military vehicle manufacturer. The kits will be installed on vehicles scheduled for independent blast testing in December. The successful completion of these tests is expected to generate orders from the manufacturer's domestic military for up to 700 kits, with a potential order value in the $5M to $7M range. Other ongoing SmartMetal™ development initiatives involve Defence industry applications for blast mitigation, light-weighting, use in multi-threat composite panel systems and use in the manufacture of non-lethal projectiles as an alternative to rubber bullets. Although the expected revenue impact for fiscal 2022 arising from these SmartMetal™ initiatives remains modest, the potential remains for significant positive recurring future revenue streams.

Cymat continues to advance the development of brazed, metallurgically-bonded sandwich panels in collaboration with our European-based CTO and our specialty aluminum supplier, Rio Tinto. The Delta variant of the COVID-19 virus has significantly impacted the population of Spain. It appears that Spain is recovering from the worst of the pandemic's fourth wave and we anticipate a near term restart of the final trials at Alucoil leading to panel testing and certification with select Alucoil clients.