Cymat Technologies Ltd.
Management's Discussion and Analysis ("MD&A")
As at April 30, 2015

August 21, 2015

The following discussion and analysis of Cymat Technologies Ltd. ["Cymat" or the "Company"] financial condition and results of operations should be read in conjunction with the audited comparative financial statements of the Company for the year ended April 30, 2015, and the associated notes to the financial statements.

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

This MD&A is dated August 21, 2015 and all amounts herein are denominated in Canadian dollars, unless otherwise stated.

The information below contains certain forward-looking statements that reflect the current view of Cymat with respect to future events and financial performance. Wherever used, the words "may", "will", "anticipate", "intend", "expect", "plan", "believe", and similar expressions identify forward-looking statements. Any such forward-looking statements are subject to risks and uncertainties, and the Company's actual results of operations could differ materially from historical results or current expectations. The Company will review the forward-looking information in the preparation of the MD&A on a quarterly basis and, where appropriate, provide updated forward-looking statements based on the most current view of Cymat.

1. Company Overview and Business of Company

Cymat was incorporated on June 13, 2006 under the Business Corporations Act (Ontario) and is the successor to Duntroon Energy (formerly Cymat Corp.) which was incorporated on June 30, 1998 under the Business Corporations Act (Ontario).

Cymat develops innovative materials for industry. The Company has worldwide rights, through patents and licenses, to produce Stabilized Aluminum Foam ("SAF"). This ultra-light metallic foam is produced using a proprietary, versatile process in which gas is bubbled into molten-alloyed aluminum containing a dispersion of fine ceramic particles to create foam that is then cast into either flat panels or near-net shapes. The result is a material, which is recyclable, with a wide array of features including very low density, mechanical energy absorption, thermal and acoustic insulation, time and temperature insensitivity and has a relatively low cost of production. The technology is focused on producing products for 3 major markets: automotive, architecture and blast mitigation industries. Cymat markets architectural material under the trademark, "Alusion™" and automotive and blast mitigation products under the "SmartMetal™" trademark.

2. Summary of Market and Industry Environment

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

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

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

The automotive industry continues to face increased societal demands for environmental sustainability at a time when several high-profile vehicle recalls has lead to increased industry scrutiny. In North America, tough standards for fleet fuel consumption are being mandated by CAFE (Corporate Average Fuel Economy) regulations. Additionally the IIHS (Insurance Institute for Highway Safety) has begun to rate vehicles for their performance in a new small offset frontal crash test. This environment is compelling automotive OEM's to employ innovative design solutions to meet these enhanced requirements. The need for lighter, stronger cars has the potential to result in the adoption of new materials such as SAF. In addition to its flat-panel SAF production line, Cymat has developed proprietary Low Pressure Foam Casting ("LPFC™") aluminum foam technology which can produce near net shaped components that, among other uses, may have utility in automotive industry applications

3. Operating Highlights and Year in Review

Architecture

Sales of Alusion™ for fiscal 2015 were $1.5 million compared to Alusion™ sales of $0.8 million for fiscal 2014. Large architecture projects were the main driver of this revenue increase. In fiscal 2015, Cymat completed the provision of Alusion™ for the Fondazione Prada Museum project in Milan, Italy. The Prada project involved the casting and finishing of the longest panels that Cymat has ever produced, with some panels measuring over 7 metres in length. Fiscal 2015 also saw the shipment of additional panels for the Mallorca Convention Center, a major architectural project that Cymat first supplied in fiscal 2011.

Blast Mitigation and Energy Absorption

SmartMetal™ sales for fiscal 2015 were $153,000 compared to sales of $35,000 for fiscal 2014. In 2015 some modestly-sized SmartMetal™ projects progressed beyond the prototype stage to small-scale commercial application. These projects included the use of SmartMetal™ as a sound attenuator in a naval application and the use of SmartMetal™ as an energy absorber in munitions containment. Development and quoting activity continued for other non-vehicle applications such as the use of SmartMetal™ in failsafe systems for the transport of radioactive materials at nuclear energy sites and as part of a protection system for infrastructure such as fuel storage tanks.

Although not resulting in significant sales, fiscal 2015 saw Cymat continuing its engagement in design collaborations and multi-vehicle quoting activities regarding military/security vehicle blast mitigation and energy absorption applications with several large OEM's located across three continents. These opportunities generally have a focus on smaller fleet sizes with a shorter design cycle. As non-disclosure agreements are in place with respect to these projects, the Company is not able to provide detailed descriptions of these ventures.

Automotive

Cymat's efforts to develop a market for SmartMetal™ within the automotive industry continued to focus on applications that would incorporate SAF produced on its flat-panel production line. NVH (noise, vibration and harshness) applications and crash management systems were the primary areas seeing development activity in fiscal 2015.

Other Highlights

During fiscal 2015, Cymat raised proceeds of $2.1 million through private placement of convertible debt and warrants. The convertible debt bears an interest rate of 12% and is convertible in common shares at a conversion price of $0.20 per share. The share purchase warrants have an exercise price of $0.25 per share.

4. Selected Financial Information

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

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

	2015	**2014**	**2013**
Revenue	1,609	789	926
Cash flow used in operations	(1,251)	(430)	(1,118)
Net (Loss) Income	(1,171)	(1,824)	443
Net (Loss) Income per Share, basic and diluted	(0.08)	(0.13)	0.03
Total Assets	1,039	814	1,297
Non-current Financial Liabilities	2,126	363	106

The following tables present selected quarterly financial information for the eight most recent quarters for the period ended April 30, 2015.

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

Three months ended,	Apr 30, 2015	Jan 31, 2015	Oct 31, 2014	Jul 31, 2014	Apr 30, 2014	Jan 31, 2014	Oct 31, 2014	Jul 31, 2014
Revenue	256	581	625	147	214	45	315	215
Plant operating expenses	302	439	364	135	254	214	281	278
Research and material testing expenses	1	2	2	2	2	2	2	2
SG&A expenses	319	253	343	212	301	244	249	233
Net Loss	(528)	(230)	(175)	(238)	(857)	(440)	(224)	(303)
Net Loss per Share	(0.04)	(0.02)	(0.01)	(0.02)	(0.06)	(0.03)	(0.02)	(0.02)
Operating cash flow	(318)	(183)	(343)	(407)	(145)	(121)	(113)	(51)

As at:	Apr 30, 2015	Jan 31, 2015	Oct 31, 2014	Jul 31, 2014	Apr 30, 2014	Jan 31, 2014	Oct 31, 2014	Jul 31, 2014
Cash & cash equivalents	302	158	350	312	102	251	2	94
Restricted cash	14	14	14	14	14	14	14	14
Working capital	(108)	(281)	(121)	(456)	(1,441)	(905)	(478)	(270)

5. Financial Condition

The following table presents significant changes in the Company's financial position from April 30, 2014 to April 30, 2015.

As at April 30 (Thousands of Dollars)	2015 $	2014 $	Increase (Decrease) $	%
Cash and cash equivalents	302	102	200	196
Restricted cash	14	14	-	-
Trade and other receivables	172	103	69	67
Inventory	211	231	(20)	(9)
Prepaid expenses	20	14	6	43
Other assets	28	28	-	-
Property, plant and equipment, net	292	323	(31)	(10)
Trade and other payables	583	799	(216)	(27)
Deferred revenue	6	254	(248)	(98)
Deferred rent liability	29	33	(4)	(12)
Promissory notes payable	569	1,079	(510)	(47)
Repayable government contributions	74	130	(56)	(43)
Convertible debentures	1,713	-	1,713	N/A
Share capital	65,782	65,772	10	-
Contributed surplus	5,983	5,885	98	2
Equity portion of convertible debentures	305	-	305	N/A
Warrants	844	538	306	57

Cash and cash equivalents increase of $200,000: See Liquidity and Capital Resources section for an explanation of the change in cash and cash equivalents for fiscal 2015.

Trade and other receivables increase of $69,000: The increase in receivables was primarily the result of increased sales activity.

Inventory decrease of $20,000: The reduction in inventory is the result of a reduction in raw materials on hand ($107,000), partially offset by an increase in finished goods inventory ($87,000), both as a result of increased sales activity.

Property, plant and equipment decrease of $31,000: The reduction in the carrying value of property, plant and equipment is the result of depreciation expense ($66,000), partially offset by the purchase of machinery and equipment ($35,000).

Trade and other payables decrease of $216,000: Payables declined as the result of their payment with proceeds from financing activities.

Deferred revenue decrease of $248,000: Deferred revenue from the previous year included a deposit on the Prada Museum project.

Promissory notes payable decrease of $510,000: The promissory note principal and accrued interest outstanding at the end of last year was settled through the issuance of convertible debt ($587,000). This decrease was partially offset by an increase in the royalty liability which includes the amount recorded to reflect the present value of the estimated future royalty stream ($42,000).

Repayable government contributions decrease of $56,000: The reduction in the repayable government contributions liability is the result of repayments made in the year to Industry Canada.

Convertible debenture increase of $1,713,000, conversion feature increase of $305,000 and warrants increase of $306,000: In a series of private placement financings, convertible debentures with an aggregate face value of $2,141,000 and 10,706,000 share-purchase warrants were issued.

Contributed surplus increase of $98,000: The increase in contributed surplus was the result of stock-based compensation expenses.

6. Results of Operations

Fourth Quarter and Year Ended April 30, 2015 Compared to the Fourth Quarter and Year Ended April 30, 2014

Revenue

Revenue for the quarter ended April 30, 2015 was approximately $256,000, an increase of $42,000, or 20%, from revenue for the quarter ended April 30, 2014, of $214,000. Sales for the fourth quarter of 2015 include Alusion™ panel sales regarding the Mallorca Convention Center of approximately $115,000. The original Mallorca order was completed in fiscal 2013.

Revenue for fiscal 2015 was approximately $1,609,000, an increase of $820,000, or 104%, from revenue for fiscal 2014, of $789,000. The year-over-year increase in revenue was the largely the result of increased revenue from large Alusion™ architectural projects. Fiscal 2015 included revenue from the

Prada Museum project ($869,000) and the Mallorca Convention Center ($153,000) while fiscal 2014 included revenue from the completion of 9/11 Memorial project ($269,000). Annual SmartMetal™ sales increased to $153,000 for fiscal 2015 from $35,000 for fiscal 2014 as some customer applications progressed beyond the initial prototype stage,

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

Plant Operating Expenses

Plant operating expenses for the quarter ended April 30, 2015 were approximately $302,000, an increase of 19%, as compared to the same expenses of $254,000 for the quarter ended April 30, 2014. Plant operating expenses for the year ended April 30, 2015 were approximately $1,242,000, an increase of $218,000, or 21%, from the same expenses of $1,024,000 for the year ended April 30, 2014.

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 $208,000 for the fourth quarter of fiscal 2015, as compared to $160,000 for the fourth quarter of fiscal 2014, representing a 30% quarter-over-quarter increase. Higher freight costs associated with the Prada Museum project were the main contributor to the elevated expense increase in relation to the increase in revenue.

Direct operating expenses were approximately $911,000 for fiscal 2015, an increase of $235,000, or 35%, from the same expenses of $676,000 for fiscal 2014. This increase resulted from the higher sales levels, partially offset by labour savings due to a decrease in supervisory production staff.

Plant operating expenses also includes factory overhead costs such as rent and utilities. These expenses totalled approximately $80,000 for the fourth quarter of fiscal 2015 as compared to similar expenses of $75,000 for the same period of fiscal 2014. Factory overhead expenses totalled approximately $275,000 for both fiscal 2015 and fiscal 2014.

Plant operating expenses also include depreciation and amortization expense of approximately $15,000 for the three months ended April 30, 2015 and $18,000 for the same period ended April 30, 2014. For fiscal 2015 depreciation and amortization expense included in plant operating expenses was approximately $55,000 compared to $72,000 for fiscal 2014.

Research and Material Testing Expenses

Research and material testing expenses consisted of depreciation expenses on lab and testing equipment. For the fourth quarters of fiscal 2015 and fiscal 2014, depreciation expenses were approximately $2,000. For the full fiscal years of 2015 and 2014, depreciation expenses were approximately $6,000 and $8,000, respectively.

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

SG&A expenses for the quarter ended April 30, 2015 were approximately $319,000, as compared to an expense of $301,000 for the same quarter ended April 30, 2014. The increase was primarily the result of increased shareholder communication expenses ($24,000) due to different timing for the Annual General Meeting of shareholders and increased stock-based compensation expense ($15,000). The increase was partially offset by a decrease in bad debts expense ($30,000) with a 2014 bad debt expense related to the doubtful recovery of financing charges billed on the 9/11 Memorial project.

SG&A expenses for fiscal 2015 totalled approximately $1,127,000, an increase of $100,000, or 10%, from SG&A of $1,027,000 for fiscal 2014. Expense increases included cash-based compensation expenses ($56,000), share-based compensation ($68,000), and professional and consulting fees ($24,000). These increase were partially offset by lower bad debts expense ($30,000) and lower expenses related to shareholder communication ($25,000).

Non-cash share-based compensation expense was $16,000 for the fourth quarter of 2015, compared to $2,000 for the fourth quarter of 2014. For fiscal 2015 a share-based compensation expense in the amount of $96,000 stood in comparison to a similar expense of $29,000 for fiscal 2014.

SG&A expenses also include depreciation and amortization in the approximate amounts of $1,000 and $2,000, respectively, for the fourth quarters of fiscal 2015 and 2014. For fiscal 2015 and 2014 depreciation and amortization was $5,000 and $9,000, respectively.

Foreign Exchange Gain

For the quarter ended April 30, 2015, there was a foreign exchange loss of $18,000 as compared to a foreign exchange loss of $5,000 for the quarter ended April 30, 2014. For fiscal 2015 there was a foreign exchange loss of $14,000, as compared to a foreign exchange loss of $4,000 for fiscal 2014.

Interest and Financing Expense

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

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

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

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

Interest and financing expense for the three months ended April 30, 2014, includes cash-based amounts of approximately $30,000 which consisted of:

- $27,000 in interest and royalty-based financing fees payable on the promissory notes (including $11,000 payable to a related party),
- $1,000 interest on the repayable government contributions liability and
- $1,000 of interest and fees on advances from related parties.

The expense for the quarter also includes a non-cash-based amount of $482,000 pertaining to the present value of the estimated future royalty outflow on the promissory notes (including $185,000 with respect to a related party).

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

- $93,000 in interest and royalty-based financing fees payable on the promissory notes (including $36,000 payable to a related party),

- $155,000 in convertible debenture interest,
- $3,000 interest on the repayable government contributions liability and
- $1,000 of interest and fees on advances from related parties.

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

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

Interest and financing expense for fiscal 2014 includes cash-based amounts of approximately $69,000 which consisted of:

- $30,000 in interest and royalty-based financing fees payable on the promissory notes (including $12,000 payable to a related party),
- $6,000 interest on the repayable government contributions liability and
- $33,000 of interest and fees on advances from related parties.

The expense for the year also includes a non-cash-based amount of $482,000 pertaining to the present value of the estimated future royalty outflow on the promissory notes (including $185,000 with respect to a related party).

Net Income (Loss)

A net loss of $528,000 was recorded for the fourth quarter of fiscal 2015, compared to a net loss of $857,000 for the same quarter of last year.

The net loss for the fourth quarter of fiscal 2015 includes the non-cash items of depreciation and amortization of approximately $18,000 (2014 – $20,000), share-based compensation expense of approximately $18,000 (2014 – $2,000), a change in the accrual for future royalty payments of $42,000 (2014 – 482,000) and non-cash interest of $39,000 regarding the convertible debt.

A net loss of $1,171,000 was recorded for fiscal 2015 and a net loss of $1,824,000 was recorded for fiscal 2014.

The net loss for fiscal 2015 includes the non-cash items of depreciation and amortization of approximately $66,000 (2014 – $89,000), share-based compensation expense of $98,000 (2014 - $28,000), a change in the accrual for future royalty payments of $42,000 (2014 - $482,000) and non-cash interest of $96,000 regarding the convertible debt.

7. Liquidity and Capital Resources

Sources and Uses of Cash

As at April 30, 2015 the Company had approximately $302,000 of cash and cash equivalents on hand. For fiscal 2015, the cash flow used in operating activities was approximately $1,251,000 (2014 – used $430,000). For fiscal 2015, cash utilized by operating activities was the result of a net loss adjusted for items not involving cash of approximately $727,000 (2014 - $1,196,000) and cash used by changes in non-cash working capital balances of $524,000 (2014 –$766,000 provided by changes in non-cash working capital).

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

For fiscal 2015, cash provided by financing activities was $1,487,000 as the result of proceeds from issuance of the convertible debentures in the amount of $1,543,000, partially offset by repayments of government contributions in the amount of $56,000. For fiscal 2014, cash provided by financing activities was $431,000 as the result of proceeds from the promissory notes of $568,000, partially offset by repayments of advances to related parties of $103,000 and repayments of government contributions in the amount of $34,000.

Investments in Property, Plant and Equipment

In fiscal 2015, the Company incurred $35,000 of capital expenditure. There was no capital expenditure for the year ended April 30, 2014. Management maintains its capital expenditure with the goal of meeting expected production demands and with a reduced emphasis on investing in assets that are focused solely on R&D activities.

Licenses and technology rights

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

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

Some of these patents are controlled under a license from Alcan International Inc. [“Alcan”]; some have been acquired from Hydro Aluminum a.s. [“Hydro”]; and Cymat has developed others independently. The scope of patent protection provides Cymat with important cost advantages in the production of aluminum foams.

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

Going Concern Uncertainty

To date, the Company has financed its operations primarily through share issuances, investment tax credits, interest income, and collaborative co-development agreements. The Company has incurred significant operating losses and cash outflows from operations. As at April 30, 2015, the anticipated level of cash flows from operating activities for the next twelve months is not assured to be sufficient to sustain operations. The ability of the Company to continue as a going concern is dependent upon raising additional financing through borrowings or equity financing and ultimately achieving future profitable operations. The outcome of these matters is dependent on a number of items outside the Company’s control. As a result, there are material uncertainties that may cast significant doubt as to whether the Company will have the ability to continue as a going concern. These financial statements do not include any adjustments or disclosures that may result from the Corporation’s inability to continue as a going concern. If the going concern assumption were not found to be appropriate for these financial statements, adjustments might be necessary in the carrying values of assets and liabilities, the statement of financial position classifications and the reported expenses. Such adjustments could be material.

8. Investments and Capitalization

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

The table below sets out the number of issued and outstanding common shares as well as the number of issued and outstanding convertible securities as at August 21, 2015. The numbers reported in the table have been affected by following items that occurred subsequent to the April 30, 2015 year end:

1. On May 15, 2015, 3,077,860 common share purchase warrants expired, unexercised.

2. In May of 2015, 141,500 incentive stock options expired. On June 19, 2015, the Company granted 447,859 incentive stock options with an exercise price of $0.125 per share, exercisable until June 19, 2020. The options vest in three tranches over a two year period.

	Number of Securities (Post Share Consolidation)
Common Shares	14.457,180
Convertible Debentures	10,656,250
Stock Options	2,159,979
Warrants	10,706,250
Total Diluted Shares Outstanding	37,979,659

Share Capital

The Company is authorized to issue an unlimited number of common shares. At April 30, 2015, issued and outstanding common shares totalled approximately 14,457,180 shares.

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

Stock Options

Under the terms of the approved stock option plan, the aggregate number of common shares reserved for the issuance of stock options is 2,881,437.

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

On October 28, 2014, the Company granted 850,000 options to certain officers at an exercise price of $0.185, with 34% vesting upon grant, 33% vesting at the end of fiscal 2016 and 33% vesting at the end of fiscal 2017. The final number of options to vest in fiscal 2016 and 2017 is dependent upon the attainment of certain performance criteria.

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

No stock options were exercised in fiscal 2015 or fiscal 2014.

Critical Accounting Policies and Estimates

Revenue recognition

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

Convertible debentures

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

Use of estimates

The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual amounts could differ from those estimates. Significant estimates include those used in:

- the measurement of the cost of finished goods inventory, including the allocation of costs of conversion and manufacturing overhead,
- impairment of inventory,
- allowance for doubtful accounts,
- the determination of the useful lives of long lived assets,
- the determination of the appropriate amount, if any, of the writedown in the carrying value of long term assets, including the estimation of the associated future cash flows and the appropriate discount rate used to estimate the recoverable amount,
- the valuation of the accrued royalties on the promissory notes, including the forecasted revenues and the appropriate discount rate to apply in the determination of the present value,
- the valuation of repayable government contributions, including the timing of the future repayments and the appropriate discount rate to apply in the determination of present value, and
- the measurement of the fair value of share-based compensation, including the volatility and risk free rates used in the option valuation models and the estimation of number of options expected to vest.

Judgments

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

9. Accounting Standards Issued But Not Yet Applied

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

The following is a description of the new standards:

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

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

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

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

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

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

10. Related Party Transactions

During the year ended April 30, 2015, the Company received advances totaling $14,500 (2014 - $135,000) from certain officers of the Company and repaid advances totaling $14,500 (2014 - $50,000). Additionally, in the year ended April 30, 2014, advances totaling $181,500 and associated interest and fees totaling $37,000 were settled via issuance of a promissory note.

Interest and financing expense for fiscal 2015 includes interest expense totaling $Nil (2014 - $26,311) and other fees totaling $1,500 (2014 - $21,500) paid or payable to related parties with respect to advances. Interest and financing expense for fiscal 2015 includes cash-based interest and royalties in the amount of $36,000 (2014 - $12,000) and an accrual of royalties based on future sales of $16,000 (2014 - $185,000) regarding the promissory notes held by a related party. Fiscal 2015, also includes interest in the amount of $37,000 regarding convertible debentures that are payable to a related party.

11. Risks and Uncertainties

Financial and Liquidity Risk

The Company has not yet attained sufficient sales levels to completely support its operations. As at April 30, 2015, the anticipated level of cash flow from operations for the next twelve months is not assured to be sufficient to sustain the business. In addition to being able to successfully execute its business plan, which includes increased sales, it may be necessary for the Company to raise additional financing through either borrowings or equity financing. There can be no assurance that the Company will succeed in growing sales sufficiently or in completing additional financing.

Dependence on Key Personnel

Cymat is dependent on key employees and believes that its future success will depend on its ability to attract and retain highly skilled engineering and production, managerial and marketing personnel. Competition for such personnel is intense and there is no assurance that the Company will be able to retain, attract or hire qualified personnel in the future. The loss of certain key employees, or the inability to hire and retain additional key employees could adversely impact the Company.

Proprietary Technology Protection

Cymat's technology leadership is subject to the risks of patent infringement by competitors, and of competitors making technological breakthroughs, which may make the Company's products less attractive. An intellectual property management program is in place to protect Cymat's intellectual property and trade secrets. Cymat funds ongoing improvements to its proprietary manufacturing processes, which create new patent opportunities that enhance and may extend the period of the technological exclusivity. There is the risk that the Company's patents and trade secrets may not be held valid and enforceable, or be held to have a scope sufficiently broad to cover competitors' products or processes. There is also the risk that Cymat's products or process may infringe on other patents, which may limit the Company's ability to fully commercialize certain SAF applications. The cost of enforcing Cymat's patent rights in lawsuits or defending against infringement claims may be significant and could interfere with the Company's operations. For a more complete discussion please refer to the "License and Technology Rights" section above.

Government Regulation and Certification Requirements Imposed by Customers

The use of SAF in certain applications may be subject to regulation by certain government bodies and to compliance with applicable laws, both inside and outside of Canada. In addition, industry users may impose significant certification, safety, quality control and other requirements. Compliance with these laws and regulations may be costly and time consuming, and failure to comply may have a material, adverse effect on the Company's business.

Other Risks

The Company may be subject to a number of other risks that could materially and adversely affect Cymat's business, financial condition, liquidity or results of operations. Such risks include those associated with competing products, international markets and the possibilities of trade restrictions and the ability of the Company to manage growth.

12. Management's Assessment of Disclosure Controls and Procedures

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

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

There were no changes in the internal controls over financial reporting during the period ended April 30, 2015, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting

13. Subsequent Events

Warrant Expiration

In May 2015, 3,077,860 common share purchase warrants issued in conjunction with a series of private placement equity financings expired, unexercised.

In June of 2015, the Company granted 447,859 stock options to certain of its directors, officers and employees, with an exercise price of $0.125 per share. The options vest in three tranches over a two-year period and expire on June 19, 2020.

14. Outlook

For Fiscal 2016, Cymat has expectations for the inclusion of Alusion™ in significant architectural projects including installations located in Europe and in South America. Sales of Alusion™ are expected to continue to be the largest source of revenue for Fiscal 2016.

Based on prototype and quoting activity in the military segment, Cymat expects significant developments in SmartMetal™ blast mitigation applications for military/security vehicles. Cymat also continues to explore non-vehicular energy absorption applications for SmartMetal™ including the use of SmartMetal™ in the French nuclear energy industry.

In the automotive sector, the Company is engaged in discussions concerning the development of SmartMetal™ applications on several fronts including NVH applications and a vehicle crash mitigation system. Management remains convinced that SmartMetal™ has the potential to resolve the conflicting requirements within automotive design for increased vehicle crashworthiness while at the same time reducing vehicle weight.