

CEMATRIX CORPORATION
Management's Discussion and Analysis
Year Ended December 31, 2006

Date Completed: April 30, 2006

CEMATRIX CORPORATION
(Formerly Moonshoot Capital Corp.)

Form 51-102F1 - Management's Discussion & Analysis
For the Year Ended December 31, 2006

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the year ended December 31, 2006. This MD&A should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2006 (the "Reporting Period") and related notes thereto, the audited financial statements and MD&A for the year ended December 31, 2005 and the unaudited interim financial statements and MD&A for the quarters ended March 31, 2006; June 30, 2006 and September 30, 2006 respectively. The financial statements have been prepared in accordance with Canadian generally accepted accounting principals ("GAAP"). All dollar figures included therein and in this MD&A are in Canadian dollars.

Additional information relevant to the Company's activities including an Annual Information Form filed in 2006 can be found on SEDAR at www.sedar.com. CEMATRIX is listed on the TSX Venture Exchange (the "Exchange") under the trading symbol "CVX".

The Board of Directors of CEMATRIX have reviewed and approved the December 31, 2006 financial statements and related MD&A.

Advisory Regarding Forward Looking Statements

Except for historical information, all statements made in this MD&A contain forward-looking statements. Forward-looking statements are based on current expectations and assumptions that involve a number of risks and uncertainties, certain of which are beyond the Company's control and could cause actual events or results to differ materially from those reflected in the MD&A. Forward-looking statements are based on the estimates and opinions of the Company's management at the time the statements were made. These forward looking statements typically contain the words "anticipate", "believe", "estimate", "intend", "expect", "may", "will", "should", or other similar terms. All such forward-looking information is based on certain assumptions and analysis made by management in light of experience, perception of historical trends, current conditions and expected future developments, as well as other factors management believed to be appropriate in the circumstances. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including but not limited to, the impact of general economic conditions, changing domestic and international industry conditions, volatility of prices, the timely commencement of projects as planned, the availability of raw materials, the supply of labour, the impact of competitive products, the difficulty of predicting demand for the Company's product and other factors. As a result of such forward looking information, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or if any of them do so, what benefits will be derived there from. Based on this, actual results may differ materially from those projected, or implied herein. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates change. In addition, the reader is cautioned that historical results are not necessarily indicative of future performance.

The information contained in this MD&A is expressly qualified by this cautionary statement.

Purpose of the Company's MD&A

The purpose of this MD&A is to assist the reader in understanding the Company's performance for the year ended December 31, 2006 by describing in detail the underlying factors that have affected the current year's performance, the current financial position, and the prospects for the future. Such underlying factors include the following:

1. The Company's continued efforts in the development of the markets for its cellular concrete;

2. The adverse conditions in the Company's market territory and their effect on significant projects in progress, in particular the delays in contracted projects;
3. Costs associated with preparing the Company for expected growth;
4. Other risks and uncertainties, which will have an effect on the Company's future;

Corporate Overview

The Company was incorporated on March 22, 2005 under the *Business Corporations Act (Alberta)* as "Moonshoot Capital Corp." By a Certificate of Amendment issued on May 31, 2006, the Company's name was changed to "CEMATRIX CORPORATION". During 2006, the Company completed its qualifying transaction as defined by the TSX Venture Exchange (the "Exchange") and is now classified by the Exchange as a Tier II Industrial Issuer and is based in Calgary, Alberta.

Through its wholly-owned subsidiary, CEMATRIX (Canada) Inc., the Company is a manufacturer and supplier of technologically advanced cellular concrete products with applications in a variety of markets, currently focusing on the oil and gas construction and infrastructure construction markets. These applications include the insulating of tank bases, roads, shallow utilities, fire waterlines, facilities and piles at refinery and oil sands construction and expansion projects in Fort McMurray and Fort Saskatchewan, together with road, bridge and shallow utility infrastructure projects throughout Western Canada, but mainly in Alberta.

Significant Transactions

Reverse Takeover and Amalgamation

Prior to April 24, 2006, the Company was classified as a capital pool company ("CPC") under the rules of the Exchange. As a CPC, the Company's principal business was to identify and evaluate businesses and assets with a view to potentially acquire them or an interest therein which would constitute the Company's Qualifying Transaction as required by the policies of the Exchange.

Effective April 11, 2006, the Company successfully completed the acquisition (the "Acquisition") of all of the issued and outstanding common shares of CEMATRIX (Canada) Inc. ("Old CEMATRIX") by way of an amalgamation pursuant to the terms of an amalgamation agreement dated December 29, 2005 between the Company, Old CEMATRIX and 1203621 Alberta Ltd. ("Subco"). As a result of the Amalgamation, Old CEMATRIX and 1203621 Alberta Ltd. amalgamated (the "Amalgamation") to form CEMATRIX (Canada) Inc. ("New CEMATRIX").

Upon completion of the Amalgamation, New CEMATRIX became the wholly-owned subsidiary of the Company and carries on the operations of Old CEMATRIX.

For the purposes of this Management Discussion and Analysis any reference to the Company includes the operations of its wholly-owned operating subsidiary, CEMATRIX (Canada) Inc.

Financing by way of Short Form Offering Document

On July 18, 2006 the Company filed a Short Form Offering Document (the "Offering") and amended it on September 29, 2006 to extend the offering period. The Offering provided that each Unit sold would consist of one common share in the Company ("Common Share") and one-half of one transferable common share purchase warrant ("Warrant"). Each whole Warrant entitled the holder to acquire one Common Share at a price of \$0.40 per share for a period of 24 months from the date of issuance, subject to earlier expiry where the Common Shares trade at \$0.70 or higher on the Exchange for 20 consecutive trading days and the cumulative trading volume of the Common Shares is equal to at least 500,000 Common Shares during that period.

Upon completion of the Offering, on October 6, 2006, the Company had sold 6,599,885 units (“Units”) at a price of \$0.30 per share for gross proceeds of \$1,979,965.50. Integral Wealth Securities Limited (the “Agent”), acted as agent and received, together with its sub-agents, a cash commission of \$168,297.07, which is equal to 8.5% of the gross proceeds of the Offering. In addition, the Agent, together with its sub-agents, received 560,991 warrants to acquire Units, equal to 8.5% of the Units sold under the Offering exercisable at a price of \$0.30 per Unit, for a period of 12 months from the Closing.

Operations and Overall Performance

Results of Operations:

Overview

Overall, the Company’s results were below forecasted levels and sales declined from the prior year ended December 31, 2005. Management attributes the decline in sales in part to project delays resulting from the overheated Alberta economy. Several projects that were under contract and scheduled to be completed in 2006 were delayed to 2007.

Year ended December 31, 2006

As a result of the Acquisition, which occurred on April 11, 2006, the financial statements prior to amalgamation reflect those of Old CEMATRIX.

The consolidated financial statements are issued under the name of the legal parent but are deemed to be a continuation of the legal subsidiary Old CEMATRIX. As a result, the comparative consolidated balance sheets, income statements and cash flows for the periods up to December 31, 2006 are those of Old CEMATRIX. Likewise, the earnings per share for comparative periods have been computed by dividing the total earnings by the number of shares issued in the reverse takeover transaction.

The following table has been provided from the Company’s audited financial statements. No cash dividends were distributed.

Year Ended	Total Revenues	Net Income (Loss) Total	Per Share (Basic and Fully-Diluted)	Total Assets	Total Long Term Liabilities
December 31, 2006	2,376,000	(767,000)	(0.03)	3,365,000	223,000
December 31, 2005	2,658,000	(530,000)	(0.02)	3,711,000	448,000
December 31, 2004	1,627,000	(1,276,000)	(0.05)	2,707,000	387,000

The Company’s revenue is generated from the sale of cellular concrete and is recognized as the Company processes and places the cellular concrete on site, based on the number of cubic metres processed and placed. Total revenues for the year ended December 31, 2006 were \$2,376,000 as compared to \$2,658,000 for the year ended December 31, 2005. This represents a decrease of 10.6% from that of the prior year resulting from:

1. a 22.1% decrease in volume of cellular concrete processed and placed;
2. a 15.5% increase in the average price of cellular concrete sold due the completion of a greater number of higher priced, low volume projects, as compared to the lower priced, higher volume projects;
3. the sale of cellular concrete for a few higher priced, higher density projects, which required a greater proportion of cement resulting in an increase in the average density of material placed for the year and the corresponding price that the material was sold for.

Gross margins on sales generated during the year were \$843,000 as compared to margins of \$1,036,000 generated during the prior year. The gross margin as a percentage of sales was 35.5% for the year as compared to 39.0% for the prior year ended December 31, 2005. The decrease in total margins earned was partly due to the decrease in sales of cellular concrete, while the decrease in gross margins as a percentage of sales was due to the following factors:

1. the allocation of fixed cost over a lower number of cubic metres sold;
2. an increase in fixed manufacturing costs for the year (mainly due to labour costs) in preparation for and contemplation of the projects that were sold and were scheduled to be completed in 2006; and
3. significant increases in the cost of the Company's raw materials (mainly cement and flyash) a portion of which the Company was unable to pass on to its customers by way of higher sales prices.

Total expenses for the year ended December 31, 2006 which are net of capitalized product development costs were \$1,615,000 as compared to \$1,568,000 for the prior year. This represents a 3% increase in expenses over the total incurred in 2005. The increase is related to the additional cost to the Company of being public. Operating expenses associated with running the operating subsidiary actually decreased from year to year due mainly to the decrease in finance costs resulting from the replacement of the accounts receivable factoring facility with a bank operating facility and funds raised pursuant to the Offering.

The Net Loss for the year ended December 31, 2006 was (\$767,000) as compared to a Net Loss of (\$530,000) for the previous year ended December 31, 2005. To summarize, the increase in the loss from that of the prior year is due to the following:

1. lower sales volume offset in part by higher average sales prices;
2. higher cost of sales related to lower sales volumes combined with costs associated with ramping up for contracted work; and
3. the increased costs associated with being a public company.

Quarter Ended December 31, 2006

Total revenues for the quarter ended December 31, 2006 were \$1,100,000 as compared to \$996,000 for the quarter ended December 31, 2005, which represents a 10.4% increase in sales for the fourth quarter over the same period the previous year.

Notwithstanding a 10.8% decrease in the volume sold and placed during the quarter as compared to the prior year, the increase in total revenues was achieved due to an increase in average sales price in the quarter. The price was increased to reflect:

1. an increase in input costs, mainly cement and flyash;
2. an increase in the average density of cellular concrete sold during the quarter; and
3. higher price associated with the location of where the product was placed.

Gross margins on sales generated during the quarter were \$470,000 as compared \$393,000 for the quarter ended December 31, 2005, which represents a 19.6% increase in margins for the fourth quarter over the same period the previous year. The increase in margins is primarily due to two factors:

1. the increase in the average price of cellular concrete sold during the quarter; and
2. the reduction in cost of sales resulting from the type of material used to produce the material sold during the quarter, as described below.

The Company produces material either from the supply of pre-prepared slurry provided by local ready mix suppliers, (usually for smaller volume projects) or from a dry cement powder mix supplied by cement producers. The latter process can result in up to a 20% reduction in the cost of the material placed. This

type of process is used for larger volume projects, and accordingly, is the process that was being used for a large percentage of the volume processed during the quarter ended December 31, 2006. These factors also explain the increase in margin percentage earned during the quarter to 41.4% from the 39.5% achieved during the same period in the previous year.

Total expenses for the fourth quarter ended December 31, 2006 were \$403,000 as compared to \$482,000 for the same period the previous year. This decrease of 16.4% is largely due to a decrease in finance costs resulting from the elimination of the financing by way of receivables factoring and from proceeds raised pursuant to the Offering.

Net income for the quarter ended December 31, 2006 was \$46,000 as compared to a Net loss of \$(55,000) for the quarter ended December 31 2005.

On October 6, 2006, the Company completed the final closing of its Offering at which time an additional 3,018,720 Units were issued for gross proceeds of \$905,616.00.

Selected Financial Information and Summary of Quarterly Results

The following table sets out a summary of quarterly results:

Quarters Ended	Total Revenues \$	Net Income (Loss) Total \$	Per Share (Basic and Fully- Diluted) \$
2006 Year			
December 31, 2006	1,100,000	46,000	0.002
September 30, 2006	439,000	(215,000)	(0.01)
June 30, 2006	234,000	(385,000)	(0.02)
March 31, 2006	603,000	(213,000)	(0.01)
2005 Year			
December 31, 2005	996,000	(55,000)	(0.002)
September 30, 2005	910,000	9,000	0.0003
June 30, 2005	634,000	(192,000)	(0.008)
March 31, 2005	118,000	(292,000)	(0.01)
Year Ended			
December 31, 2006	2,376,000	(767,000)	(0.03)
December 31, 2005	2,658,000	(530,000)	(0.02)
December 31, 2004	1,627,000	(1,276,000)	(0.05)
December 31, 2003	675,000	(1,502,000)	(0.06)

Historically, the Company's business has been somewhat seasonal in nature with much of the work being completed in the last two quarters of the calendar year. Management perceives a trend away from seasonality as 35.2% of the work invoiced in 2006 was generated in the first two quarters of 2006 as compared to 28.3% in the previous year. This trend is continuing in 2007 and is largely related to the increased growth of markets for the Company's cellular concrete in the oil sands and refinery construction market which tends to be less seasonal in nature as compared to the municipal construction market.

Liquidity and Capital Resources

As at December 31, 2006, the Company had a consolidated working capital of \$749,000 as compared to a working capital deficiency at December 31, 2005 of (\$424,000). The improvement in the working capital deficiency is the result of the funds raised from the sale of Units pursuant to the Offering net of the working capital shortfall from operations generated during the year. Funds raised under the Offering were used to

eliminate this combined working capital deficiency and for other items such as the retirement of some long term debt as contemplated in the use of proceeds described in the Offering.

The following table sets out the actual use of proceeds raised under the Offering as compared to the planned uses of proceeds.

Use of Proceeds Category	Actual Use Of Proceeds	Planned Use Of Proceeds	Variance
	\$	\$	\$
Working capital deficiency	389,000	389,000	-
Debt repayment	100,000	256,000	(156,000)
Capital expenditures	95,000	400,000	(305,000)
Bonding requirements	-	500,000	(500,000)
Working Capital	680,000	235,000	445,000
Offering Costs	316,000	220,000	96,000
Funding Shortfall	20,000	-	20,000
Ending cash balance	400,000	-	400,000
	2,000,000	2,000,000	-

The Company had planned on using a portion of the proceeds for the repayment of two promissory notes due to two shareholders, however on December 31, 2006, the two note holders, one of which is a director and the other of whom is related to the President agreed to new terms for their notes. These terms included an increase in the interest rate to 12.5% from 11% and the repayment of the notes in twelve equal monthly payments plus interest with the first payment being due January 31, 2007. All payments have been made as scheduled.

The Company had planned additional capital expenditures, but determined that the delay in these capital expenditures would have no effect on the Company's ability to deliver its product or in the Company's ability to meet the product demand for 2007 and therefore the re-allocation of Offering funds to support working capital until the contracted projects were completed was deemed appropriate by management. Part of those planned expenditures is budgeted for 2007.

The Company had planned on using \$500,000 of the Offering proceeds for bonding purposes, particularly for one specific project, however upon successful negotiation of this contract bonding was not required by the other party.

Working Capital

Even though the Company was in a reasonable working capital position at December 31, 2006, particularly in relation to the working capital deficiency at the end of the previous year, it is the required working capital for the 2007 year due to the forecasted growth that provides the greatest risk to the Company. This growth for 2007, which is supported by projects under contract, would require greater amounts of working capital to support the sales and accordingly, the potential risk of a working capital shortfall. The risk of this shortfall occurring was alleviated in April of 2007, with the completion of an increase in the operating line of credit from the Royal Bank of Canada ("RBC") to \$1,500,000 from \$750,000. The increase in the operating line combined with cash generated from the early start of 2007 projects has reduced the risk of a working capital deficiency during the year.

It should be noted that the way that the Company's business operations function also reduces the risk of working capital deficiencies as follows:

1. Minimal inventory is required to complete the projects under contract because the greatest cost of sale item is from cement and flyash (60-70%), which is purchased as the product is being placed;

2. The projects completed are invoiced as placed and the longest period that a project would be unbilled would be less than a month;
3. Over 95% of the Company's customers have high credit ratings and history has shown that, excluding holdbacks, receivables are outstanding for 45 days or less; and
4. The Company has developed flexible credit terms with its cement suppliers.

Debt Obligations

The following table is a summary of the future payment obligations of the Company:

Debt Category	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$
Promissory Notes	156,000	-	-	-	-
Capital Leases	31,000	45,000	1,000	-	-
AFSC Loan	49,000	51,000	55,000	59,000	40,000
Operating Leases *	39,000	30,000	30,000	22,000	-

* The operating lease amounts include new operating leases executed subsequent to the year ended December 31, 2006.

The Agriculture Financial Services Corporation (AFSC) loan was advanced to the Company in 2005 for the acquisition of the Company's high volume dry mix cellular concrete processors and is payable in monthly installments of \$11,137 beginning on July 1st each year and ending December 1st each year to coincide with the Company's operating cash flow generation.

Management anticipates that the cash generated from operations in 2007 will be sufficient to meet the Company's current obligations together with the capital expenditure requirements necessary to support its forecasted sales. However, in the event additional funds are required, the Corporation may seek additional financing through debt or the issuance of equity. (Please see advisory on forward looking statements on page 2).

Other Key Risks and Uncertainties

Stage of Market Development

While product acceptance is increasing, the volume of cellular concrete to be sold in the future continues to be difficult to forecast. Significant variances in actual vs. forecast could result in any of the following:

1. the Company could become over-staffed for periods of time if projects do not proceed as planned, or alternatively, it may have difficulty ramping up to meet market demands if they exceed forecasts;
2. if the Company underestimates its capital resource requirements for working capital, it may not be in a position to react quickly to increased demand for the Company's products;

the Company, estimates that it has sufficient capital equipment for the next few years; however, if the market demand increases beyond capacity, the Company may have difficulty in securing equipment in the short term.

The Company is working to minimize the effect of this risk by continually monitoring market development and updating its capital and operating plans for known or expected changes.

Product Warranties

The Company has not experienced warranty claims during its existence and does not accrue any expense related to possible warranty claims, however, the potential exists for such claims being made. The Company works to minimize this risk by continuing material mix, product and equipment development,

and requiring highly trained quality control staff to be on hand for all projects to check and monitor all input and end product materials.

Competition

Although, the Company is the only supplier of cellular concrete in Alberta and the only significant supplier in Canada, there are other suppliers in the U.S. and other countries and the possibility of future competition exists. The Company is preparing itself for competition with other suppliers by attempting to ensure that its costs are low in relation to costs being incurred by other companies in the industry and striving to ensure that the Company provides the best in cellular concrete technology including material mix designs, foaming agents and processing equipment.

Cement Supply

The Company is always faced with potential shortages in its key raw material, cement, particularly given the demand for cement in the current construction market. The Company faced shortages of cement in the fall of 2005 and this shortage did effect some of the projects that were to be completed during that period. While the Company has a strong relationship with its cement suppliers who have in turn assured the Company that they do not expect shortages to occur in the future, the risk of shortages still exists. As there are alternatives to the Company's products, such as granular fills, rigid and other types of insulating materials that the Company's cellular concrete is replacing, shortages of cement may have an adverse affect on the Company's market development and forecasted sales. The Company continues to minimize the effect of this risk by working closely with the cement suppliers to secure cement as soon as the contract is executed and to alert them of future cement requirements as soon as they are known.

Increasing Commodity Prices

The price of the Company's key raw materials, cement and flyash, have increased by over 30% in the past two years. To date the Company has been able to pass a significant portion of these price increases on to its customers, particularly as they relate to oil and gas construction applications, which represent in excess of 90% of the Company's growth markets. The Company does not expect that this will change, but notes that continued increases will have an effect on margins for smaller volume municipal construction projects, particularly if the Company wishes to maintain its competitive advantage over other products. The Company is working towards minimizing this risk by developing equipment that will eliminate the need for the Company to rely on higher priced ready mix products for its raw material supply for these types of projects.

Transactions with Related Parties

During 2006, the Company transacted business with a company whose owner and director was a director and shareholder of the Company. This business involved the factoring of receivables as required by the Company. The total receivable amount factored by this related party during the period amounted to \$1,011,765. (December 31, 2005 - \$2,011,772), of which \$Nil is due to the related party at December 31, 2006 (December 31, 2005 - \$693,698). During the year, the Company paid or accrued interest in the amount of \$44,831 (December 31, 2005 - \$65,860) to this related party, of which, \$Nil (December 31, 2005 - \$22,469) is included in accounts payable and accrued liabilities at December 31, 2006. During the last quarter of 2006 all factoring amounts together with accrued interest were repaid as the facility was replaced with a bank operating line.

During the year, the Company incurred legal fees from a firm which employs two of the directors of the Company in the amount of \$135,663. The amounts are in the normal course of operations and are recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties. Included in accounts payable at December 31, 2006 is \$18,023 payable to the same legal firm.

Included in accounts payable are wages and other amounts payable or reimbursable to employees and contractors who are shareholders of \$9,688 (December 31, 2005 - \$29,947).

Included in current portion of notes payable is an amount due to a shareholder/director of \$80,933 (December 31, 2005 - \$80,933) and also includes a balance due to an immediate family member of a shareholder of \$75,367 (December 31, 2005 - \$75,367), both of which were due and payable on January 31, 2007. On December 31, 2006, the Company entered into an agreement to extend the terms of the Notes Payable to December 31, 2007. Under the new terms, interest is calculated at 12.5% and the Company will make monthly payments of principal in the amount of \$13,025 plus earned interest, commencing January 31, 2007, with the final payment due December 31, 2007.

Share acquisition loans of \$113,125 were issued to management to purchase shares in the Company in 2000 and 2001, when the Company was a private company. Of this amount, \$90,000 was due on December 31, 2006 with the balance due on December 31, 2007. The loans bear no interest. Effective December 31, 2006 the loans due December 31, 2006 were converted to demand loans. The loans have been included as a reduction of share capital.

The above transactions were conducted in the normal course of operations and are measured by the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, an employee who is a shareholder/director of the Company advanced \$53,500 to the Company to cover a short term working capital deficiency while the Company was in the process of completing the Offering. The advances were repaid together with interest of 11% in the amount of \$1,393 by December 31, 2006.

Disclosure of Outstanding Share Data

As at December 31, 2006, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding as at December 31, 2006	Outstanding as at April 30, 2007
Voting or equity securities issued and outstanding	Unlimited Common Shares	32,976,047 Common Shares	32,976,047 Common Shares
Securities convertible or exercisable into voting or equity securities - stock options	Stock options to acquire up to 10% of outstanding Common Shares	2,324,500 Stock options to acquire Common Shares at an exercise price at between \$0.30-\$0.35	2,062,012 Stock options to acquire Common Shares at an exercise price at between \$0.30-\$0.35
Securities convertible or exercisable into voting or equity securities - agent's option	Agent's options to acquire up to 10% of the common shares issued during the Initial Public Offering	Agent's option to acquire up to 250,500 common shares at an exercise price of \$0.30	Agent's option to acquire up to 250,500 common shares at an exercise price of \$0.30
Share Purchase Warrants	Share purchase warrants to acquire common shares in the Company at \$0.40 per full share purchase warrant	Share purchase warrants to acquire up to 3,299,942 Common Shares	Share purchase warrants to acquire up to 3,299,942 Common Shares
Agent's Warrants	Agent's warrants to acquire one Unit in the Company at \$0.30 per Unit	Agent's warrants to acquire up to 560,991 Units	Agent's warrants to acquire up to 560,991 Units

Disclosure Controls and Procedures and Design of Internal Controls over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed is gathered and reported to senior management. Management is responsible for the establishment and maintenance of a system of disclosure controls and procedures. The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2006, as defined under the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators.

The evaluation confirmed the effectiveness of the design and operation of disclosure controls and procedures as at December 31, 2006. The Company's management can therefore provide reasonable assurance that material information relating to the Company is reported to it on a timely basis so that it may provide investors with complete and reliable information.

Management is also responsible for the establishment and maintenance of a system of internal controls over financial reporting. Management has designed internal controls over financial reporting effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. There were no changes in the Company's internal controls over financial reporting during the most recent interim period that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

Changes in Accounting Policies including Initial Adoption

There have been no changes to the Company's accounting policies.

New Accounting Standards

Financial Instruments, Hedge Accounting and Comprehensive Income

New accounting standards will be in effect for fiscal years beginning on or after October 1, 2006 for recognition and measurement of financial instruments, disclosure of comprehensive income and hedge accounting. The Company will apply these standards beginning on January 1, 2007, resulting in the recognition of other comprehensive income, and the inclusion of accumulated and other comprehensive income as a component of shareholders' equity.

The Company's financial instruments consist of cash and savings/term deposits accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values.

The Company is determining the impact that these changes in accounting policy will have on its consolidated financial statements once adopted.

Outlook

The Company has secured contracts and purchase orders in the amount of \$5,300,000 (see News release dated March 29, 2007), is in the final contract award stage of other projects, and is in the design/engineering stage of other significant projects a couple of which may proceed in 2007. A significant portion of these secured contracts and purchase orders are in the oil sands refinery construction market with a few being in the municipal construction market.