

CEMATRIX CORPORATION
Management's Discussion and Analysis
Nine Months and Quarter Ended September 30, 2009

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CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Nine Months and Quarter Ended September 30, 2009

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the nine months and quarter ended September 30, 2009. This MD&A should be read in conjunction with the unaudited financial statements of the Company for the nine months and the quarter ended September 30, 2009 and the audited financial statements and MD&A of the Company for the year ended December 31, 2008 and related notes thereto. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar figures included therein and in this MD&A are in Canadian dollars.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com. CEMATRIX is listed on the TSX Venture Exchange under the trading symbol "CVX".

The Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the 2009 unaudited financial statements and MD&A for the nine months and quarter ended September 30, 2009 and the Board of Directors of the Company has reviewed and approved them.

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Forward Looking Statements

This MD&A contains certain statements and disclosures that may constitute forward-looking information under applicable securities law. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Company anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by such terms as “forecast”, “future”, “may”, “will”, “expect”, “anticipate”, “believe”, “potential”, “enable”, “plan”, “continue”, “contemplate”, “pro-forma” or other comparable terminology. Forward-looking information presented in such statements or disclosures may, amongst other things relate to: sources of revenue and income; forecasts of capital expenditures and sources of financing thereof; the Company’s business outlook; plans and objectives of management for future operations; forecast business results; and anticipated financial performance.

The Company has identified what it considers to be the material forward-looking statements and disclosure in this MD&A and has listed them in Appendix A. The material factors, material assumptions and material risks that provide the basis for those statements and disclosure have also been provided to assist the reader in understanding them from management’s perspective.

The forward-looking information in statements or disclosures in this MD&A is based (in whole or in part) upon factors which may cause actual results, performance or achievements of the Company to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Various assumptions or factors are typically applied in drawing conclusions or making forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company including information obtained by the Company from third-party industry analysts and other third-party sources. Actual results or outcomes may differ materially from those predicted by such statements or disclosures. While the Company does not know what impact any of those differences may have, its business, results of operations, financial condition and its credit stability may be materially adversely affected.

The Company has discussed, in Section C. – Key Market Drivers and in Section D. - Key Risks and Uncertainties of its MD&A the significant market drivers and risk factors that affect its business and could cause actual results to differ materially from the forward-looking information disclosed herein. These factors remain substantially unchanged since December 31, 2008. The Company cautions the reader that these factors are not exhaustive. The factors that could lead to differences in business results include, without limitation, legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where the Company operates, results of financing efforts, changes in counterparty risk and the impact of accounting standards issued by Canadian standard setters.

The Company is not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of the risks, uncertainties and assumptions contained herein, prospective investors should not place undue reliance on forward-looking statements or disclosures. The foregoing statements expressly qualify any forward-looking information contained herein.

A. Purpose of the Company's MD&A

The purpose of this MD&A is to provide a narrative explanation, through the eyes of management, to assist the reader in understanding the Company's performance for the nine months and quarter ended September, 2009, the Company's financial condition as at September 30, 2009 and its future prospects.

B. Corporate Overview

CEMATRIX 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".

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.

Cellular concrete is a cement slurry based product that is combined with air to result in a very lightweight, foamed concrete-like material that has thermal insulating qualities with moderate structural strength. It is generally lighter than water and its main use is the replacement of rigid and other types of insulation, however there are many other uses including the stabilization or replacement of weak or unstable soils.

The value proposition that CEMATRIX offers to customers is as follows: cellular concrete is a more cost effective solution than the competing products because of its initial placed cost, which is proven to be either lower or comparable than competitive products, the benefit of which is further enhanced by its use to significantly reduce the construction timetable, due to the speed of placement and the structural capabilities of the product in relation to other insulating materials (the "Value Proposition").

C. Key Market Drivers

The primary drivers in the marketplace that affect the demand for the Company's cellular concrete include the following:

1. Capital to be spent in Western Canada on the development of the oil sands and the refineries to refine the oil produced from these projects and other conventional sources; and
2. Capital to be spent on infrastructure construction throughout Canada and the United States for the foreseeable future.

These primary drivers are affected by the following:

1. Availability of Capital:

The development of the oil sands and refineries in Alberta are partly dependent on the availability of capital to company's making these investments. This affects the timing of projects which the Company already has contracts for supply of cellular concrete and the commencement of other projects which could be specified to use various quantities of the Company's products. In today's market, the availability of external capital has become limited due to the current economic conditions and the generation of internal capital has been reduced significantly by the decline in oil and gas prices as compared to the comparative period in 2008. Certain companies have announced funding to progress their oil sands developments. Whether CEMATRIX will participate in those projects will be dependent on the Company's ability to convince the project design engineers of CEMATRIX's Value Proposition, which is largely dependent on the Company's experiences to date.

Government funded infrastructure construction throughout Canada and the United States is dependent on the capital funding that is made available to the various municipal, provincial/state and federal governments to make these types of investments. This also affects the timing of projects with which the Company's products could be applicable. Both the Canadian and United States governments have

announced significant infrastructure programs to combat the affects of the economic slowdown, however, the benefit, if any, to CEMATRIX, will be dependent on the type and location of projects to which the infrastructure funds will be allocated and the Company's ability to convince the design engineers responsible for these projects of its Value Proposition.

The failure to convince the project design engineers to specify the Company's cellular concrete for projects or the allocation of infrastructure funds to projects that do not involve the use of Company's product could cause the use of other products and loss of potential sales.

2. Oil and Gas Prices:

The development of the oil sands and refineries in Alberta are dependent on reliable price forecasts for oil and gas. The significant capital investments required, often in the multi-billion dollar range for some of the oil sand projects, requires an outlook for future oil and gas prices at levels that will generate an acceptable rate of return to the companies making the investment. It is uncertain as to whether the future price of oil and gas will rebound to a level, which would enable planned oil sands projects to become economically feasible again and enable those projects to proceed as designed. If these projects do not proceed, CEMATRIX will lose this source of potential revenue.

3. Product Acceptance:

CEMATRIX's success is dependent on its product becoming accepted by more of the project design engineers and specifiers. These individuals are in charge of the engineering and design of oil and gas and infrastructure projects, the materials that can be used in various projects and the determination of whether cellular concrete can be considered for a particular application.

To date, the accelerated schedules for many of the large oil sands and refinery projects in western Canada over the last decade and the desire to use known products for infrastructure projects in Canada has resulted in engineering firms and companies specifying known and established materials for applications in which cellular concrete would be an alternative. In addition, it is common practice for these same engineers and designers to not consider or take a risk in specifying new materials, until these new products are proven out in the market place. These common engineering practices have slowed the development of CEMATRIX's product penetration and can only be overcome by continued education of the specifiers and success by CEMATRIX on those projects, where its cellular concrete is specified.

Extensive education and marketing to geotechnical and design engineers has been and continues to be completed by the Company to demonstrate its Value Proposition for cellular concrete for a number of applications.

The Company's ongoing education and marketing program, together with the experience generated from projects throughout western Canada has resulted in acceptance by a number of design engineers of CEMATRIX's product and services in Western Canada. Management believes that this product acceptance will continue to grow and that cellular concrete will become one of the design standards for use for various applications within planned infrastructure projects and Western Canada oil and gas development. Management bases this belief on the increasing number of projects that have specified cellular concrete over the past few years and the number of projects that it is currently working on with geotechnical and design engineers.

Many of these same engineering firms also operate where the Company is currently extending its market development focus, that being British Columbia, Ontario and other parts of Canada. The Company's current relationship with these engineering firms, the product experience in Alberta and the positive references from customers on completed projects should enable the Company to generate sales in these markets in a shorter timeframe than it experienced in Alberta. The Company's marketing efforts in these new territories have already resulted in new projects, a couple of which have been completed and a couple of which, have been confirmed by purchase order and are scheduled over the next few months. These projects include:

- In August, the Company completed its first road infrastructure project in Ontario in the region of Peel, just west of Toronto. The project involved the placement of 949 cubic metres of cellular concrete over weak and unstable soils. The success of this project has resulted in reference calls for additional projects scheduled for 2010;

. In September, the Company completed its first tunnel project in British Columbia, near Squamish. The project involved the placement of 450 cubic metres of grout in a tunnel constructed for hydro production purposes;

- In October, the Company received an order for 3,050 cubic metres of product for a tunnel project, in Mississauga, Ontario; and

- In November, the Company received an order for 1,085 cubic metres of cellular concrete to be placed as backfill for a retaining wall in Delta, British Columbia.

For some applications in these new territories, cellular concrete will also need to be accepted and become an approved product by various municipal and provincial government departments. In this regard the Company has prepared and filed a submission to the Ministry of Transportation of Ontario (the "MTO") for approval of the use of CEMATRIX cellular concrete as light weight material on projects for the MTO. In addition, the Company has recently filed for approval of its product for various applications by the British Columbia Ministry of Highways and the Alberta Ministry of Infrastructure and Transportation.

In Alberta, CEMATRIX has achieved a base level of acceptance for certain infrastructure applications in various municipalities and is currently working to achieve increased acceptance in Alberta, British Columbia, Ontario and the Territories. Cellular concrete is already an approved product for various infrastructure applications in many regions of the United States. The ease of mobility of the Company's equipment enables the Company to place bids on large dry mix projects in Eastern Canada and the United States and service these customers from its Alberta base.

Product acceptance is important to support the Company's sales growth.

4. Sole Source Provider:

When engineering firms and companies are considering specifying cellular concrete into a specific project, a concern that arises is the fact that CEMATRIX is the sole provider of cellular concrete in Alberta and for many other regions of Canada. Their concern is that if CEMATRIX is not available to complete their project, then there may be no one else that can do the work as specified. In many cases, this will mean that the project will have to be re-engineered because cellular concrete is not a one for one direct replacement to the products that it replaces. In some instances, owners of projects will not allow the use of a sole provider and others continue to be hesitant to do so, because the costs of re-engineering could be prohibitive. This practice has slowed the development of CEMATRIX's product penetration in Western Canada and has affected the development of other markets in Canada. The Company continues to work with customers, specifiers and design engineers to ensure that the benefits of the CEMATRIX products and services warrant the use of a sole source provider and to ensure these customers that CEMATRIX will be around to be that provider. If engineering firms and companies do not accept the nature of CEMATRIX being a sole source supplier this could affect the ability of the Company to grow its sales.

D. Key Risks and Uncertainties

Financial Position:

Due to the economic downturn which began in the late summer and fall of 2008 and has continued through 2009, the Company has experienced a significant reduction in revenues, which has resulted in negative cash flows and a requirement for management to cut salaries, reduce staff levels and eliminate all discretionary costs. It has been the decline in oil prices due to this downturn that has had the greatest impact on sales as the Company's work in the oil sands essentially came to a halt in the fall of 2008 and has not rebounded to date. Even though a rebounding of the oil price to levels in excess of U.S. \$65 per barrel this past summer,

which has continued through the fall, has prompted recent announcements of projects being restarted and or new projects to be commenced, it has not had a positive effect on the Company's sales to date.

In 2007 and 2008, over 90% and 75% respectively of the Company's sales were from oil sands related construction projects and this market was where the Company expected its greatest short term growth to come from. When the oil sands construction slowed, and over \$6.0 million in revenue on the Company's projects in the oil sands were postponed, the Company switched its focus to developing infrastructure markets, however these markets take time to develop and replace the sales lost in the oil sands.

As described under Section C. Key Market Drivers, the Company has made progress in the infrastructure area, particularly in Ontario and British Columbia and expects to see greater infrastructure growth in 2010. However if infrastructure and oil sands construction sales do not continue to materialize by the spring of 2010, then the Company may experience working capital issues and may need to seek financing to support its continued operations. Such financing may or may not be available to the Company.

Stage of Market Development:

Besides the issues surrounding engineering acceptance and being a sole source provider, as discussed under Section C - Key Market Drivers, management has identified the following additional risks and uncertainties as they relate to the Company's early stage of market development in this growing market:

1. Capital resource requirements must be matched to the demand for the Company's products. If demand increases more quickly than anticipated, the Company may be challenged to react quickly enough to realize the sales opportunities. The Company continues to evaluate various equipment options to enable the Company to be in a better position to react to these changing market conditions. However, there is no guarantee that financing would be available to fund new capital asset requirements nor is there certainty that the Company could react in a timely fashion to new capital asset requirements, even if the financing is available; and
2. The Company has experienced supply issues in past years with the supply of ready mix in Alberta for wet mix type projects, because of the high demand for this product arising from the economic growth experienced in these years. Constraints on the supply of ready mix can affect the ability of the Company to grow future sales. In those years where there are ready-mix supply constraints, the Company attempts to maximize the utilization of dry mix process equipment that uses cement powder, in lieu of ready-mix slurry, to meet market demands. Management is also evaluating future needs and the development of a mobile dry mix unit with internal bulk capacity, to compliment the two high volume dry mix process unit's already in use. The manufacture of this type of equipment for use in the Alberta market would reduce the Company's reliance on ready-mix products. One of these dry mix units is currently in the design stage.

Cement Supply:

The Company does periodically experience shortages in its key raw material, cement; particularly in the last few years, excluding the current year, given the demand for cement in the Western Canadian construction market. 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. Cement supply is currently in over supply in western Canada and these same cement companies have informed CEMATRIX that there is an oversupply in eastern Canada and the United States, as well.

Increasing Commodity Prices:

The price in Alberta of the Company's key raw materials, cement and flyash, had increased by over 32% over the past three years up to 2008. To date, the Company has been able to pass a significant portion of these price increases on to its customers. There is no certainty that this practice will continue in which case

this would reduce the Company's profit margin on sales. The prices for these materials have held close to the 2008 levels and the Company has been advised by its suppliers of a minor increase for 2010. The Company is working towards minimizing any risk by developing equipment that will eliminate the need to rely on higher priced ready mix products for its raw material supply, for these types of projects. The prices for these key raw materials in British Columbia and Ontario are approximately 20% lower than in Alberta.

Competition:

Although the Company is the only significant supplier of cellular concrete in Alberta and Canada, there are other suppliers in the United States and other countries, and accordingly the possibility of future competition exists. Competition could result in lost sales or reduced profit margins. The Company is positioning itself for competition with other suppliers, by ensuring that its costs are competitive 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 thermal modeling and structural design assistance, material mix designs, foaming agents and processing equipment.

Product Warranties:

The Company has not experienced warranty claims during its existence due to the nature of its product and does not accrue any expense related to possible warranty claims. However, the potential exists for such claims being made and this could result in additional expenses. The Company works to minimize this risk through ongoing material mix, product and equipment development and by requiring highly trained quality control staff to be on hand for all projects to check and monitor all input and end product materials.

E. Operations and Overall Performance

The results for the quarter and nine months ended September 30, 2009 are below management's expectations, but consistent with the significant decline in oil sands related construction brought about by the economic events of 2008. A few oil sands related projects are coming back on line. The benefit, if any, in the form of sales revenue for CEMATRIX, from these announcements will not be realized until 2010 and beyond.

During the past few years, oil sands related construction represented up to 90% of the Company's annual sales, with the balance coming from infrastructure construction, however this percentage has dropped to below 50% for the nine months ended September 30, 2009. This is largely due to the decline in oil sands activity, but is also partly due to the Company's focus over the last year on developing its infrastructure construction business throughout Canada.

Management had anticipated a general recovery of sales in the third quarter of 2009 but this did not happen. A number of projects which management had expected to proceed in the third quarter, based on discussions with clients, did not proceed as anticipated and have been deferred until 2010 or beyond.

The decline in revenues has necessitated a continued reduction in manageable costs to ensure sufficient cash is available to fund the Company until sales begin to rebound. To this end, management took steps in the first quarter of 2009 to reduce costs by completing staff layoffs (15% of staff effective the end of February), salary and wage cuts of 10% to 20%, effective March 1st, and the elimination of all discretionary spending. As a result of the lower than forecast results for the third quarter of 2009, management has taken additional steps to reduce costs, including reducing the hours of work for employees effective September 1, 2009, negotiating with its landlord for a reduction in its facility costs effective January 1, 2010 and a further 10% reduction of staff effective October 31, 2009.

The effect of these cost reduction initiatives was the primary reason that the third quarter of 2009 operating expenses were down by \$127,465 or 23% as compared with the first quarter of 2009 and \$43,557 or 9% compared with the second quarter of 2009. In addition, the gross margin benefited from the reductions in direct labour and other production costs.

Refer to Section N. – Outlook for discussion of the results of operations and performance for the remainder of 2009 and the outlook for 2010.

Results of Operations:

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.

The nature of the Company's sales is usually "one-off" type sales, meaning there is little in the way of carry over in sales from year to year; except to the extent that the Company has repeat business related to a specific application or location or a project is sufficiently large in scope, that it continues from one period to the next. The goal is to increase this type of repeatable and predictable source of revenue, both in Calgary and other developing markets.

The Company has two distinct types of production – dry mix, which is fully automated, including the cement slurry mixing process directly from cement and other dry powders, and permits the production of high hourly volumes and wet mix, which is partially automated, except to the extent that the slurry required is delivered by a ready mix provider, and has lower hourly production capability. The dry mix system enables the Company to improve the quality of its end product, while reducing its unit cost by up to 20% as compared to the wet mix process. However, the dry mix process is typically not suitable for small to medium sized projects requiring daily volume of less than 250 cubic metres of production or projects of less than 500 cubic meters of total requirements, due to the cost of mobilizing this equipment.

Quarter ended September 30, 2009

Compared with Quarter ended September 30, 2008

Total revenue for the quarter ended September 30, 2009 was \$933,084 as compared to \$2,514,185 for the same quarter in 2008, a decrease of \$1,581,101 or 63%. Sales volumes were down 67% in the third quarter of 2009 as compared to the same quarter in 2008. The decrease in sales volume is the result of a decline in work in the Alberta oil sands, compared with the same period in 2008. A number of oil sand projects have been put on hold. In addition, infrastructure spending that was announced by various levels of governments has not resulted in any new projects for the Company. The third quarter of 2009 includes revenues of \$30,687 related to a project in Adak, Alaska involving the rental of one of the Company's pieces of equipment. This project was completed in early October 2009. There was no comparable project in 2008.

Revenue in the third quarter of 2009 was below managements' expectations. In particular two significant projects that had been anticipated to proceed, based on discussions with clients, did not and now are deferred until 2010 or beyond.

The gross margin on sales was \$256,069 in the third quarter of 2009 as compared to a \$961,912 in the same quarter of 2008. This is a direct result of the reduction in sales volumes discussed above.

Total expenses for the quarter ended September 30, 2009 were \$415,735 as compared to \$540,052 for the same period the previous year. This \$124,317 or 23% decrease is due to the following:

- Finance costs decreased by \$5,594 – this is principally due to lower interest on capital leases, down \$3,305, due to lower capital lease obligations as a result of obligation payments and the buyout of leases; interest of \$3,033 was incurred in 2008 relative to balances owing related to employee remittance for a U.S. based employee; and an increase of \$744 in 2009 in the interest related to the loans with the Agriculture Financial Services Corporation ("AFSC Loans"; "AFSC Loan 1"; "AFSC Loan 2") which is due to higher outstanding balances as a result of the new loan of \$200,000 in the spring of 2009 to build a new production unit as partially offset by lower interest rates;
- General and administrative costs were down by \$32,524 – salaries and associated benefits were down \$12,387 due to the effect of pay cuts introduced in March 2009 and a reduction of work

hours that was put in place effective September 1, 2009; legal and public company costs were lower by \$10,466 due to improved internal processes related to public company activities and other costs were down \$9,671 due to cost constraints put in place by the Company;

- Sales, marketing and engineering costs decreased by \$69,134 – salaries and associated benefits were down \$20,753 due to the effect of pay cuts introduced in March 2009 and a reduction of work hours that was put in place effective September 1, 2009; sales commissions were down by \$13,000 as a result of the lower sales in the quarter compared to the same period in 2008; marketing program cost were down \$13,971 as a result of cost constraints and the fact that a major marketing initiative was started in the third quarter of 2008; recruiting costs of \$9,687 were incurred in the third quarter of 2008 and other cost reductions of \$11,723;
- Stock based compensation was lower by \$5,414 – the expense of \$8,040 in the third quarter of 2009 related to the options to purchase common shares of the Company which were granted in 2008 that vested over a two year period and accordingly the expense is recognized over this period. The comparable expense in 2008 of \$13,454 relates to options granted in 2008 to some of the directors of the Company, a portion of which vested immediately; and
- Amortization decreased by \$11,651 – product development amortization decreased by \$17,187; product development costs are amortized over three years and the Company stopped capitalizing product development costs in 2007 and as a result these costs will be fully amortized in 2009; property, plant and equipment amortization increased by \$5,536 due to the higher asset base in 2009 compared to the same period in 2008.

Other non-operating income and (expenses) was an expense of \$334 in 2009 related to foreign exchange. In the comparative period in 2008 a foreign exchange expense of \$1,734 was offset by a gain on the sale of assets of \$658.

A net loss for the quarter ended September 30, 2009 of \$160,000 was incurred compared with net income of \$420,784 for the same period in 2008. The 63% drop in revenue in the third quarter of 2009 compared to the same quarter in 2008 resulted in lower margins which were partially offset by cost reductions undertaken by management in 2009.

Compared with Nine Months ended September 30, 2008

Total revenue for the nine months ended September 30, 2009 was \$2,462,713 as compared to \$3,988,288 for the same period in 2008, a decrease of \$1,525,575 or 38%. Sales volumes were down 47% in the first nine months of 2009 as compared to the same period in 2008. The decrease in sales volume is the result of a decline in work in the Alberta oil sands, compared with the same period in 2008. A number of oil sand projects have been put on hold. In addition, infrastructure spending that was announced by various levels of governments has not resulted in any new projects for the Company. The nine months ended September 30, 2009 includes revenues of \$84,203 related to a project in Adak, Alaska involving the rental of one of the Company's pieces of equipment and the sale of cement and foaming agent. This project was complete in early October 2009. There was no comparable project in 2008.

The gross margin on sales was \$610,511 in the first nine months of 2009 as compared to \$1,173,856 in the same period of 2008. This a direct result of the reduction in sales volumes discussed above.

Total expenses for the nine months ended September 30, 2009 were \$1,418,227 as compared to \$1,454,815 for the same period the previous year. This \$36,588 decrease is due to the following:

- Finance costs decreased by \$8,033 – this is principally due to lower interest on capital leases, down \$4,084, due to lower capital lease obligations as a result of payments and the buyout of leases; interest of \$3,033 was incurred in 2008 relative to balances owing related to employee remittance for a U.S. based employee; interest of \$760 was incurred in 2008 on the Company's use of its line of credit to finance its working capital – the line of credit has not been required in 2009; interest on the AFSC loans was about the same as higher outstanding balances as a result of

the new loan of \$200,000 in the spring of 2009 to build a new production unit were offset by lower interest rates (6.54% in 2009 as compared to 7.85% in the same period in 2008 for the AFSC Loan 1 and 5.82% for the AFSC Loan 2);

- General and administrative costs were down \$8,881 – higher property and business taxes of \$11,170 due to the move into larger premises in April 2008, consulting costs of \$9,000 incurred in 2009 in regard to labour relations in Ontario where the Company is seeking to expand were more than offset by reduced legal and public company costs of \$21,000 due to improved internal processes related to public company activities and other costs were down \$8,051 due to cost constraints put in place by the Company;
- Sales, marketing and engineering costs increased by \$12,585 – this increase is the result of the Company’s strategy to diversify its revenue base – sales and engineering staff were added (salaries were up \$64,093) and other costs to support this market development program increased by \$8,006. This was partially offset by lower commissions earned by sales people (\$31,940), the result of a change in the commission plan in 2009 and lower sales, lower recruiting costs incurred in 2009 compared to 2008 of \$19,053, reduced consulting and third party testing costs in 2009 of \$8,521 as part of the cost reduction initiative put in place in March 2009;
- Stock based compensation of \$24,120 in 2009 was comparable to 2008; and
- Amortization decreased by \$31,752 - this was primarily the product development amortization which decreased by \$31,755 – product development costs are amortized over three years and the Company stopped capitalizing product development costs in 2007 and as a result these costs will be fully amortized in 2009.

Other non-operating income and (expenses) was an expense of \$9,776 in 2009. This primarily relates to the write off of licenses in CEMATRIX (Calgary) Ltd that no longer have value (\$27,718) as partially offset by the reversal of accrued expenses no longer required. The income reported in 2008 relates primarily to income earned on short term investments of \$4,736 and the gain on sale of assets of \$658.

The net loss for the nine month ended September 30, 2009 was \$817,492 as compared with a net loss of \$275,217 for the same period in 2008. The increase in the loss of \$542,575 is the result of the reduction in gross margins due to the significant drop in third quarter sales compared with 2008.

F. Selected Financial Information and Summary of Financial Results

Quarterly Results

Due to the seasonal nature of the Company’s business, which typically follows the construction season in Western Canada; a significant portion of the Company’s sales occur between the latter part of the second quarter and the first half of the fourth quarter, on an annual basis. The Company is pursuing other markets where seasonality is less of an issue. This seasonality is reflected in the quarterly results summarized in the table that follows:

Quarters Ended	Total Revenues \$	Net Income (Loss) Total \$	Per Share Basic \$	Per Share Diluted \$
2009 Year				
September 30, 2009	933,084	(160,000)	(0.005)	(0.005)
June 30, 2009	1,183,667	(42,098)	(0.001)	(0.001)
March 31, 2009	345,962	(615,394)	(0.018)	(0.018)

2008 Year

December 31, 2008	1,304,959	(144,761)	(0.004)	(0.004)
September 30, 2008	2,514,185	420,784	0.013	0.013
June 30, 2008	1,249,434	(155,746)	(0.005)	(0.005)
March 31, 2008	224,669	(540,255)	(0.016)	(0.016)

2007 Year

December 31, 2007	1,227,589	(39,450)	0.000	0.000
September 30, 2007	3,116,866	764,022	0.023	0.019
June 30, 2007	2,382,100	274,959	0.008	0.007
March 31, 2007	768,474	(189,849)	(0.006)	(0.006)

G. Consolidated Balance Sheet

Total assets were \$3,306,120 at September 30, 2009 compared to \$3,885,576 at December 31, 2008. This decline of \$579,456 is due to the following:

- Cash was down \$461,542 (See the discussion in Section H - Consolidated Statements of Cash Flows);
- Accounts receivable were down by \$191,353 primarily as a result of the Company improving the receivable collection cycle and the reduced sales in the third quarter of 2009 relative to the sales in the later part of 2008;
- Inventory was up \$94,779 - the purchase of foaming agent to replace defective material returned in early 2009 as offset by the use of materials in the Company's manufacturing process of cellular concrete;
- Prepays and deposits were down \$83,985 primarily as a result of the application of a portion of the credit received in regard to the defective foaming agent returned in early 2009;
- Property, plant and equipment was up \$148,143. Additions to plant property and equipment were \$255,713, of which \$10,800 was acquired by means of capital leases and \$244,913 were acquired with cash generated from operations and a new loan from the Agriculture Financial Services Corporation to build a new piece of equipment. Amortization expense in the nine months ending September 30, 2009 of \$107,570 reduced the net property, plant and equipment amount;
- Patents, trademarks and technology were reduced by \$34,468 which includes the amortization in the nine months ended September 30, 2009 of \$6,750 on patents and a \$27,718 write off of licenses in CEMATRIX (Calgary) Ltd that no longer have value. No amortization is recorded on the remaining trademarks and technology as the Company views these as having an indefinite life (see Note 3 – Accounting Policies to the Unaudited Consolidated Financial Statements at September 30, 2009); and
- Product development costs were reduced by amortization of \$51,030.

Total liabilities were \$752,889 at September 30, 2009 compared to \$538,973 at December 31, 2008. This increase of \$213,916 is due to the following:

- Accounts payable and accrued liabilities were up \$107,563 primarily due to higher business activity in the second quarter of 2009 as compared to the fourth quarter of 2008 that increased trade payables compared to the same level as at December 31, 2008;
- The AFSC Loans increased by \$152,866 which reflects the new loan of \$200,000 to finance the acquisition and construction of a new piece of equipment less repayments on the loans of \$47,134. The terms of the loans provide for payments to commence July 1 and run through to December 1 each year. (See Note 9 – Agricultural Financial Services Corporation loans payable to the Unaudited Consolidated Financial Statements at September 30, 2009);

- Capital lease obligations are down \$46,513 compared to the level as at December 31, 2008. The Company added \$10,800 of new leased equipment in 2008 and this was offset by repayments of \$57,313, which includes the buyout of a piece of equipment required for the project in Adak, Alaska of \$26,580.

Shareholders' equity was \$2,553,231 at September 30, 2009 compared to \$3,346,603 at December 31, 2008. This decline of \$793,372 is due to the following:

- No new share capital was issued in the first nine months of 2009;
- Contributed surplus increase is due the stock based compensation charge of \$24,120; and
- The deficit increased by the loss in the nine months ended September 30, 2009 of \$817,492.

H. Consolidated Statement of Cash Flows

The cash position of the Company at September 30, 2009 was \$20,260 compared to \$481,802 at December 31, 2008. The change of \$461,542 was due to the following:

- The Company used \$312,182 in cash from operations, after considering changes in non-cash working capital, in the first nine months of 2009 as compared to a net use of cash of \$377,389 in the comparable period of 2008, a reduction in usage of \$65,207. The negative cash flow, before non cash working capital adjustments, of \$600,304 in 2009 was lower by \$546,158 from the negative cash flow amount of \$54,146 in 2008. This decrease was primarily due to the increase in the reported loss of \$542,275 compared to the same period in 2008. This decrease was offset by cash generation from the net change in non-cash working capital items of \$288,122 in the first nine months of 2009 as compared to a negative change in the same period in 2008 of \$323,243. The cash generated from non-cash working capital items in 2009 primarily arises from the reduction in the first nine months of 2009 of receivables (\$191,353) combined with an increase in accounts payable and accrued liabilities (\$107,563). The reduction in receivables is because the Company's revenues have fallen in the third quarter compared to the later part of 2008. In 2008, there were significantly higher sales volumes in the third quarter and as a result receivables were much higher at September 30, 2008 as compared to December 31, 2007 which results in a use of cash, or an adjustment to the revenues reported in the period for purposes of preparing the cash flow statement (i.e. the revenue has not yet been collected).

- Cash used in investing activities amounted to \$244,913 in 2009 for additions to property, plant and equipment (including \$200,000 related to a new production unit). In 2008, additions to property, plant and equipment was \$62,418 and this was partially offset by cash received on the sale of a piece of equipment for \$50,000.

- Cash from financing activities was \$95,553 in 2009 compared to a use of \$121,428 in 2008. In 2009 the Company borrowed \$200,000 from the AFSC to finance the new production unit that went into service in July. Repayments of lease obligations were \$57,313 (including the buyout of a piece of equipment required for the project in Adak, Alaska of \$26,580) in 2009 as compared to \$98,412 in the same period of 2008. Repayments on the AFSC loans were \$47,134 in 2009 compared to \$23,106 in 2008, which reflect the repayments on the new AFSC loan discussed previously.

I. Liquidity and Capital Resources

At September 30, 2009, the Company had consolidated working capital (current assets less accounts payable and accrued liabilities) of \$1,041,241 compared to \$1,790,905 at December 31, 2008. The decline of \$749,664 is itemized in the following table:

	September 30 2009	December 31 2008	Change
Current Assets			
Cash	\$20,260	\$481,802	\$(461,542)
Accounts receivable	867,696	1,059,049	(191,353)
Inventory	374,102	279,323	94,779
Prepaid expenses and deposits	144,416	228,401	(83,985)
	<u>1,406,474</u>	<u>2,048,575</u>	<u>(642,101)</u>
Accounts payable and accrued Liabilities	365,233	257,670	107,563
Total Working Capital	<u>\$1,041,241</u>	<u>\$1,790,905</u>	<u>\$(749,664)</u>

The decline in consolidated working capital of \$749,664 is principally due to the use of cash in the first nine months of 2009 to fund operations and additions to property, plant and equipment, the drop in receivables is due to the decline in sales in the third quarter and the increase in trade payables is due to higher business activity in the second quarter of 2009 compared to the last quarter of 2008. For further analysis of the changes in consolidated working capital refer Section G - Consolidated Balance Sheet.

As of September 30, 2009, the Company had cash of \$20,260 and other net working capital of \$1,020,981.

The Company has a demand operating facility with the Royal Bank of Canada of \$1,500,000. Under the facility, the bank will advance up to a maximum of 75% of total receivables less than ninety days outstanding at the end of each month, net of any priority claims plus 50% of inventories up to a maximum of \$250,000. Interest on the facility is at prime plus 2.25%. The security provided includes a General Security Agreement over all of the assets of the Company. Under the facility, the Company is required to maintain a debt to net tangible worth ratio of less than 1.75:1. At September 30, 2009 and December 31, 2008, the Company had utilized \$Nil of its \$1,500,000 operating line and was in full compliance with its debt covenants. The Company uses this facility to finance working capital requirements as required. The facility has not been used in 2009. Based on the restrictions in the operating facility the actual operating line availability at September 30, 2009 was \$545,000.

The Company defines its capital as the AFSC Loans, the capital lease obligations and total shareholders' equity. The current objective of the Company is to manage its capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders in relation to the risks underlying the Company's assets. The consolidated capital of the Company, as outlined in Note 15 - Capital Management to the Unaudited Consolidated Financial Statements as at September 30, 2009, was \$2,940,887 as compared to \$3,627,906 at December 31, 2008. The decrease of \$687,019 is the result of the loss of \$817,492 in the first nine months of 2009 partially offset by an increase in total debt of \$106,353, the effect of \$200,000 in new borrowings with the Alberta Financial Services Corporation to construct a production unit offset by loan repayments and a reduction in capital lease obligations of \$46,513 and the stock based compensation charge of \$24,120.

In the second quarter of 2009, the Company completed a financing with the Agricultural Financial Services Corporation for \$200,000. This loan is for a term of 54 months, with interest at 5.82%. Payments of \$7,565 commence on July 1, 2009 and are seasonal payments on July 1 through to December 1, inclusive, in 2009 through 2013. The loan is secured by equipment and a General Security Agreement. The proceeds of this loan were used to build a new production unit which augments the Company's existing fleet of equipment and went into service in July.

It is the Company's current practice to finance qualifying capital acquisitions through capital leases and to pursue term financing only for larger acquisitions. The Company added \$10,800 in new leased equipment in the first nine months of 2009 to expand its productive capability as compared to \$225,680 in the same period in 2008.

The following is a summary of the Company's lease and debt obligations and commitments for the next five years from September 30, 2009.

Debt Category	2009/10	2010/11	2011/12	2012/13	2013 and Beyond
	\$	\$	\$	\$	\$
Capital leases*	48,813	36,974	27,833	15,558	-
AFSC loans*	111,240	78,315	45,390	45,390	22,695
Operating leases – vehicles	40,324	11,767	-	-	-
Operating lease – premises	234,375	234,375	234,375	117,186	-

*Includes principal and interest

In October, the Company accepted an agreement in principal with its existing landlord to remain in the existing premises, rather than relocate to a smaller premise as had been previously been reported. This is part of the Company's cost reduction initiatives. The new lease, which is to take effect January 1, 2010, is for a five year term with annual rental of \$179,750 for reduced square footage. This compares to the current annual rental of \$234,375.

Refer to Section N. – Outlook for discussion of the results of operations and performance for the remainder of 2009 and the outlook for 2010.

J. Transactions with Related Parties

During the first nine months of 2008, the Company incurred legal fees from a firm which employs two of the former directors of the Company. The amount incurred while these individuals were directors of the Company was \$20,527. The amounts were 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 and accrued liabilities at September 30, 2008 is \$5,269 relating to these transactions. The two directors resigned on June 17, 2008 and transactions with this firm subsequent to that date have been at arm's length.

K. Disclosure of Outstanding Share Data

As at September 30, 2009, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company

	Authorized	Outstanding as at September 30, 2009	Outstanding as at November 24, 2009
Voting or equity securities issued and outstanding	Unlimited Common Shares	33,465,994 Common Shares	33,465,994 Common Shares
Securities convertible or exercisable into voting or equity securities - stock options	Stock options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 2,370,825 Common Shares at an exercise price at between \$0.10-\$0.35	Stock options to acquire 2,370,825 Common Shares at an exercise price at between \$0.10-\$0.35

Options to purchase 200,000 common shares of the Company which were held by a former director of the Company expired in the quarter ended September 30, 2009. There were no options granted or forfeited in the nine months ending September 30, 2009.

During the year ended December 31, 2008, the Company granted 900,000 options to directors and management at prices between \$0.30 and \$0.10. In addition, 200,000 of vested options were forfeited and 946,187 options expired.

L. Changes in Accounting Policies including Initial Adoption

There have been no changes to the Company's accounting policies since December 31, 2008 other than as noted below (refer also to Note 3 - Significant Accounting Policies to the Unaudited Consolidated Financial Statements at September 30, 2009).

The CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which became effective on January 1, 2009, and was adopted by the Company on January 1, 2009. The new Section replaces Section 3062 "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Section 1000, "Financial Statement Concepts" was also amended according to Section 3064. This new Section establishes standards for recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. This change has had no effect on the Company's current or prior years' financial statements.

Future Accounting Policies

The following are the Accounting changes that have been enacted and will affect future reporting periods.

In April 2008, the CICA published the exposure draft "Adopting IFRSs in Canada". The exposure draft proposes to incorporate International Financial Reporting Standards ("IFRS") into the CICA Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. On this date, the Company will be required to prepare financial statements in accordance with IFRS. The Company is currently reviewing the standards to determine the potential impact on its consolidated financial statements and consolidated financial results.

The Company has commenced its IFRS conversion project in 2009 and in conjunction with this has established a formal governance project structure which includes quarterly reviews with the Audit Committee of the Board of Directors.

The Company's IFRS conversion project consists of three phases as outlined below:

Phase One: Scoping and Diagnostics involves project planning and staffing and the identification of differences between current GAAP and IFRS. This was completed in the second quarter of 2009. The Company has identified a number of differences between current GAAP and IFRS. The most significant differences are the requirement under IFRS to separate property, plant and equipment into their unique component parts for purposes of assigning depreciation rates and the requirement for broader disclosure and formatting changes within the financial statements prepared under IFRS.

Phase Two: Analysis and Development involves diagnostics and evaluation of the financial impact of the various options and alternative methodologies provided under IFRS; the identification and design of operational and financial business processes as required; necessary training of staff and audit committee members; the summarization of IFRS disclosure requirements; and the identification of any information system impacts. This phase was completed in the 2nd quarter of 2009.

Phase Three: Implementation and Review involves the execution of any required changes to the information systems and business processes and the collection of the information to compile the IFRS compliant financial statements. This Phase has commenced in the 4th quarter of 2009.

In January 2009, the CICA approved three new accounting standards Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1692, "Non-Controlling Interests". All three standards are effective for fiscal years beginning on or after January 1, 2011. The Company does not expect any material impact from the adoption of these standards.

M. Financial Instruments

Section 3855 of the CICA Handbook requires the initial measurement of all financial instruments at fair value with classification into one of five categories; loans and receivables; assets held to maturity; assets available for sale; other financial liabilities; and assets and liabilities held for trading.

Financial instruments that are classified as held for trading or available for sale are re-measured each reporting period at fair value with the resulting gain or loss recognized immediately as net income and other comprehensive income, respectively. All other financial instruments are initially accounted for at fair value and subsequently at amortized cost using the effective interest rate method with foreign exchange gain and losses recognized immediately as net income.

The Company has no derivatives or embedded derivatives in other financial instruments as of September 30, 2009 or December 31, 2008.

The Company has classified its financial instruments under the following classifications:

- (1) Cash and cash equivalents are classified as financial assets held for trading;
- (2) Accounts receivable are classified as loans and receivables; and
- (3) Accounts payable and accrued liabilities and the AFSC Loans are classified as other financial liabilities.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity of these instruments. The fair value of fixed interest rate long term debt is determined by comparing the floating interest rate that the Company could obtain in the market for debt with similar terms to its fixed rate debt. The AFSC Loan 1 was renewed on December 1, 2008 and accordingly its fair value and its carrying value are equivalent. This debt is repayable over the next two years. The AFSC Loan 2 was incurred in the second quarter of 2009 and accordingly its fair value and its carrying value are equivalent.

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

(a) Interest Rate Risk

The Company has a credit facility with a Canadian chartered bank which, when utilized by the Company, provides loans that are subject to interest rate fluctuation. The Company did not have balances outstanding for this credit facility at September 30, 2009 and December 31, 2008 and is not significantly exposed to interest rate risk at this time.

(b) Credit Risk

Financial instruments that subject the company to credit risk consist primarily of trade accounts receivable. The Company manages credit risk using credit approval and monitoring practices. At September 30, 2009, six customers and at December 31, 2008, five customers accounted for approximately 90% of accounts receivable.

The credit period on sales is generally 30 days, subject to standard ten percent construction holdbacks on most of its sales over \$100,000. The Company has historically experienced minimal customer defaults on its trade receivables including holdbacks. Holdbacks are generally collectible forty-five days after completion of the work performed by the Company, however holdbacks can be outstanding much longer, if the holdback release is tied to the completion of the entire project by the general contractor. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more.

The aging of the receivables that were past due but not impaired was as follows as of September 30, 2009 and December 31, 2008:

	2009	2008
1-30 days	\$ 198,125	\$ 90,833
30-60 days	302,855	202,254
61-90 days	266,723	472,604
Greater than 90 days (Generally holdbacks)	<u>99,993</u>	<u>293,358</u>
	<u>\$ 867,696</u>	<u>\$1,059,049</u>

Of total accounts receivable at September 30, 2009, \$2,043 (December 31, 2008 - \$16,037) relates to non-trade receivables. The Company had no impaired accounts receivable at September 30, 2009 and December 31, 2008.

(c) Liquidity Risk

Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines. Due to the nature of the business, the Company aims to maintain flexibility in funding by keeping committed credit lines available and limiting the investment of available cash to short term risk free interest bearing deposits. At September 30, 2009 and December 31, 2008, the Company had access to \$1,500,000 in bank operating line financing subject to advance restrictions on the level of receivables and inventories (see Note 8 – Bank operating line to the Unaudited Consolidated Financial Statements at September 30, 2009), of which \$Nil has been drawn on these dates. Based on those restrictions the actual operating line availability at September 30, 2009 was \$545,000 (December 31, 2008 \$662,000).

N. Outlook

Management's objective for 2009 was for the Company to generate a breakeven operating cash position (before net change in non-cash working capital items), at a minimum, while positioning the Company for a recovery in the economy, particularly oil sands development in the Fort McMurray and Fort Saskatchewan areas of Alberta.

A number of projects which management had expected to proceed in the third quarter of 2009, based on discussions with clients, did not occur and have been deferred until 2010 or beyond. As a result of this the Company will not achieve its objective to generate a breakeven operating cash position for the year ended December 31, 2009 and management does not expect that the Company will experience positive monthly cash flow from operations (before net change in non-cash working capital items) until the late spring of 2010.

Even though management is forecasting that 2010 will see a return to profitability for the Company, the current focus of management is to conserve cash and manage the Company through these difficult economic times. In order to accomplish this management has and continues to implement a number of cost reduction initiatives which have been outlined in Section E. Operations and Overall Performance. In addition, it is aggressively pricing projects in order to generate additional sales in the last quarter of the 2009 and the first quarter of 2010.

In October, the Company announced that it had received an order for a tunneling job in Ontario for 3,050 cubic metres of product. This project, which is scheduled for January 2010, is expected to generate over \$500,000 in revenue. Management is of the view that the cash flow from this project combined with cash available through its demand operating facility with the Royal Bank and forecasted sales in the first part of 2010 will be sufficient to finance the Company until the next cycle of forecasted projects begins in the second quarter of next year.

If the forecasted sales do not occur as the Company is forecasting then management may need to consider other cash generating or funding alternatives until sales rebound as it is forecasting.

Even though the results for the year to date may not appear to reflect it, management believes that it has positioned the Company for the recovery in the economy. This includes positioning itself for infrastructure work in Alberta, Ontario, British Columbia and the Northwest Territories by working towards or obtaining product approvals by regulating bodies of the various levels of government for the use of its cellular concrete product in these markets. Other than the Peel Region project in Ontario, and the tunneling job in Ontario and a few small projects in British Columbia, this new market focus has not resulted in any significant new sales to date. However management expects that the effect of this new focus will begin to be realized in 2010 and beyond and believes that its infrastructure construction sales will become the most significant portion of its annual sales base, even with the expected rebounding of sales next year within the oil sands construction market.

Of note is the fact that the Company is in the design stage of, or in ongoing discussions with engineering firms and general contractors for projects in Canada and the United States, which are scheduled to commence over the next 4 years, that have the potential for use of over 2.5 million cubic metres of cellular concrete. Most of this is infrastructure in nature. The Company may not land any of these projects, as some of the projects may not go ahead as scheduled, or some of the projects may be won by competitors or end up using an alternate product for reasons outside of the control of the Company.

The operating results and cash flow of the Company for 2010 and beyond will be significantly affected by the decisions made by companies in regard to the start up, the continued deferral or the cancelation of deferred projects in the oil and gas sector of Alberta that were originally scheduled for 2008 and 2009. The scheduled restart date for many of these projects is unknown at this time, however, some companies have announced publicly that they have proceeded or intend to proceed with their oil sands related projects within the next few years. There is no certainty that CEMATRIX would be awarded any additional contracts on any of these new projects. The Company does have contracts with a sales value over \$6 million already in place for oil sands projects which have been delayed. In addition, the Company has responded to new bid requests for the use of its product to help reduce the costs of other oil sands and refinery projects that are scheduled to proceed in 2010.

Future growth in the use of CEMATRIX's cellular concrete in infrastructure will depend on the Company getting product acceptance and the speed at which the infrastructure spending that could involve the use of its product, announced by various levels of government in other parts of Canada, is made.

CEMATRIX CORPORATION
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**Form 51-102F1 - Management's Discussion & Analysis
For the Nine Months and Quarter Ended September 30, 2009**

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the nine months and quarter ending September 30, 2009 are outlined below:

Page 5 – Product Acceptance

Management believes that this product acceptance will continue to grow and that cellular concrete will become one of the design standards for use for various applications within planned Western Canada oil and gas development and infrastructure projects.

The foregoing statement is forward looking and is based on Company information on the increase in the number of projects specifying CEMATRIX's cellular concrete over the past few years and the number of projects that it is currently working on with geotechnical and design engineers. The principal assumption is that the geotechnical and design engineers continue to specify CEMATRIX's cellular concrete into projects. The principal risks that could affect these assumptions include the introduction of a competing product or the failure of the engineers to specify cellular concrete on the projects.

Page 5 – Product Acceptance

The Company's current relationship with these engineering firms, the product experience in Alberta and the positive references from customers on completed projects should enable the Company to generate sales in these markets in a shorter timeframe than it experienced in Alberta.

The foregoing statement is forward-looking and is based on Company information that projects in British Columbia have been awarded and completed by CEMATRIX, projects in Ontario have been awarded and completed or scheduled, after only a year of marketing in Ontario and there are a number of other projects in both of these market places that the Company has placed bids on or is in the process of placing bids on. In the Company's view the reception from various engineering firms and municipalities in British Columbia, Ontario and the Northwest Territories that have been visited has been much more encouraging, in terms of the absolute number and senior level of people in attendance at the Company's presentations and the comments received about potential projects, than previously experienced in Alberta. The principal risks that could affect these assumptions are the failure of the engineering firms to specify CEMATRIX's cellular concrete in their project design and the cancellation of projects.

Page 7 - Key Risks and Uncertainties – Financial Position

As described under Section C. Key Market Drivers, the Company has made progress in the infrastructure area, particularly in Ontario and British Columbia and expects to see greater infrastructure growth in 2010. However if infrastructure and oil sands construction sales do not continue to materialize by the spring of 2010, then the Company may experience working capital issues and may need to seek financing to support its continued operations. Such financing may or may not be available to the Company.

The foregoing statements contain forward looking information. The growth in infrastructure sales is based on probability adjusted sales forecasts that the Company has prepared which includes contracted sales and probability adjusted forecasts for projects on which the Company has placed or will be placing bids in the coming year. The probabilities applied to the sales forecast are based on management's assessment of the particular project based on historical experience and the stage the project is in the sales cycle. The working capital issues and the potential requirement for additional financing is based on the assumption that sales and the cash collection of these sales does not occur as the Company has forecast. The principal

risks that could affect these assumptions is that the sales forecast for infrastructure projects do not materialize because projects are cancelled or delayed, CEMATRIX product is not specified or the work is awarded to another company or management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect.

Page 18 - Outlook

As a result of this the Company will not achieve its objective to generate a breakeven operating cash position for the year ended December 31, 2009 and management does not expect that the Company will experience positive monthly cash flow from operations (before net change in non-cash working capital items) until the late spring of 2010.

Even though management is forecasting that 2010 will see a return to profitability for the Company

Management is of the view that the cash flow from this project combined with cash available through its demand operating facility with the Royal Bank of Canada and forecasted sales in the first part of 2010 will be sufficient to finance the Company until the next cycle of forecasted projects begins in the second quarter of next year.

If the forecasted sales do not occur as the Company is forecasting then management may need to consider other cash generating or funding alternatives until sales rebound as it is forecasting.

Even though the results for the year to date may not appear to reflect it, management believes that it has positioned the Company for the recovery in the economy.

However management expects that the effect of this new focus will begin to be realized in 2010 and beyond and believes that its infrastructure construction sales will become the most significant portion of its annual sales base, even with the expected rebounding of sales next year within the oil sands construction market.

The foregoing statements contain forward- looking statements and are based on cash flow forecasts prepared for the remainder of 2009 that include only contracted work, the existing cost structure and the historical collection cycle for its trade receivables; sales forecasts on work which is under contract for 2009 and 2010 and beyond, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in the coming years, where the probabilities applied to the sales forecast are based on management's assessment of the particular project based on historical experience and the stage the project is in the sales cycle ; cash flow forecasts for 2010 based on the above sales forecast and the forecast of the Company's cost structure; the significant number of infrastructure projects, relative to preceding years, on which the Company has or will be placing bids on; the progress that the Company has made in getting product approval for the use of its product on infrastructure work in its various markets; and the public information available from governments and industry that the economy is showing signs of recovery. There are a number of risks that could affect those assumptions which include: contracted work is delayed; the failure of 2010 and beyond sales to materialize, because of project delays or cancelations or because CEMATRIX's cellular concrete is not specified into projects, management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect, the Company's cost structure is significantly different than forecast; a delay in getting product acceptance in new markets such that the timeline for geographical diversification and an increase in infrastructure sales is longer than anticipated resulting in reduced sales; and the recovery in the economy is delayed.

Readers should also refer to Section C. – “Key Market Drivers” and in Section D. – “Key Risks and Uncertainties” to review other market influences and risks and uncertainties that may affect the forward looking statements identified in Appendix A

The Company cautions prospective investors that the above material factors, assumptions and risks are not exhaustive.