

CEMATRIX CORPORATION
Management's Discussion and Analysis
For Nine Months and Quarter Ended September 30, 2010

Date Completed: November 18, 2010

CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Nine Months and Quarter Ended September 30, 2010

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, 2010. This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Company for the nine months and quarter ended September 30, 2010 and the related notes thereto and the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2009 and related notes thereto. The consolidated 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 unaudited consolidated financial statements and MD&A for the quarter ended September 30, 2010 and the Board of Directors of the Company reviewed and approved them on November 18, 2010.

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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 in Appendix A.

The forward-looking information in statements or disclosure 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 D. – Key Market Drivers and in Section E. - Key Risks and Uncertainties of its MD&A for the year ended December 31, 2009, 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 as of the date hereof. The Company cautions the reader that these factors are not exhaustive. The risk factors that could lead to differences in business results and which could cause actual results to differ materially from the forward-looking information disclosed herein 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 30, 2010, the Company's financial condition as at September 30, 2010 and its future prospects.

B. Overall Performance and Highlights of the Second Quarter

- The sales in the third quarter were significantly above those reported in the second quarter and above those reported in the third quarter last year. The outlook for the last quarter of 2010 is even stronger as a number of projects that were delayed earlier in the year are now contracted and scheduled.

- The Company has completed or contracted projects for 2010 with sales of approximately \$3.8 million. The Company has also contracted projects for 2011 with sales of approximately \$0.9 million and has verbal confirmation of another \$1.1 million. Unfortunately, because purchase orders are not received until shortly before projects are scheduled to begin there is no guarantee that any or all of these verbally confirmed projects will proceed. The Company continues to pursue other projects but whether this results in work for the Company is dependent on a number of factors, most of which are beyond the control of management.

- The Company continues to focus on managing its costs and cash flow. The Company's staff remains on reduced work hours and all discretionary spending continues to be curtailed.

- In September, the Company's United States ("U.S.") subsidiary was issued a contractor's license in the state of California, which will allow the subsidiary to complete project work in that state. Over the last year the Company has been looking at opportunities to expand its operations into the U.S.

- In early October the Company received an additional request for environmental impact information in regard to its product approval application with the Ministry of Transportation of Ontario (the "MTO"). The Company is planning to supply this information within the next few months and is optimistic that it will receive the MTO product approval in the first part of 2011.

C. Results of Operations

Comparison of the Quarter Ending September 30, 2010 and September 30, 2009

	Three Months Ended September 30		
	2010	2009	Change
Revenue	\$ 967,284	\$ 933,084	\$ 34,200
Gross margin	\$ 330,398	\$ 256,069	\$ 74,329
Operating expenses	(354,684)	(408,523)	53,839
Operating loss	(24,286)	(152,454)	128,168
Finance costs	(45,936)	(7,212)	(38,724)
Non-operating income (expenses)	(158)	(334)	176
Net loss	\$ (70,380)	\$ (160,000)	\$ 89,620
Fully diluted earnings per common share	\$ (0.002)	\$ (0.005)	\$ 0.003

Total revenue for the quarter ended September 30, 2010 was \$967,284 as compared to \$933,084 for the same quarter in 2009, an increase of \$34,200 or 4%. Sales volumes were up 12% but this was partially offset by lower prices due to a higher weighting of infrastructure work (90% of sales in 2010 compared with only 67% in 2009) where selling prices reflect the lower cost of cement as compared to oil sands/refinery work where the cost of cement is higher due to the northern Alberta location of many of these projects.

The gross margin on sales was \$330,398 or 34% in the third quarter of 2010 as compared to \$256,069 or 27% in the same period of 2009, an increase of \$74,329. This increase is the result of the higher sales of cellular concrete and the focused reduction in direct labour, variable and fixed costs.

Total operating expenses for the quarter ended September 30, 2010 were \$354,684 as compared to \$408,523 in the same quarter of 2009. This \$53,839 or 13 % decrease is due to the aggregate effect of the following:

- General and administrative costs were up by \$14,384 – higher business and property taxes (\$5,880) and costs incurred to obtain a California contractors' license (\$8,200) in order to allow the Company to place bids in that state and other cost increases of 304;
- Sales, marketing and engineering costs decreased by \$52,068 – salaries and associated benefits decreased by \$29,246 – this was due to a reduction in staff and the effect of a reduction of salaries and work hours that was put in place after March 1, 2009; marketing program costs were down \$10,564 due to cost constraints; and other costs were down \$12,258 due to cost reduction efforts and constraints put in place by the Company;
- Stock based compensation was higher by \$3,053 as a result of stock options granted in the first quarter of 2010 to a new director and to the Howard Group, a company hired to provide investor and financial relation services; and
- Depreciation and amortization decreased by \$19,208 – the amortization of intangibles decreased by \$19,260; patents and product development costs were fully amortized in 2009;

Finance costs increased by \$38,724 – this is principally due to higher finance costs related to the subordinated secured debentures that were issued as part of the private placement completed in January of 2010, including interest expense of \$15,000 and a non cash accretion expense of \$23,298 recorded relative to the subordinated secured debentures;

Non-operating income and expenses in the third quarter of 2010 of \$158 and \$334 in the same quarter of 2009 primarily represents foreign exchange expense.

A net loss for the quarter ended September 30, 2010 was \$70,380 compared with a net loss of \$160,000 for the same period in 2009. The decrease in the loss of \$89,620 is due to improved gross margin from higher sales combined with a reduction in production costs due to the Company's ongoing efforts to reduce costs and lower operating expenses as partially offset by higher finance costs, related to the subordinated secured debentures that were issued as part of the private placement completed in January of 2010.

Comparison of the nine months ending September 30, 2010 and September 30, 2009

	Nine Months Ended September 30		
	2010	2009	Change
Revenue	\$ 1,928,181	\$ 2,462,713	\$ (534,532)
Gross margin	\$ 462,987	\$ 610,511	\$ (147,524)
Operating expenses	(1,152,208)	(1,398,328)	246,120
Operating loss	(689,221)	(787,817)	98,596
Finance costs	(121,590)	(19,899)	(101,691)
Non-operating income (expenses)	(219)	(9,776)	9,557
Net loss	\$ (811,030)	\$ (817,492)	\$ 6,462
Fully diluted earnings per common share	\$ (0.024)	\$ (0.024)	\$ -

Total revenue for the nine months ended September 30, 2010 was \$1,928,181 as compared to \$2,462,713 for the same period in 2009, a decrease of \$534,532 or 22%. Sales volumes were down by 8% and selling prices were down over 12%. The decline in selling prices is principally due to the decline in sales in the Alberta oil sands/refinery sector where selling prices reflects the higher cost of cement in this region.

In the nine months ended September 30, 2009 the Company was still benefitting from project work in the Alberta oil sands/refinery sector with this sector accounting for \$1.566 million or 66% of the sales of cellular concrete. This market, which fell off in 2009 with the cancellation or deferral of many oil sands/refinery sector projects being announced due to the world economic collapse of late 2008 and 2009, has been slow to return. Even though many of these projects have been restarted the work is still in the engineering stage and not at the stage where the Company's products can be used. The comparable sales from this market for the same period in 2010 were only \$382 thousand or 20% of sales.

This decline in sales in the oil sands/refinery sector has been partially offset by an increase in infrastructure sales of \$731 thousand over the comparable period in 2009. The Company began to diversify into the infrastructure market (road work, bridge abutment, tunnel grouting etc.) in early 2009 but this market is taking longer to develop than had originally been expected.

The nine months ended September 30, 2009 also included 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. There were no comparable sales in 2010 to date.

The gross margin on sales was \$462,987 or 24 % in 2010 as compared to \$610,511 or 25% in 2009. This decrease is due to the reduction in sales of cellular concrete and the margin on equipment rental. The Company was able to partially offset the lower margin from sales by working diligently to reduce direct labour, variable and fixed costs.

Total operating expenses for the nine months ended September 30, 2010 were \$1,152,208 as compared to \$1,398,328 in the same quarter of 2009. This \$246,120 or 18 % decrease is due to the aggregate effect of the following:

- General and administrative costs were down by \$29,379 – salaries and associated benefits were down \$5,867 due to the effect of a reduction of salaries and work hours that was put in place after March 1, 2009; consulting costs were down \$9,000 due to costs incurred in 2009 in regard to establishing labour relations in Ontario; facility rental costs were down \$11,000 due to negotiated

rental reductions and other costs were down by \$3,512 due to cost reduction efforts and constraints put in place by the Company;

- Sales, marketing and engineering costs decreased by \$195,224 – salaries and associated benefits decreased by \$115,220 – this was due to a reduction in staff and the effect of a reduction of salaries and work hours that was put in place after March 1, 2009; marketing program costs were down \$46,384 due to cost constraints and the fact that in early 2009 the Company undertook a major marketing effort in developing the Ontario infrastructure market; and other costs were down \$33,620 due to cost reduction efforts and constraints put in place by the Company;
- Stock based compensation was higher by \$23,519 as a result of stock options granted in the first quarter of 2010 to a new director and to the Howard Group, a company hired to provide investor and financial relation services; and
- Depreciation and amortization decreased by \$45,036 – the amortization of intangibles decreased by \$57,780; patents and product development costs were fully amortized in 2009; property and equipment depreciation increased by \$12,744 due principally to the higher asset base in 2010 compared to the same period in 2009 and higher depreciation on the Company’s dry mix units which are depreciated based on unit of production method and dry mix volumes were up by 47%.

Finance costs increased by \$101,691 – this is principally due to higher finance costs related to the subordinated secured debentures that were issued as part of the private placement completed in January of 2010, including interest expense of \$41,500 and non cash accretion expense of \$61,276 recorded relative to the subordinated secured debentures.

Non-operating income and expenses in the nine months ending September 30, 2010 of \$219 primarily represents foreign exchange expense. The comparable amount in the same period of 2009 was \$3,658 of foreign exchange expense. Also in the comparable period of 2009 the Company recorded a write off of licenses that no longer had value of \$27,718 as partially offset by the reversal of \$21,600 of accrued expenses no longer required.

A net loss for the nine months ended June 30, 2010 was \$811,030 compared with a net loss of \$817,492 for the same period in 2009. The reduction in the loss of \$6,462 is due to cost reductions and constraints put in place by the Company and the effect of lower amortization of intangibles which has more than offset the lower sales margins and higher finance costs, related to the subordinated secured debentures that were issued as part of the private placement completed in January of 2010.

D. Selected Quarterly Financial Information

Due to the seasonal nature of the Company’s business, which historically follows the construction season in Canada, a significant portion of the Company’s annual sales occur between the latter part of the second quarter and the first part of the fourth quarter. 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)	Net Income (Loss)	
			Per Share Basic	Per Share Diluted
	\$	\$	\$	\$
2010 Year				
March 31	816,145	(213,924)	(0.006)	(0.006)
June 30	144,752	(526,726)	(0.016)	(0.016)
September 30	967,284	(70,380)	(0.002)	(0.002)
Total for period	1,928,181	(811,030)	(0.024)	(0.024)

2009 Year

March 31	345,962	(615,394)	(0.018)	(0.018)
June 30	1,183,667	(42,098)	(0.001)	(0.001)
September 30	933,084	(160,000)	(0.005)	(0.005)
December 31	165,134	(492,312)	(0.015)	(0.015)
Total for year	<u>2,627,847</u>	<u>(1,309,804)</u>	<u>(0.039)</u>	<u>(0.039)</u>

2008 Year

March 31	224,669	(540,255)	(0.016)	(0.016)
June 30	1,249,434	(155,746)	(0.005)	(0.005)
September 30	2,514,185	420,784	0.013	0.013
December 31	1,304,959	(144,761)	(0.004)	(0.004)
Total for year	<u>5,293,247</u>	<u>(419,978)</u>	<u>(0.012)</u>	<u>(0.012)</u>

E. Consolidated Balance Sheet

	September 30 2010	December 31 2009	Change
Total current assets	\$ 1,231,054	\$ 789,972	\$ 441,082
Total non current assets	<u>1,766,664</u>	<u>1,836,225</u>	<u>(69,561)</u>
Total Assets	\$ <u>2,997,718</u>	\$ <u>2,626,197</u>	\$ <u>371,521</u>
Current liabilities	\$ 1,206,469	\$ 370,430	\$ 836,039
Non current liabilities	<u>396,804</u>	<u>186,808</u>	<u>209,996</u>
Total liabilities	\$ <u>1,603,273</u>	\$ <u>557,238</u>	\$ <u>1,046,035</u>
Shareholders' equity	\$ <u>1,394,445</u>	\$ <u>2,068,959</u>	\$ <u>(674,514)</u>

Total current assets were \$1,231,054 at September 30, 2010 compared to \$789,972 at December 31, 2009. This increase of \$441,082 was due to aggregate effect of the following:

- Cash was down \$107,482 (see the discussion in Section G - Consolidated Statement of Cash Flows);
- Restricted cash of \$9,585 was reported as at September 30, 2010 – this is new in 2010 and relates to the requirement to use 3% of cash revenues collected each quarter, as determined from the date of issue, to repay the subordinated secured debentures issued in January 2010;
- Trade and other receivables were up by \$561,878 primarily as a result of the higher sales in the third quarter of 2010 as compared with the fourth quarter of 2009 and the timing of collections of receivables relative to the sales in the two quarters;
- Inventory was down \$34,146 due to its consumption in the production process; and
- Prepaid expenses and deposits were up \$11,247 due to the normal cycle of prepayments relative to insurance and other items in the first nine months of the year.

Total non current assets were \$1,766,664 at September 30, 2010 compared to \$1,836,225 at December 31, 2009. This decrease of \$69,561 was due to the aggregate effect of the following:

- Property and equipment was down \$69,561 – cash additions to plant and equipment were \$20,549, new capital lease on equipment were \$30,204 and depreciation expense for the nine months ending September 30, 2010 was \$120,314.

- Intangibles remained at the same amount as patents and product development costs were fully amortized at December 31, 2009 and no amortization is recorded on the remaining trademarks and technology as the Company views these as having an indefinite life.

Total current liabilities were \$1,206,469 at September 30, 2010 compared to \$370,430 at December 31, 2009. This increase of \$836,039 was due to the aggregate of the following:

- There was a bank overdraft of \$12,352 at September 30, 2010 with no comparable amount at December 31, 2009.

- The bank operating loan was \$450,000 at September 30, 2010 as the Company was required to utilize its line of credit to finance working capital. There was no usage of the line of credit in the comparable period of 2009;

- Trade and other payables were up \$240,960 principally due to increased business activity in the third quarter of 2010 compared to the last quarter of 2009;

- Current portion of long term debt was up \$140,545. The increase represents the Company's estimate of \$169,000 as the portion of the subordinated secured debentures, issued as part of the private placement in January 2010, that will be repaid over the next 12 months from 3% of the cash revenues collected over this period (see note 8 to the Consolidated Financial Statements at September 30, 2010) as partially offset by a decline in the amount due on the Agricultural Financial Services Corporation ("AFSC") Loans due to repayments on the AFSC Loan 1 and adjustments to the AFSC Loan 2 to reflect repayments. In the third quarter of 2010 the Company increased its estimate for cash revenue collections over the next twelve months from \$137,000 reported at June 30, 2009. The terms of the AFSC loans provide for payments to commence July 1 and run through to December 1 each year; and

- Current portion of capital lease obligations was down \$7,818 compared to the level as at December 31, 2009 due to scheduled repayments as partially offset by the impact of new capital equipment leases.

Total non current liabilities were \$396,804 at September 30, 2010 compared to \$186,808 at December 31, 2009. This increase of \$209,996 was due to the aggregate effect of the following:

- Long term debt was up \$205,157. This increase is due to the issue of the subordinated secured debentures issued as part of the private placement in January 2010 (see note 8 to the Consolidated Financial Statements at September 30, 2010) partially offset by repayments on the AFSC Loan 2. The fair value recorded for the subordinated secured debentures, after the allocation of transaction costs, was \$355,507. For accounting purposes, an accounting entry is recorded each period to accrete the recorded amount to the full value of the repayment obligation of \$500,000 over its expected life. This is reflected in finance costs as an "accretion expense on subordinated secured debentures" and amounted to \$61,276 in the nine months ended September 30, 2010. This expense has no current period impact on the Company's cash position. The current portion of this obligation is recorded in current liabilities (see above); repayments of the subordinated secured debentures in 2010 amounted to \$25,083; and

- Capital lease obligations were increased \$4,839 compared to the level as at December 31, 2009 due to repayments in 2010 of \$33,183, new capital equipment leases \$30,204 and the decrease in the current portion as discussed above.

Shareholders' Equity was \$1,394,445 at September 30, 2010 compared to \$2,068,959 at December 31, 2009. This decline of \$674,514 is due to the aggregate effect of the following:

- No new share capital was issued in 2010;
- The Company issued share purchase warrants as part of the private placement in January 2010, the fair value attributable to the share purchase warrants, after the allocation of issue costs, was \$88,877 (see note 8 and 9 to the Consolidated Financial Statements at September 30, 2010);
- Contributed surplus increase is due the stock based compensation charge of \$47,639; and
- The deficit increased by the loss in the period of \$811,030.

See the Consolidated Statements of Shareholders' Equity included in the Consolidated Financial Statements at September 30, 2010.

F. Consolidated Statement of Cash Flows

Comparison of the Quarter ending September 30, 2010 and September 30, 2009

The cash position of the Company at September 30, 2010 was a negative \$9,524 (consisting of cash of \$2,828 and, a bank overdraft of \$12,352) compared to cash of \$13,810 at June 30, 2010. The change in cash in the third quarter of 2010 was a decrease of \$23,334 as compared to a decrease of \$172,177 in the same period of 2009. This change is outlined below:

	Three Months Ended September 30		
	2010	2009	Change
Cash provided by (used in) operating activities			
Before non-cash working capital adjustment	\$ 9,935	\$ (86,828)	\$ 96,763
Net change in non-cash working capital items	(398,769)	21,328	(420,097)
	(388,834)	(65,500)	(323,334)
Cash used in investing activities	(638)	(49,859)	49,221
Cash provided by (used in) financing activities	366,138	(56,818)	422,956
Increase (decrease) in cash	(23,334)	(172,177)	148,843
Cash, at beginning of period	13,810	192,437	(178,627)
Cash, at end of period	\$ (9,524)	\$ 20,260	\$ (29,784)
Cash			
Cash in bank	\$ 2,828	\$ 20,260	\$ (17,432)
Bank overdraft	(12,352)	-	(12,352)
	\$ (9,524)	\$ 20,260	\$ (29,784)

- The Company used \$388,834 in cash from operating activities, after considering changes in non-cash working capital, in the third quarter of 2010 as compared to use of cash of \$65,500 in the same period in 2009, an increase in use of \$323,334.

- The cash flow, before non cash working capital adjustment, of \$9,935 was higher by \$96,763 compared with 2009. This increase was primarily due to the decrease in the reported loss of \$89,620 compared to 2009.

- This improvement was more than offset by lower cash generation from the net change in non-cash working capital items of \$420,097 as compared to 2009. In the third quarter of 2010 the sales occurred in the later part of the quarter and as a result the sales were not collected as at the end of the quarter. In addition in 2010 the level of trade receivables coming into the quarter, which were collected in the quarter,

was very low due to the reduced second quarter 2010 sales. In the third quarter of 2009 the sales were more evenly distributed in the quarter and as a result some of these sales were collected in the quarter but in addition the level of trade receivables entering into the third quarter of 2009 and collected was significantly higher than in 2010.

- Cash used in investing activities relates to additions to property and equipment which amounted to \$638 in the third quarter of 2010 and \$49,859 in the same quarter of 2009.

- Cash from financing activities was \$366,138 in the third quarter of 2010 compared to a use of \$56,818 in the same period in 2009, an increase of \$422,956.

- The increase is primarily due to the drawdown of the Company's bank operating line of \$435,000 in the third quarter of 2010 to finance working capital as partially offset by the repayments on the subordinated secured debentures which were issued in January 2010 of \$19,677. Cash flow in the third quarter of 2010 was also positively adjusted for the movement in restricted cash of \$9,742. This is new in 2010 and relates to the requirement to use 3% of cash revenues collected each quarter, as determined from the date of issue, to repay the subordinated secured debentures issued in January 2010. Repayments of the AFSC loans were down by \$1,136 due to lower outstanding balances compared to 2009 and repayments of capital lease obligations increased by \$3,245 due to new equipment capital leases.

Comparison of the Nine Months Ending September 30, 2010 and September 30, 2009

The cash position of the Company at September 30, 2010 was a negative \$9,524 (consisting of cash in the bank of \$2,828 and a bank overdraft of \$12,352) compared to cash in the bank of \$110,310 at December 31, 2009. The change in cash in the nine months ended September 30, 2010 was a decrease of \$119,834 as compared to a decrease of \$461,542 in the same period of 2009. This change is outlined on the following page:

	Nine Months Ended September 30		
	2010	2009	Change
Cash provided by (used in) operating activities			
Before non-cash working capital adjustment	\$ (581,801)	\$ (600,304)	\$ 18,503
Net change in non-cash working capital items	(298,019)	288,122	(586,141)
	(879,820)	(312,182)	(567,638)
Cash used in investing activities	(20,549)	(244,913)	224,364
Cash provided by (used in) financing activities	780,535	95,553	684,982
Increase (decrease) in cash	(119,834)	(461,542)	341,708
Cash, at beginning of period	110,310	481,802	(371,492)
Cash, at end of period	\$ (9,524)	\$ 20,260	\$ (29,784)
Cash			
Cash in bank	\$ 2,828	\$ 20,260	\$ (17,432)
Bank overdraft	(12,352)	-	(12,352)
	\$ (9,524)	\$ 20,260	\$ (29,784)

- The Company used \$879,820 in cash from operating activities, after considering changes in non-cash working capital, in the first nine months of 2010 as compared to use of cash of \$312,182 in the same period in 2009, an increase in use of \$567,638.

- The negative cash flow, before non cash working capital adjustment, was lower by \$18,503 compared with 2009. This improvement was primarily due to the lower reported loss compared to 2009 combined with higher non cash adjustments.

- This improvement in the negative cash flow was more than offset by lower cash generation from the net change in non-cash working capital items of \$586,141 as compared to 2009. In the third quarter of 2010 the sales occurred in the later part of the quarter and as a result the sales were not collected as at the end of the quarter. In the third quarter of 2009 the sales were more evenly distributed in the quarter and as a result some of these sales were collected in the quarter. In addition the level of trade receivables coming into the year and collected during the nine months ending September 30th was significantly lower in 2010 as compared to 2009.

- Cash used in investing activities relates to additions to property and equipment which amounted to \$20,549 in the nine months ended September 30, 2010 and \$244,913 in the same period of 2009. In 2009 the Company constructed a new piece of production equipment at a cost of \$200,000.

- Cash from financing activities was \$780,535 in the nine months ending September 30, 2010 compared to \$95,553 in the same period in 2009, an increase of \$684,982.

- At the end of the third quarter of 2010, the Company had used \$450,000 of its bank operating line to finance working capital. In addition, in January 2010, the Company completed the private placement for \$500,000, which resulted in net proceeds to the Company of \$444,384, after issue costs (see note 8 to the Consolidated Financial Statements at September 30, 2010). In 2009, the Company received a loan of \$200,000 from the AFSC to build a new piece of production equipment. In 2010, repayments on the subordinated secured debentures which were issued in January 2010 were \$25,083. Cash flow in the nine months ending September 30, 2010 was adjusted for restricted cash of \$9,585 which represents the difference between the cash collected and repayments. This is new in 2010 and relates to the requirement to use 3% of cash revenues collected each quarter, as determined from the date of issue, to repay the subordinated secured debentures issued in January 2010. Repayments on the AFSC loans were down by \$1,136 in 2010 due to lower outstanding balances compared to 2009 and repayments on capital lease obligations were down \$24,130 as compared with the same period of 2009. In 2009, the amount includes a lease buyout of \$26,580 for a piece of equipment required for a project in Adak, Alaska.

G. Liquidity and Capital Resources

At September 30, 2010, the Company had consolidated net working capital (current assets, excluding cash and restricted cash, less trade and other payables) of \$746,362 compared to \$448,343 at December 31, 2009. The increase of \$298,019 is itemized in the table below:

	September 30 2010	December 31 2009	Change
Working capital			
Trade and other receivables	\$ 741,225	\$ 179,347	\$ 561,878
Inventory	406,573	440,719	(34,146)
Prepaid expenses and deposits	70,843	59,596	11,247
	<u>1,218,641</u>	<u>679,662</u>	<u>538,979</u>
Less: Trade and other payables	(472,279)	(231,319)	(240,960)
Total Net Consolidated Working Capital	<u>\$ 746,362</u>	<u>\$ 448,343</u>	<u>\$ 298,019</u>

The increase in consolidated net working capital of \$298,019 is principally due to the increase in trade receivables due to higher sales in the third quarter of 2010 as compared to the last quarter of 2009 as partially offset by a corresponding increase in trade payables as a result of this increased activity. For further analysis of the changes in consolidated working capital refer to Section E - Consolidated Balance Sheet herein.

In the second quarter of 2010, the Company's demand operating facility with a Canadian chartered bank was modified to provide \$1,500,000 for the period from the first of July to end of September and reducing to \$1,000,000 on October 1, 2010. The reduction of the line of credit was made to put it more in line with

the Company's historical seasonal business cycle and cash flow requirements. The terms also allow for temporary increases above the established line provided trade receivables are in place to support the higher loan level. Under the facility, the bank will advance up to a maximum of 75% of total trade 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, 2010 the Company had utilized \$450,000 (\$nil at December 31, 2009) of its operating line and was in full compliance with its debt covenants. The Company uses this facility to finance working capital requirements as required. Based on the restrictions in the operating facility the actual operating line availability at September 30, 2010 was \$656,000 (\$318,000 at December 31, 2009).

As of September 30, 2010, the Company had a negative cash position of \$9,524 (cash in bank of \$2,828 and a bank overdraft of \$12,352) and other net working capital of \$746,362.

The realization of the net working capital as at September 30, 2010, the availability of its operating line of credit and the sales contracts that are in place provide the necessary liquidity to carry the Company's operations through to the end of 2010. Ongoing liquidity through the first part of 2011 is dependent on the Company achieving sales. The Company has no capital spending commitments at September 30, 2010 and any capital spending in 2010 is to be funded from internal cash flows.

The Company defines its capital as the AFSC Loans, the subordinated secured debentures, the capital lease obligations and 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 19 - Capital management - to the Consolidated Financial Statements as at September 30, 2010, was \$2,063,087 as compared to \$2,394,878 at December 31, 2009, a decrease of \$331,791. Long term debt increased by \$345,702 which reflects the issue of the subordinated secured debentures recorded at \$355,507 (see note 8 to the Consolidated Financial Statements at September 30, 2010) and related accretion expense of \$61,276 as offset by repayments on the subordinated secured debentures of \$25,083 and repayments on the AFSC loans of \$45,998. Capital lease obligations decrease by \$2,979 due to scheduled repayments of \$33,183 as partially offset by new capital lease obligation for equipment of 30,204. Shareholders' equity decreased by \$674,514 due to the loss reported of \$811,030 as partially offset by the issue of warrants \$88,877 and the increase in contributed surplus from stock based compensation charge of \$47,639. (See E. Consolidated Balance Sheet for details).

There has been no material change in the commitments of the Company to that reported in the audited Consolidated Financial Statements and MD&A for the year December 31, 2009.

H. Off Balance Sheet Arrangements

There were no off balance sheet arrangements at September 30, 2010 or December 31, 2009.

I. Transactions with Related Parties

In first quarter of 2010, employees, directors and relatives of certain employees subscribed for \$230,000 of the subordinated secured debentures (see Note 8 to the Consolidated Financial Statements as at September 30, 2010). In the third quarter of 2010 employees, directors and relatives of certain employees were paid scheduled interest payments of \$6,900 (\$13,800 for the nine months ending September 30, 2010) and repayments of \$9,052 (\$11,539 for the nine months ending September 30, 2010) on the subordinated secured debentures. There were no other significant related party transactions and these were in the normal course of operations and measured at the exchange rate.

J. Critical Accounting Estimates and Going Concern Assumption

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization of property and equipment, product development costs and patents is based on the estimated useful lives of these assets. Product development costs are deferred based on expected future benefits from these expenditures.

In the quarter ended September 30, 2010 the Company had to estimate the amount of the subordinated secured debentures that are repayable within the next twelve months. The subordinated secured debentures are repayable on a quarterly basis based on a fixed percentage of cash revenues collected in the particular quarter. In order to estimate the amount that would be required to be repaid over the twelve months following September 30, 2010, management was required to forecast future revenues and the cash collection of this future revenue.

Estimates of the fair value of stock options and share purchase warrants require the use of estimates and assumptions including stock price volatility, forfeiture rates, and risk-free interest rates in the year granted. Changes to these estimates and assumptions may materially affect the calculations.

Management believes that the estimates are reasonable; however, actual results could differ from these estimates. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in income in the periods in which they become known.

Going Concern Assumption

The consolidated financial statements as at September 30, 2010 have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has accumulated losses amounting to \$6,498,265 at September 30, 2010 (as at December 31, 2009 - \$5,687,235). Cash flows from operations, before the net change in non-cash working capital items, was negative \$581,801 for the nine months ended September, 2010 compared to negative \$600,304 for the same period in 2009. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations as they come due, to obtain additional financing as may be required, and ultimately to obtain successful operations. However, no assurance can be given at this time as to whether the Company will achieve any of these conditions. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern for a reasonable period of time.

K. Changes in Accounting Policies including Initial Adoption

There have been no changes to the Company's accounting policies since December 31, 2009 (refer to Note 2 - Significant Accounting Policies to the Consolidated Financial Statements at December 31, 2009).

Future Accounting Policies

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

In January 2006, the Canadian Institute of Chartered Accountants ("CICA") adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada are to converge with International Financial Reporting Standards ("IFRS") by 2011. On April 7, 2008, the

Accounting Standards Board issued its exposure draft proposing to incorporate IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted.

The Company substantially completed its IFRS conversion project in 2009 and has identified the following major differences between current accounting policies and those required or expected to be required in preparing IFRS financial statements.

Property and equipment

International accounting standard (“IAS”) 16 - Property, plant and equipment - reinforces the requirement under Canadian GAAP that requires that each part of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item should be depreciated separately (“componentization”). This could result in an increase or decrease in the Company’s current depreciation rates.

Income taxes

Under IAS 12 - Income taxes - a deferred tax asset is recognized for the carry forward of unused tax losses to the extent that it is “probable” that future taxable profit will be available against which the unused tax losses can be utilized and refers to “convincing evidence” of such. Under Canadian GAAP, unused tax losses are recognized when it is “more likely than not” that the amount will be realized, where “more likely than not” is defined as when the probability of occurrence is greater than 50 percent. These wording differences may make it more difficult to recognize the Company’s unused income tax losses which were over \$5 million at December 31, 2009.

Impairment of Long-lived assets

IAS 36 - Impairment of assets - uses a one step approach for testing for and measurement of impairment of long-lived assets. The asset carrying value is compared directly with the higher of fair value less costs to sell and the value in use (which uses discounted future cash flows). A two step approach is generally used under Canadian GAAP whereby first the asset carrying value is compared with undiscounted cash flows to determine if impairment exists and then measuring any impairment by comparing the asset carrying value with fair value. This difference may potentially result in a write-down where the carrying value of an asset would be supported under Canadian GAAP on an undiscounted cash flow basis. In addition, under IFRS impairment losses are reversed where circumstances have changed such that the impairment has been reduced. Canadian GAAP prohibits reversal of impairment losses.

The most significant change as a result of adopting IFRS will be the effect on earnings from the componentization of property and equipment for purposes of determining depreciation expense. The Company has substantially completed this work and the impact on earnings is not material. In addition, as part of this review the Company has initiated a depreciation study which is expected to be completed in the fourth quarter of 2010. The impact, if any, on earnings from this study is not known at this time.

The Company continues to monitoring IFRS developments and all changes to pronouncements prior to January 1, 2011 will be incorporated as required. As well, the Company is gathering the comparative IFRS information each quarter through 2010 so that this information will be available for quarterly reporting under IFRS beginning in 2011.

In January 2009, the CICA approved three new accounting standards for the CICA Handbook, including Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. All three standards are effective for fiscal years beginning on or after January 1, 2011, at which time the Company will adopt. The Company does not expect any material impact from the adoption of these standards.

Section 1582 “Business Combinations” was updated and is effective for a business combination for which the acquisition date is on or after January 1, 2011, at which time the Company will adopt. The Company does not expect any material impact from the adoption of these standards.

Section 1601, together with Section 1602 “Non-controlling Interests”, replaces former Section 1600 “Consolidated Financial Statements”. Section 1601 carries forward the requirements of Section 1600 for preparing consolidated financial statements after acquisition and some aspects of consolidation at the date

of a business combination. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary subsequent to a business combination. Sections 1601 and 1602 apply retrospectively, with some exceptions, to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, at which time the Company will adopt. The Company does not expect any material impact from the adoption of these standards.

In 2009 the CICA also issued exposure drafts (“ED’s”) to incorporate proposed changes to the existing International Accounting Standards (“IAS”) or to conform existing CICA Handbook sections to IAS. These include ED’s on Section 1000 “Financial Statements Concepts” and Section 3500 “Earnings per Share” as well as an ED to adopt the new consolidation standard, the final IAS standard on the derecognition of financial assets and financial liabilities and a new standard on fair value measurement proposed by the International Accounting Standards Board.

L. 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 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, 2010 or December 31, 2009.

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

- Cash is classified as financial assets held for trading;
- Trade and other receivables are classified as loans and receivables; and
- Trade and other payables and long term debt 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 fair value of long term debt 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.

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 has \$450,000 outstanding on this credit facility at September 30, 2010 (\$nil at December 31, 2009). Future cash flow requirements could require the Company to utilize its line of credit to finance working capital for periods of time and during these time periods it would be exposed to interest rate risk.

Credit Risk

Financial instruments that subject the company to credit risk consist primarily of trade receivables. The Company manages credit risk using credit approval and monitoring practices. At September 30, 2010, 4 customers accounted for approximately 93% of trade receivables (at December 31, 2009, 3 customers accounted for 95% of trade receivables).

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 trade receivables that were past due but not impaired was as follows as of September 30, 2010 and December 31, 2009:

	<u>Trade Receivables Aging</u>		<u>Holdback Amounts Billed and Included</u>	
	2010	2009	2010	2009
1-30 days	\$ 638,101	\$ 91,815	\$ -	\$ -
30-60 days	37,119	79,452	-	76,709
61-90 days	-	5,677	-	5,677
Greater than 90 days	-	91	-	91
	<u>\$ 675,220</u>	<u>\$ 177,035</u>	<u>\$ -</u>	<u>\$ 82,477</u>

In addition the Company had holdbacks recorded but not yet billed of \$49,707 as at September 30, 2010 (\$Nil as at December 31, 2009).

The Company had no impaired trade receivables at September 30, 2010 and December 31, 2009.

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, 2010 the Company had access to \$1,000,000 in bank operating line financing subject to advance restrictions on the level of receivables and inventories. Based on these restrictions the actual operating line availability at September 30, 2010 was \$656,000 (December 31, 2009 \$318,000). In the second quarter of 2010, the Company's demand operating facility with a Canadian chartered bank was modified to provide \$1,500,000 for the period from the first of July to the end of September and reducing to \$1,000,000 on October 1, 2010. The reduction of the line of credit was made to put it more in line with the Company's historical seasonal business cycle and cash flow requirements. The terms also allow for temporary increases above the established line provided trade receivables are in place to support the higher loan level. At September 30, 2010, \$450,000 was drawn down under this facility to finance working capital (\$Nil at December 31, 2009).

M. Disclosure of Outstanding Share Data

As at September 30, 2010 and November 18, 2010, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company

	<u>Authorized</u>	<u>Outstanding as at September 30, 2010</u>	<u>Outstanding as at November 18, 2010</u>
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 2,712,500 Common Shares at an exercise price at between \$0.10-\$0.35	Stock options to acquire 2,712,500 Common Shares at an exercise price at between \$0.10-\$0.35
Securities convertible or exercisable into voting or equity securities - share purchase warrants	Share purchase warrants to acquire 1,000,000 Common Shares	Share purchase warrants to acquire 1,000,000 Common Shares at an exercise price of \$0.15	Share purchase warrants to acquire 1,000,000 Common Shares at an exercise price of \$0.15

In the nine months ended September 30, 2010, the Company granted options to acquire common shares of the Company as follows:

- On February 5, 2010, the Company granted stock options to the Howard Group, a company hired to provide investor and financial relation services, to enable it to acquire 300,000 common shares of the Company at an exercise price of \$0.12. These stock options will vest as to one quarter every three months from the date of grant and expire three years from the date of grant.
- On March 16, 2010, the Company granted stock options to a new director to enable him to acquire 150,000 common shares of the Company at an exercise price of \$0.30. These stock options will vest as to one third immediately and one third on the first and second anniversary date of the grant and expire in five years.

In the nine months ended September 30, 2010, 108,325 stock options with an exercise price of \$0.30 expired.

O. Outlook

Sales contracted for work in 2010 are now \$3.8 million. If this work proceeds as forecast then the fourth quarter sales will approximate the sales generated by the Company for the entire first nine months of the year and the Company's final quarter will be profitable. However, even with a profitable fourth quarter, the Company does not expect to achieve its objective of breakeven and generating a positive cash flow for the year.

Sales for 2011 are expected to be stronger. The Company currently has \$0.9 million under contract for 2011 and verbal confirmation of another \$1.1 million, which it expects to contract over the next six months. The volume of inquiries and quotes continues to grow. Many of these quote requests are for infrastructure work, which reflects the Company's continued focus in growing this market on a national basis. The Company has also provided a number of quotes for oilsands/refinery work which could be an indication that work in this market may return.

There continues to be issues surrounding the early market stage of the development of the infrastructure market, such as obtaining the necessary product approvals in Ontario and other factors, including the engineering acceptance/sole provider issues (see Section D – Key Market Drivers in the MD&A for the year ended December 31, 2009). The Company continues to work to minimize the effect of these issues on future sales growth.

CEMATRIX CORPORATION
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**Form 51-102F1 - Management's Discussion & Analysis
For the Quarter Ended September 30, 2010**

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the quarter ending September 30, 2010 are outlined below:

Page 4 – Overall Performance and Highlights of the Third Quarter

The outlook for the last quarter of 2010 is even stronger as a number of projects that were delayed earlier in the year are now contracted and scheduled.

The foregoing statement is forward looking and is based on sales contracts that are in place and scheduled for the fourth quarter of 2010. The principal risk is that the contract schedule is changed by a customer until after the fourth quarter of 2010 or the contract is cancelled.

Page 4 – Overall Performance and Highlights of the Third Quarter

The Company is planning to supply this information within the next few months and is optimistic that it will receive the MTO product approval in the first part of 2011.

The foregoing statement is forward looking and is based on the Company's assessment of the request for additional environmental impact information and the time required to prepare and file this information as well as correspondence with the MTO in regard to its application for product approval. The principal risks include: the preparation of the required material takes longer than management expects, the information once filed results in additional requests for information and the final approval by the MTO takes longer than expected by management.

Page 19 – Outlook

If this work proceeds as forecast then the fourth quarter sales will approximate the sales generated by the Company for the entire first nine months of the year and the Company's final quarter will be profitable. However, even with a profitable fourth quarter, the Company does not expect to achieve its objective of breakeven and generating a positive cash flow for the year.

The foregoing statement is forward looking and is based on sales contracts in place, work scheduled to occur in the fourth quarter and the Company's forecast of earnings to be derived from these sales. The principal risk is that the contract schedule is changed by a customer such that a portion or all of the work is not completed until after the fourth quarter of 2010 or the contract is cancelled.

Page 19 – Outlook

Sales for 2011 are expected to stronger.

The foregoing statement is forward looking and is based on the Company's sales forecast for 2011. The sales forecast is based on sales contracted and verbally confirmed as well as additional sales based on a probability assessment of project bids that have been made or will be made in the near future. The probabilities applied to the bids are based on management's assessment of the particular project based on historical experience and the stage of the project in the sales cycle. There are a number of risks that could affect these assumptions which include: contracted work is delayed; the failure of additional non contracted 2011 sales to materialize, because of project delays or cancelations or because CEMATRIX's

cellular concrete is not specified into projects and management's assumptions in applying probabilities to the various projects in the sales forecast are incorrect.

Page 19 – Outlook

The Company currently has \$0.9 million under contract for 2011 and verbal confirmation of another \$1.1 million, which it expects to contract over the next six months.

The foregoing statement is forward looking and is based on the Company's historical experience. The major risk is that the projects under contract are delayed or the verbal confirmations do not result in a sales contract for work in 2011.

Page 19 – Outlook

The Company has also provided a number of quotes for oilsands/refinery work which could be an indication that work in this market may return.

The foregoing statement is forward looking and is based on the increase in the number of requests for quotes in this market in the latter part of 2010 relative to the previous few years. The principal risk is that this increase in the number of requests for quotes does not result in new sales contracts.