

CEMATRIX CORPORATION
Management's Discussion and Analysis
First Quarter Ended March 31, 2007

Date Completed: May 29, 2007

CEMATRIX CORPORATION

Form 51-102F1 - Management's Discussion & Analysis For the First Quarter Ended March 31, 2007

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the first quarter ended March 31, 2007. This MD&A should be read in conjunction with the unaudited financial statements of the Company for the first quarter ended March 31, 2007 (the "Reporting Period") and related notes thereto, the audited financial statements and MD&A for the year ended December 31, 2006. The financial statements have been prepared in accordance with Canadian generally accepted accounting principals ("GAAP"). All dollar figures included therein and in this MD&A are in Canadian dollars.

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

The Board of Directors of CEMATRIX have reviewed and approved the March 31, 2007 financial statements and related MD&A.

Advisory Regarding Forward Looking Statements

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

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

Corporate Overview

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

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

Saskatchewan, together with road, bridge and shallow utility infrastructure projects throughout Western Canada, but mainly in Alberta.

Purpose of the Company's MD&A

The purpose of this MD&A is to assist the reader in understanding the Company's performance for the quarter ended March 31, 2007 by describing in detail the underlying factors that have affected the current quarter's performance, the current financial position, and the prospects for the future.

Significant Events

Appointment of New President and C.E.O.

On May 2, 2007, the Company announced that it hired Mr. Dave Pickrell as the President and C.E.O. Mr. Pickrell joins the Company June 1, 2007 and will replace Mr. Jeff Kendrick, who will assume the Chief Financial Officer position as of the same date.

New Contracts

On March 29, 2007 the Company announced that it had secured contracts and purchase orders totaling approximately \$5.3 million and that most of these contracts were related to projects in the oil and gas infrastructure construction area.

Operations and Overall Performance

The Company performed as expected during the first quarter of 2007, even though certain contracted projects were subject to delays. The Company landed and completed other projects during the quarter. Management further reports that a significant portion of the carryover projects from 2006, together with new contracts awarded in 2007 have commenced as of the date of this report. Economic and industry factors are substantially unchanged from that reported in the Company's MD&A for the year ended December 31, 2006.

Results of Operations:

Quarter ended March 31, 2007

Total revenues for the quarter ended March 31, 2007 were \$768,000 as compared to \$603,000 for the quarter ended March 31, 2006. This 27.4% increase in revenues is due to the following:

1. a 14.7% increase in volumes processed for the quarter as compared to the same period in previous year;
2. an 11.0% increase in the average price per cubic metre of cellular concrete processed during the quarter as compared to the same period in the previous year.

Gross margins on sales generated during the quarter were \$215,000 (2006 - \$225,000) and the margin percentage was 28.0% (2006 - 37.2%). The decrease in both figures for the first quarter of 2007 as compared to the same period in the previous year is due to the additional labour and material costs being incurred in preparation for the projects under contract in the first quarter of 2007. Although the projects were scheduled to commence earlier, they did not commence until the second quarter of the current year. Meanwhile, the Company had to be prepared in the first quarter in anticipation of the scheduled work.

Total expenses for the first quarter ended March 31, 2007 were \$404,000 as compared to \$439,000 for the same period the previous year. The 8.0% decrease in total expenses for the quarter is the result of a 90% decrease in finance costs to \$11,000 from \$112,000 in 2006. The decrease was due to the replacement of high interest receivable factoring with equity funds raised in 2006 and the bank operating line of credit. This decrease was offset by a general increase in an administrative expenses and the elimination of the capitalization of research and development costs beginning in 2007. Research and development costs capitalized in the previous year's quarter ended March 31, 2006 amounted \$45,000.

The Net Loss for the quarter ended March 31, 2007 was (\$190,000) as compared to a Net Loss of (\$213,000) for the same period the previous year.

Selected Financial Information and Summary of Quarterly Results

Effective April 11, 2006, the Company successfully completed the acquisition (the “Acquisition”) of all of the issued and outstanding common shares of CEMATRIX (Canada) Inc. (“Old CEMATRIX”) by way of an amalgamation. As a result of the Acquisition, the financial statements prior to amalgamation reflect those of Old CEMATRIX.

The consolidated financial statements are issued under the name of the legal parent but are deemed to be a continuation of the legal subsidiary Old CEMATRIX. As a result, the comparative consolidated balance sheets, income statements and cash flows for the periods up to March 31, 2007 are those of Old CEMATRIX. Likewise, the earnings per share for comparative periods have been computed by dividing the total earnings by the number of shares issued in the reverse takeover transaction.

The table below sets out a summary of quarterly results for those quarters where financial statements have been prepared:

Quarters Ended	Total Revenues	Net Income (Loss) Total	Per Share (Basic)	Per Share (Fully-Diluted)
	\$	\$	\$	\$
2007 Year				
March 31, 2007	768,000	(190,000)	(0.006)	(0.005)
2006 Year				
December 31, 2006	1,100,000	46,000	0.002	0.002
September 30, 2006	439,000	(215,000)	(0.01)	(0.01)
June 30, 2006	234,000	(385,000)	(0.02)	(0.02)
March 31, 2006	603,000	(215,000)	(0.01)	(0.01)
2005 Year				
December 31, 2005	996,000	(55,000)	(0.002)	(0.002)
September 30, 2005	910,000	9,000	0.0003	0.0003
June 30, 2005	634,000	(192,000)	(0.008)	(0.008)

Liquidity and Capital Resources

As at March 31, 2007, the Company had consolidated working capital of \$609,000 as compared to a working capital of \$749,000 at December 31, 2006. The decrease in the working capital is associated with the working capital shortfall from operations during the first quarter, cash expended on capital expenditures and cash used for repayment of promissory notes. The working capital shortfall from operations for the first quarter was \$110,000 and this is not unusual due to the seasonal nature of the business.

Subsequent to the end of the first quarter, the Company secured an increase in its operating line to \$1,500,000 from \$750,000 and an increase its VISA credit facilities to \$75,000 from \$50,000. Both facilities are with the Royal Bank of Canada.

The Company will utilize these facilities together with the contracts in place to reduce the risk of a working capital shortfall during the year. Based on projects completed and in progress the Company anticipates that it will have sufficient working capital in place to facilitate the additional growth in sales expected during the current year and to meet its debt obligations as they become due. The following is a summary of the Company's debt obligations for the next five years.

Debt Category	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$
Promissory Notes	117,000	-	-	-	-
Capital Leases	31,000	38,000	1,000	-	-
AFSC Loan	49,000	51,000	55,000	59,000	40,000
Operating Leases	27,000	31,000	31,000	27,000	7,000

Other Key Risks and Uncertainties

Stage of Market Development

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

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

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

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

Product Warranties

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

Competition

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

Cement Supply

The Company is always faced with potential shortages in its key raw material, cement, particularly given the demand for cement in the current construction market. The Company faced shortages of cement in the fall of 2005 and this shortage did effect some of the projects that were to be completed during that period. While the Company has a strong relationship with its cement suppliers who have in turn assured the Company that they do not expect shortages to occur in the future, the risk of shortages still exists. As there are alternatives to the Company's products, such as granular fills, rigid and other types of insulating

materials that the Company's cellular concrete is replacing, shortages of cement may have an adverse affect on the Company's market development and forecasted sales. The Company continues to minimize the effect of this risk by working closely with the cement suppliers to secure cement as soon as the contract is executed and to alert them of future cement requirements as soon as they are known.

Increasing Commodity Prices

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

Transactions with Related Parties

During the quarter, the Company incurred legal fees from a firm which employs two of the directors of the Company in the amount of \$574 (2006 - \$33,500). Included in accounts payable at March 31, 2007 is \$574 (December 31, 2006 - \$18,023) payable to the same legal firm.

Included in accounts payable are wages and other amounts payable or reimbursable to employees and contractors who are shareholders of \$4,637 (December 31, 2006 - \$29,947).

Included in current portion of notes payable is an amount due to a shareholder/director of \$60,700 (December 31, 2006 - \$80,933) and also includes a balance due to an immediate family member of a shareholder of \$56,525 (December 31, 2006 - \$75,367). Interest is calculated at 12.5%. Combined monthly principal payments of \$13,025 plus earned interest commenced January 31, 2007.

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

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

Disclosure of Outstanding Share Data

As at March 31, 2007, 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 March 31, 2007</u>	<u>Outstanding as at May 29, 2007</u>
Voting or equity securities issued and outstanding	Unlimited Common Shares	32,976,047 Common Shares	32,976,047 Common Shares
Securities convertible or exercisable into voting or equity securities - stock options	Stock options to acquire up to 10% of outstanding Common Shares	2,224,500 Stock options to acquire Common Shares at an exercise price at between \$0.30-\$0.35	2,062,012 Stock options to acquire Common Shares at an exercise price at between \$0.30-\$0.35
Securities convertible or exercisable into voting or equity securities - agent's option	Agent's options to acquire up to 10% of the common shares issued during the Initial Public Offering	Agent's option to acquire up to 250,500 common shares at an exercise price of \$0.30	Agent's option to acquire up to 250,500 common shares at an exercise price of \$0.30
Share Purchase Warrants	Share purchase warrants to acquire common shares in the Company at \$0.40 per full share purchase warrant	Share purchase warrants to acquire up to 3,299,942 Common Shares	Share purchase warrants to acquire up to 3,299,942 Common Shares
Agent's Warrants	Agent's warrants to acquire one Unit in the Company at \$0.30 per Unit	Agent's warrants to acquire up to 560,991 Units	Agent's warrants to acquire up to 560,991 Units

Changes in Accounting Policies including Initial Adoption

There have been no changes to the Company's accounting policies other than as noted in the next section.

New Accounting Standards

Financial Instruments, Hedge Accounting and Comprehensive Income

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

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

Disclosure Controls and Procedures and Internal Control Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed is gathered and reported to senior management. Management is responsible for the establishment and maintenance of a system of disclosure controls and procedures. The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2007, as defined under the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators.

The evaluation confirmed the effectiveness of the design and operation of disclosure controls and procedures as at March 31, 2007. The Company's management can therefore provide reasonable assurance

that material information relating to the Company is reported to it on a timely basis so that it may provide investors with complete and reliable information.

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

Outlook

The Company is in the process of executing the various projects that it has under contract and continues to work to expand its markets within the oil and gas construction and infrastructure construction markets.