

CEMATRIX CORPORATION
Management's Discussion and Analysis
3rd Quarter Ended September 30, 2007

Date Completed: November 22, 2007

CEMATRIX CORPORATION

Form 51-102F1 - Management's Discussion & Analysis For the Third Quarter Ended September 30, 2007

The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the third quarter ended September 30, 2007. This MD&A should be read in conjunction with the unaudited financial statements of the Company for the third quarter ended September 30, 2007 (the "Reporting Period") and related notes thereto and 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 September 30, 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 September 30, 2007 together with the nine months ended September 30, 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.

Operations and Overall Performance

During the Quarter ended September 30, 2007 the Company continued to execute contracts that were in place and new contracts that it secured during the period. These projects generated a quarterly profit for the second quarter in a row as the Company continues to be profitable on a year to date basis. This profitability has generated positive operating cash flow for the quarter and on a year to date basis.

Results of Operations:

Quarter ended September 30, 2007

Total revenues for the quarter ended September 30, 2007 were \$3,117,000 as compared to \$439,000 for the quarter ended September 30, 2006. This 610.0% increase in revenues was generated from an 883.4% increase in volumes processed for the quarter as compared to the same period in previous year at a lower average price per cubic metre placed. The sales for the quarter were made up primarily of higher volume projects.

Gross margins on sales generated during the quarter were \$1,284,000 (2006 - \$135,000) and the margin percentage was 41.2% (2006 - 30.8%). The improvement from the prior year is largely related to the increase in sales volumes, which has resulted in significant economies of scale and a lower overall cost per cubic metre.

Total expenses for the third quarter ended September 30, 2007 were \$520,000 as compared to \$357,000 for the same period the previous year. This \$163,000 increase is due to the following:

1. Increased sales, administrative and amortization costs associated with the increase in the sales volume;
2. Accrued corporate bonuses on operating profit generated to date;
3. Management recruitment and relocation costs; and
4. Stock Based Compensation expense.

The Net Income for the quarter ended September 30, 2007 was \$764,000 as compared to a Net Loss of (\$215,000) for the same period the previous year. This represents a \$979,000 turnaround year over 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 | | | | |
| September 30, 2007 | 3,117,000 | 764,000 | 0.026 | 0.022 |
| June 30, 2007 | 2,382,000 | 275,000 | 0.008 | 0.007 |
| 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) | (0.010) | (0.010) |
| June 30, 2006 | 234,000 | (385,000) | (0.020) | (0.020) |
| March 31, 2006 | 603,000 | (215,000) | (0.010) | (0.010) |
| 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) |

Nine months ended September 30, 2007

Total revenues for the nine months ended September 30, 2007 were \$6,267,000 (2006 - \$1,276,000), which is an increase of \$4,991,000 or 391.1.5% over that of the same period in the prior year. The increase in total revenues is due to the execution of projects under contract from 2006 and the completion and/or commencement of new projects contracted in 2007. The volume generated by these projects is 534.4% higher than the volume produced during the same period the prior year. The majority of these projects are related to the oil sands and refinery expansions in the Fort McMurray and Fort Saskatchewan regions, but include infrastructure projects throughout Western Canada.

Gross margins generated for the nine months ended September 30, 2007 were \$2,374,000 (2006 - \$389,000). This is an increase of \$1,985,000 or 510.3.6%. The gross margin percentage to date is 37.9% as compared to 30.5% for the first nine months in the previous year.

Total expenses for the nine months ended September 30, 2007 amounted to \$1,524,000 (2006 - \$1,212,000). These expenses to date are \$161,000 higher than that of the previous years if you add back the product development costs capitalized in the previous year of \$151,000. The increase is largely related to increased sale costs, bonus accrual charges, relocation costs and Stock Based Compensation expense.

The net income for the nine months ended September 30, 2007 is \$849,000, which is a \$1,662,000 improvement from the (\$813,000) loss incurred during the same period the previous year.

Liquidity and Capital Resources

On September 30, 2007, the Company had consolidated working capital of \$1,985,000, which is a \$1,236,000 improvement over the consolidated working capital of \$749,000 at December 31, 2006. The improvement is due to the increase in sales and the resulting cash generated from operations. Cash provided from operations during the nine months ended September 30, 2007 before considering changes in non-cash working capital amounted to \$1,231,000, which is a \$1,687,000 improvement over the (\$456,000) cash used during the same period the previous year. On August 3, 2007 the Royal Bank approved a short term (three month) \$1,000,000 increase to its operating line to accommodate a potential requirement due to the increased sales demands from the Company's customer base. As at September 30, 2007, the Company had utilized \$655,000 of its \$2,500,000 operating line and was in compliance with its debt covenants. Based on projects completed and under contract and in progress, the Company anticipates that it will have sufficient working capital in place to facilitate the continued growth of the Company.

The following is a summary of the Company's debt obligations for the next five years.

| Debt Category | 2007/8 | 2008/9 | 2009/10 | 2010/11 |
|------------------|--------|--------|---------|---------|
| | \$ | \$ | \$ | \$ |
| Promissory Notes | 39,000 | - | - | - |
| Capital Leases | 29,000 | 20,000 | 17,000 | 3,000 |
| AFSC Loan | 50,000 | 82,000 | 90,000 | 17,000 |
| Operating Leases | 35,000 | 31,000 | 31,000 | 8,000 |

Continued Key Risks and Uncertainties

Stage of Market Development

Product acceptance and the market for cellular concrete continue to increase steadily, which creates ongoing opportunities for the Company. Management has identified the following risks and uncertainties as they relate to the Company's stage of market development in this growing market:

1. Recruitment and retention of skilled labour is a challenge in Alberta. Beginning last quarter the Company began recruiting and hiring additional personnel and continues to recruit to meet anticipated increased market demand;
2. Certain significant projects are typically subject to delays, which must be anticipated, so the Company is adapting forecast tools and methods to reduce the effect of delays on the Company's business;
3. Due to current ready-mix supply constraints, the Company is maximizing utilization of dry process equipment that uses cement in lieu of ready-mix in meeting its current and expected market demands. Management is also evaluating future needs and focusing on small to medium sized dry mix units to compliment the two high volume dry process units already in use;
4. Capital resource requirements must be matched to demand for the Company's products. If demand increases more quickly than anticipated, the Company may not be able to react quickly enough to realize the opportunities. The Company plans to increase its marketing and sales staff to better anticipate such conditions and is currently evaluating various equipment options to enable the Company to be in a better position to react to these changing market conditions.

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 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, 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 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.

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 third quarter, the Company incurred legal fees from a firm which employs two of the directors of the Company in the amount of \$4,700 (September 30, 2006 - \$33,702). Included in accounts payable at September 30, 2007 is \$Nil (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 \$2,869 (December 31, 2006 - \$9,688).

Included in current portion of notes payable is an amount due to a shareholder/director of \$20,233 (December 31, 2006 - \$80,933) and also includes a balance due to an immediate family member of a shareholder of \$18,842 (December 31, 2006 - \$75,367), both of which are due and payable by December 31, 2007. Interest paid on these loans in the third quarter totalled \$2,056 (September 30, 2006 - \$4,298).

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 September 30, 2007, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

| | Authorized | Outstanding as at September 30, 2007 | Outstanding as at November 22, 2007 |
|---|---|--|--|
| Voting or equity securities issued and outstanding | Unlimited Common Shares | 33,302,959 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 | 2,817,012 Stock options to acquire Common Shares at an exercise price at between \$0.30-\$0.35 | 2,817,012 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 3,463,399 Common Shares | Share purchase warrants to acquire up to 3,544,917 Common Shares |
| Agent's Warrants | Agent's warrants for one Unit at \$0.30 per Unit | Agent's warrants for up to 230,591 Units | Agent's warrants for up to Nil 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 September 30, 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 September 30, 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 continues to execute 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 throughout its market territory. Applications are well established in the market for the oil and gas industry and the short to medium term marketing efforts will focus on obtaining increased market share of infrastructure projects. This will be built upon the successful third quarter completion of a tunnel project in Edmonton and an awarded but yet to be completed road project in Victoria BC.