

CEMATRIX CORPORATION
Management's Discussion and Analysis
Quarter Ended March 31, 2009

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CEMATRIX CORPORATION
www.cematrix.com

Form 51-102F1 - Management's Discussion & Analysis
For the Quarter Ended March 31, 2009

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

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

The Audit Committee of the Company reviewed and recommended for approval by the Board of Directors of the Company the 2009 unaudited financial statements and MD&A for the quarter ended March 31, 2009 and the Board of Directors has reviewed and approved them.

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Forward Looking Statements

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

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

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

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

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

A. Purpose of the Company's MD&A

The purpose of this MD&A is to provide a narrative explanation, through the eyes of management, to assist the reader in understanding the Company's performance for the quarter ended March 31, 2009, the Company's financial condition as at March 31, 2009 and its future prospects.

B. Corporate Overview

CEMATRIX was incorporated on March 22, 2005 under the *Business Corporations Act (Alberta)* as "Moonshoot Capital Corp." By a Certificate of Amendment issued on May 31, 2006, the Company's name was changed to "CEMATRIX Corporation".

Through its wholly-owned subsidiary, CEMATRIX (Canada) Inc., the Company is a manufacturer and supplier of technologically advanced cellular concrete products with applications in a variety of markets, currently focusing on the oil and gas construction and infrastructure construction markets.

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

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

C. Key Market Drivers

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

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

These primary drivers are affected by the following:

1. Availability of Capital:

The development of the oil sands and refineries in Alberta are partly dependent on the availability of capital to company's making these investments. This affects the timing of projects which the Company already has contracts for supply of cellular concrete and the commencement of other projects which could be specified to use various quantities of the Company's products. In today's market the availability of external capital has become limited due to the current economic conditions and the generation of internal capital has been reduced significantly by the decline in oil prices. Certain companies have announced 2009 funding to progress their oil sands developments. Whether CEMATRIX will participate in those projects will be dependent on the Company's ability to convince the project design engineers of CEMATRIX's Value Proposition, which is largely dependent on the Company's experiences to date.

Infrastructure construction throughout Canada and the United States is dependent on the capital funding that is made available to the various municipal, provincial /state and federal governments to make these types of investments. This also affects the timing of projects with which the Company's products could be applicable. Both the Canadian and United States governments have announced significant infrastructure programs to combat the affects of the economic slowdown, however, the benefit, if any, to CEMATRIX,

will be dependent on the type and location of projects to which the infrastructure funds will be allocated and the Company's ability to convince the design engineers responsible for these projects of its Value Proposition.

2. Oil and Gas Prices:

The development of the oil sands and refineries in Alberta are dependent on reliable price forecasts for oil and gas. The significant capital investments required, often in the multi-billion dollar range for some of the oil sand projects, requires an outlook for future oil and gas prices at levels that will generate an acceptable rate of return to the companies making the investment. It is uncertain as to whether the future price of oil will rebound to a level, which would enable planned oil sands projects to become economically feasible again and enable those projects to proceed as designed.

3. Product Acceptance:

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

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

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

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

Many of these same engineering firms also operate where the Company is currently extending its market development focus, that being British Columbia, Ontario and other parts of Canada. The Company's current relationship with these engineering firms, the product experience in Alberta and the positive references from customers on completed projects should enable the Company to generate sales in these markets in a shorter timeframe than it experienced in Alberta. For some applications in these new territories, cellular concrete will also need to be accepted and become an approved product by various municipal and provincial government departments. This acceptance process commenced in the summer of 2008 with the assistance of some of these engineering firms and one of the Company's cement suppliers.

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

4. Sole Source Provider:

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

D. Key Risks and Uncertainties

Stage of Market Development:

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

1. Capital resource requirements must be matched to the demand for the Company's products. If demand increases more quickly than anticipated, the Company may be challenged to react quickly enough to realize the opportunities. The Company has increased its marketing, sales and engineering support staff to better anticipate such conditions. It also continues to evaluate various equipment options to enable the Company to be in a better position to react to these changing market conditions. However, there is no guarantee that financing would be available to fund new capital asset requirements nor is there certainty that the Company could react in a timely fashion to new capital asset requirements, even if the financing is available;
2. The Company has experienced supply issues with the supply of ready mix in Alberta for wet mix type projects, because of the high demand for this product related to the economic growth experienced over the past few years. For any ready-mix supply constraints, the Company attempts to maximize the utilization of dry mix process equipment that uses cement powder, in lieu of ready-mix slurry, to meet market demands. Management is also evaluating future needs and the development of a mobile dry mix unit with internal bulk capacity, to compliment the two high volume dry mix process unit's already in use. The manufacture of this type of equipment for use in the Alberta market would reduce the Company's reliance on ready-mix products. One of these dry mix units is currently in the design stage; and
3. Recruitment and retention of skilled labour has been a challenge in Alberta over the past few years. The Company has actively recruited additional personnel and is in position to staff currently identified projects in Alberta and any initial expansion into other Canadian markets. Management believes that Alberta's labour market will be less constrained over the next year or so as the effect of the postponement of many oil sands and refinery construction projects results in layoffs of skilled workers. Discussions, with contractors and labour people in British Columbia, Ontario and the United States, indicate that there is adequate supply of skilled labour available to meet growth needs in these markets.

Cement Supply:

The Company does periodically experience shortages in its key raw material, cement; particularly in the last few years given the demand for cement in the Western Canadian construction market. As there are alternatives to the Company's products, such as granular fills, rigid and other types of insulating materials that the Company's cellular concrete is replacing, shortages of cement may have an adverse affect on the Company's market development and forecasted sales. The Company continues to minimize the effect of this risk by working closely with the cement suppliers to secure cement as soon as the contract is executed and to alert them of future cement requirements as soon as they are known. Cement supply is currently in over supply in western Canada and these same cement companies have informed CEMATRIX that there is an oversupply in eastern Canada and the United States, as well.

Increasing Commodity Prices:

The price in Alberta of the Company's key raw materials, cement and flyash, had increased by over 32% over the past three years up to 2008. To date, the Company has been able to pass a significant portion of these price increases on to its customers. There is no certainty that this practice will continue. For 2009, the Company has been advised by its suppliers that the prices for these materials will hold at close to the 2008 levels. The Company is working towards minimizing any risk by developing equipment that will eliminate the need to rely on higher priced ready mix products for its raw material supply, for these types of projects. The prices for these key raw materials in British Columbia and Ontario are approximately 20% lower than in Alberta.

Competition:

Although the Company is the only supplier of cellular concrete in Alberta and the only significant supplier in Canada, there are other suppliers in the United States and other countries, and accordingly 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 and structural design assistance, material mix designs, foaming agents and processing equipment.

Product Warranties:

The Company has not experienced warranty claims during its existence due to the low risk nature of its product 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 through ongoing material mix, product and equipment development and by requiring highly trained quality control staff to be on hand for all projects to check and monitor all input and end product materials.

E. Operations and Overall Performance

The results for the quarter ended March 31, 2009 are in line with management's expectations. The seasonal nature of the Company's business, which tends to follow the cycle of the construction industry, results in a general slowdown in the first quarter of the year. Management has taken steps in the first quarter of 2009 to reduce costs by completing staff layoffs (15% of staff effective the end of February), salary and wage cuts of 10% to 20%, effective March 1st, and the elimination of all discretionary spending.

Results of Operations:

Quarter ended March 31, 2009

The Company's revenue is generated from the sale of cellular concrete and is recognized as the Company processes and places the cellular concrete on site, based on the number of cubic metres processed and placed.

The nature of the Company's sales is usually "one-off" type sales, meaning there is little in the way of carry over in sales from year to year; except to the extent that the Company has repeat business related to a specific application or location. For example, the Company's cellular concrete is one of the City of Calgary specifications for insulation of shallow buried utilities. As a result, every year the Company completes various projects in Calgary, when shallow buried utility insulation is in the specification. The goal is to increase this type of repeatable and predictable source of revenue.

The Company has two distinct types of production – dry mix, which is fully automated, including the cement slurry mixing process directly from cement and other dry powders, and permits the production of high hourly volumes and wet mix, which is partially automated, except to the extent that the slurry required is delivered by a ready mix provider, and has lower hourly production capability. The dry mix system enables the Company to improve the quality of its end product, while reducing its unit cost by up to 20% as compared to the wet mix process.

Total revenue for the quarter ended March 31, 2009 was \$345,962 as compared to \$224,669 for the same quarter in 2008, an increase of 54%. Sales volumes were up over 33% in the first quarter of 2009 as compared to the same quarter in 2008. The increase in sales volume is the result of carry over volumes from a 2008 contract in the Alberta oil and gas sector that was scheduled for the first part of 2009. There was no comparable carry over in 2008. The volumes in the first quarter 2008 came mainly from infrastructure projects. Average selling prices were up 15% in the first quarter of 2009 as compared with the same quarter in 2008 and this is primarily due to the pricing of cement which is factored in to the selling price. In 2008, a major portion of the first quarter volumes were in British Columbia where the price of cement is significantly lower than in Alberta which is where all of the 2009 volumes occurred.

The gross margin on sales was negative at \$70,525 in the first quarter of 2009 as compared to a negative margin of \$130,349 in the same quarter of 2008. The low volumes in each period attracted a high rate of production overhead per unit of production. The increase in sales over 2008 helped to offset this effect somewhat in 2009.

Total expenses for the quarter ended March 31, 2009 were \$543,200 as compared to \$414,343 for the same period the previous year. This \$128,857 or 31% increase is due to the following:

- Finance costs decreased by \$1,855 – this was mainly due to the lower level (reduced by \$58,627 from the comparable period in 2008) and lower interest rate (6.54% in 2009 as compared to 7.85% in the same period in 2008) of the Agriculture Financial Services Corporation loan (the "AFSC loan") (interest lower by \$1,455), a reduction in the use of the Company's line of credit facility to finance working capital (interest lower by \$109) and lower finance costs related to leased assets (interest lower by \$291);
- General and administrative costs were up by \$39,980 – increased salary costs of \$9,267 due to higher base salary costs for senior officers in 2009 compared with 2008, higher property and business taxes of \$15,358 due to the move into larger premises in April 2008, consulting costs of \$9,000 incurred in the first quarter of 2009 in regard to labour relations in Ontario where the Company is seeking to expand and a general increase in other expenses of \$6,355;
- Sales, marketing and engineering costs increased by \$93,193 – this increase is the result of the Company's strategy to diversify its revenue base – sales and engineering staff were added (salaries were up \$61,869 and recruiting costs were up \$4,280) and travel and business development costs increased \$11,346. Other costs to support this market development program increased by \$15,698;
- Stock based compensation was \$8,040 in the first quarter of 2009. This is the expense related to the options to purchase common shares of the Company which were granted in 2008 that vested over a two year period and accordingly the expense is recognized over this period. There was no comparable expense in the same period of 2008;

- Amortization decreased by \$10,501 - product development amortization decreased by \$7,284 – product development costs are amortized over three (3) years and the Company stopped capitalizing product development costs in 2007 and as a result these costs will be fully amortized in 2009 and property, plant and equipment amortization decreased by \$3,217.

The net loss for the quarter ended March, 2009 of \$615,394 compared with net loss of \$540,255 for the same period in 2008. The improvement in sales volume and gross margin in 2009 was more than offset by the increased cost structure of the Company (in terms of staffing and facility costs) and the increase in market development costs in the execution of the Company’s strategy for market and geographical diversification. See above comments on revenue and costs for more detailed information.

F. Selected Financial Information and Summary of Financial Results

Quarterly Results

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

Quarters Ended	Total Revenues \$	Net Income (Loss) Total \$	Per Share Basic \$	Per Share Diluted \$
2009 Year				
March 31, 2008	345,962	(615,394)	(0.018)	(0.018)
2008 Year				
December 31, 2008	1,304,959	(144,761)	(0.004)	(0.004)
September 30, 2008	2,514,185	420,784	0.013	0.013
June 30, 2008	1,249,434	(155,746)	(0.005)	(0.005)
March 31, 2008	224,669	(540,255)	(0.016)	(0.016)
2007 Year				
December 31, 2007	1,227,589	(39,450)	0.000	0.000
September 30, 2007	3,116,866	764,022	0.023	0.019
June 30, 2007	2,382,100	274,959	0.008	0.007
March 31, 2007	768,474	(189,849)	(0.006)	(0.006)

G. Consolidated Balance Sheet

Total assets were \$3,282,424 at March 31, 2008 compared to \$3,885,576 at December 31, 2008. This decline of \$603,152 is due to the following:

- Cash was up \$14,917 (See the discussion on the Consolidated Statements of Cash Flows).
- Accounts receivable were down by \$591,259 principally due to the collection of holdbacks recorded at the end of 2008 (holdbacks were \$427,498 at December 31, 2008 and \$190,301 at March 31, 2009), the general collection of due dated receivables and the impact of low sales volumes. A holdback of 10% is common industry practice for all construction projects and its release to the Company is dependent on the length of the general contractor’s project with the end customer. Typically, CEMATRIX is a subcontractor to the general contractor and will not receive its holdback until the general contractor has received its holdback for the entire project; which may be months after CEMATRIX has completed its portion of the related project.

- Inventory was down \$12,734 as a result of the use of materials in the Company's manufacturing process of cellular concrete. Inventory levels are kept low for the slower spring season.

- Prepaids and deposits were up by \$18,376 due to deposits made on equipment. The Company is building a new 7500 unit in the second quarter of 2009 at a cost of approximately \$200,000. Financing for this unit was approved by the Agriculture Financial Services Corporation ("AFSC") in April 2009. (See Note 16 - Subsequent events to the Unaudited Consolidated Financial Statements at March 31, 2009).

- Property, plant and equipment was down by \$13,192. Additions to plant property and equipment were \$15,711, of which \$10,800 was acquired by means of capital leases and \$4,911 were acquired with cash generated from operations. Amortization expense in the quarter ending March 31, 2009 of \$28,903 reduced the net property, plant and equipment amount.

- Patents, trademarks and technology were reduced by the amortization in the year of \$2,250 on patents. No amortization is recorded on the trademarks and technology as the Company views these as having an indefinite life (see Note 3 to the Unaudited Consolidated Financial Statements – Accounting Policies).

- Product development costs were reduced by amortization of \$17,010.

Total liabilities were \$543,175 at March 31, 2009 compared to \$538,973 at December 31, 2008. This increase of \$4,202 is due to the following:

- Accounts payable and accrued liabilities were at the same level as at December 31, 2008.

- The AFSC loan remains at the same level as at December 31, 2008; the terms of the loan provide for payments to commence July 1 and run through to December 1 each year. (See Note 16 - Subsequent event to the Unaudited Consolidated Financial Statements at March 31, 2009).

- Capital lease obligations are at the same level as at December 31, 2008. The Company added \$10,800 of new leased equipment in the quarter and this was partially offset by repayments of \$10,708.

Shareholders' equity was \$2,739,249 at March 31, 2009 compared to \$3,346,603 at December 31, 2008. This decline of \$607,354 is due to the following:

- No new share capital was issued in the first quarter of 2009.

- Contributed surplus increase is due the stock based compensation charge of \$8,040.

- The deficit increased by the loss in the quarter of \$615,394.

H. Consolidated Statement of Cash Flows

The cash position of the Company at March 31, 2009 was \$496,719 compared to \$481,802 at December 31, 2008. The increase of \$14,917 was due to the following:

- The Company generated \$30,536 in cash from operations, after considering changes in non-cash working capital, in the first quarter of 2009 as compared to a net use of cash of \$321,660 in the comparable period of 2008, an increase of \$352,196. The negative cash flow, after non cash adjustments, of \$559,191 in 2009 was up \$77,600 from the negative cash flow amount of \$481,591 in 2008. This was primarily due to the increase in losses of \$75,139 in 2009 compared to the same period in 2008. This was offset by cash generation from the net change in non-cash working capital items of \$589,727 in the first quarter of 2009, an increase of \$429,796 from the amount reported in 2008 of \$159,931. Most of this increase was generated from the collection in 2009 of the accounts receivables outstanding at December 31, 2008. In 2008, a significant portion of the December 31, 2007 receivables were subject to holdbacks and were not collected until the second quarter of that year.

- Cash used in investing activities amounted to \$4,911 compared to \$32,089 in 2008. In both periods the cash was used to purchase of property, plant and equipment

- Cash used in financing activities was \$10,708 in 2009 compared to \$9,213 in 2008. The amounts related to the payment on capital lease obligations.

I. Liquidity and Capital Resources

On March 31, 2009, the Company had consolidated working capital (current assets less current liabilities) of \$1,111,993 compared to \$1,689,177 at December 31, 2008. The decline of \$577,184 is itemized below:

	March 31 2009	December 31 2008	Change
Current Assets			
Cash	\$496,719	\$481,802	\$14,917
Accounts Receivable	467,790	1,059,049	(591,259)
Inventory	266,589	279,323	(12,734)
Prepaid expenses and deposits	246,777	228,401	18,376
	<u>1,477,875</u>	<u>2,048,575</u>	<u>(570,700)</u>
Current Liabilities			
Accounts payable and accrued liabilities	261,780	257,670	4,110
Current portion of AFSC loan	59,001	59,001	-
Current portion of capital lease obligations	45,101	42,727	2,374
	<u>365,882</u>	<u>359,398</u>	<u>6,484</u>
Total Working Capital	<u>\$1,111,993</u>	<u>\$1,689,177</u>	<u>\$(577,184)</u>

The decline in consolidated working capital is principally due to the lower accounts receivable level as at March 31, 2009 compared to December 31, 2008. This is the result of the collection in 2009 of amounts outstanding at December 31, 2008. For further analysis of the changes in consolidated working capital refer section G. Consolidated Balance Sheet.

As of March 31, 2009, the Company had cash in the bank of \$496,719 and other net working capital of \$615,274. The Company believes that this working capital position along with future cash flows from revenue generated in 2009 and cost reductions taken in the first quarter of 2009 will be sufficient to operate the Company through 2009. As discussed previously the Company has taken steps in the first quarter of 2009 to reduce costs through staff layoffs, salary cuts and the reduction of discretionary spending. Management is prepared to introduce further cost cuts should they be required. Spending on new equipment will be matched to the signing of new projects agreements where the cash flow from these projects will justify the expenditure and to the arrangement of suitable financing, if required. See Section N – Outlook for discussion beyond 2009.

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

The Company defines its capital as the AFSC loan, the capital lease obligations and total shareholders' equity. The current objective of the Company is to manage its capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders in relation to the risks underlying the Corporations assets. The consolidated capital of the Company, as outlined in Note 15 - Capital management to the Unaudited Consolidated Financial Statements as at March 31, 2009, was \$3,020,644 as compared to \$3,627,906 at December 31, 2008. The decrease of \$607,262 is the result of the loss of \$615,394 in the first quarter of 2009 partially offset by an increase in total debt of \$92 and the stock based compensation charge of \$8,040. The AFSC loan is scheduled to be repaid by December 1, 2010.

Subsequent to the quarter ended March 31, 2009, the Company completed a financing with the Agricultural Financial Services Corporation for \$200,000. This loan is for a term of 54 months, with interest at 5.82%. Payments of \$7,565 commence on July 1, 2009 and are seasonal payments on July 1 through to December 1, inclusive, in 2009 through 2013. The loan is secured by equipment and a General Security Agreement. The proceeds of this loan are being used to build a new 7500 unit which will augment the Company's existing fleet of equipment. (See Note 16 - Subsequent events to the Unaudited Consolidated Financial Statements at March 31, 2009).

It is the Company's current practice to finance qualifying capital acquisitions through capital leases and to pursue bank financing only for larger acquisitions. The Company added \$10,800 in new leased equipment in the first quarter of 2009 to expand its productive capability as compared to \$60,412 in the same period in 2008.

The following is a summary of the Company's lease and debt obligations and commitments for the next five years from March 31, 2009.

Debt Category	2009/10	2010/11	2011/12	2012/13	2013 and Beyond
	\$	\$	\$	\$	\$
Capital leases	45,101	46,655	30,790	35,974	1,466
AFSC loan	59,001	62,408	-	-	-
Operating leases – vehicles	40,327	26,148	4,373	-	-
Operating lease – new premises	234,372	234,372	234,372	234,372	-

The Company entered into a five year lease on a new premises commencing April 1, 2008. The new facility provides the Company with 18,750 square feet of warehouse space, a two and one half acre secured yard and 4,000 square feet of office space.

J. Transactions with Related Parties

During the first quarter of 2008, the Company incurred legal fees from a firm which employs two of the former directors of the Company. The amount incurred while these individuals were directors of the Company was \$4,889. The amounts were in the normal course of operations and are recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties. Included in accounts payable and accrued liabilities at March 31, 2008 is \$4,428 relating to these transactions. The two directors resigned on June 17, 2008 and transactions with this firm subsequent to that date have been at arm's length.

K. Disclosure of Outstanding Share Data

As at March 31, 2009, 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, 2009</u>	<u>Outstanding as at May 14, 2009</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 2,570,825 Common Shares at an exercise price at between \$0.10-\$0.35	Stock options to acquire 2,570,825 Common Shares at an exercise price at between \$0.10-\$0.35

There were no options granted, forfeited or expired in the quarters ending March 31, 2009 or March 31, 2008.

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

L. Changes in Accounting Policies including Initial Adoption

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

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

Future in Accounting Policies

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

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

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

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

Phase One: Scoping and Diagnostics involves project planning and staffing and the identification of differences between current GAAP and IFRS. This commenced in the 1st quarter of 2009.

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

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

M. Financial Instruments

Section 3855 of the CICA Handbook requires the initial measurement of all financial instruments at fair value with classification into one of five categories; loans and receivables; assets held to maturity; assets available for sale; other financial liabilities; and 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 March 31, 2009 or December 31, 2008.

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

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

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

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

(a) Interest Rate Risk

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

(b) Credit Risk

Financial instruments that subject the company to credit risk consist primarily of trade accounts receivable. The Company manages credit risk using credit approval and monitoring practices. At March 31, 2009, two (2) customers and at December 31, 2008, five (5) customers accounted for approximately 90% of accounts receivable.

The credit period on sales is generally 30 days, subject to standard ten percent construction holdbacks on most of its sales over \$100,000. The Company has historically experienced minimal customer defaults on its trade receivables including holdbacks. Holdbacks are generally collectible forty-five days after completion of the work performed by the Company, however holdbacks can be outstanding much longer, if the holdback release is tied to the completion of the entire project by the general contractor. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more. The aging of the receivables that were past due but not impaired was as follows as of March 31, 2009 and December 31, 2008:

	2009	2008
1-30 days	\$ 96,973	\$ 90,833
30-60 days	190,750	202,254
61-90 days	5,709	472,604
Greater than 90 days (generally holdbacks)	<u>174,358</u>	<u>293,358</u>
	<u>\$ 467,790</u>	<u>\$1,059,049</u>

Of total accounts receivable at March 31, 2009, \$18,447 (December 31, 2008 - \$16,385) relates to non-trade receivables. The Company's allowance for doubtful accounts at March 31, 2009 amounted to \$348 (December 31, 2008 - \$348).

(c) Liquidity Risk

Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines. Due to the nature of the business, the Company aims to maintain flexibility in funding by keeping committed credit lines available and limiting the investment of available cash to short term risk free interest bearing deposits. At March 31, 2009 and December 31, 2008, the Company had access to \$1,500,000 in bank operating line financing subject to advance restrictions on the level of receivables and inventories (see Note 8 – Bank operating line to the Unaudited Consolidated Financial Statements at March 31, 2009), of which \$Nil has been drawn on these dates. Based on those restrictions the actual operating line availability at March 31, 2009 was \$295,000 (December 31, 2008 \$662,000).

N. Outlook

Management's objective is for the Company to generate a breakeven position in 2009, at a minimum, while positioning the Company for a recovery in the economy, particularly oil sands development in the Fort McMurray and Fort Saskatchewan areas of Alberta.

The operating results and cash flow of the Company for 2010 and beyond will be significantly affected by the decisions made by companies in regard to the start up, the continued deferral or the cancellation of deferred projects in the oil and gas sector of Alberta that were originally scheduled for 2008 and 2009. The scheduled restart date for many of these projects is unknown at this time and there is no certainty that CEMATRIX would be selected for the projects in which it does not have current contracts in place. In addition, the Company has responded to new bid requests for the use of its product to help reduce the costs and scheduling of other oil sands and refinery projects that are scheduled to proceed in 2009. Future growth in the use of CEMATRIX's cellular concrete in infrastructure will depend on the Company getting product acceptance and the speed at which the infrastructure spending, announced by various levels of government in other parts of Canada, is made.

CEMATRIX CORPORATION
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Form 51-102F1 - Management's Discussion & Analysis
For the Quarter Ended March 31, 2009

Appendix A – Forward Looking Statements

The forward-looking statements in the MD&A for the quarter ending March 31, 2009 are outlined below:

Page 5 – Product Acceptance

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

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

Page 5 – Product Acceptance

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

The foregoing statement is forward-looking and is based on Company information that projects in British Columbia have been awarded and projects in Ontario have been verbally confirmed, and may go ahead as committed, after only six months of marketing there. In the Company's view the reception from various engineering firms and municipalities in Ontario that have been visited over the last months has been much more encouraging, in terms of the absolute number and senior level of people in attendance at the Company's presentations and the comments received about potential projects, than previously experienced in Alberta. The principal risks that could affect these assumptions are the failure of the engineering firms to specify CEMATRIX's cellular concrete in their project design and the cancellation of projects.

Page 6- Key Risks and Uncertainties

Management believes that Alberta's labour market will be less constrained over the next year or so as the effect of the postponement of many oil sands and refinery construction projects results in the layoff of skilled workers. Discussions, with contractors and labour people in British Columbia, Ontario and the United States, indicate that there is adequate supply of skilled labour available to meet growth needs in these markets

The foregoing statements is forward-looking and are based on public information that companies in Western Canada are laying off skilled workers in the oil and gas sector and these workers would have the necessary skills and would be available to fill positions at the Company and that discussions held with contractors and labour people in British Columbia, Ontario and the United States are reliable. The principal risks that could affect these assumptions are that the skilled labour leaves Western Canada and accordingly is not available to the Company or the economy recovers and the demand for labour in the markets that the Company is seeking to service increases.

For 2009, the Company has been advised by its suppliers that the prices for these materials will hold at close to the 2008 levels.

The foregoing statement is forward-looking and is based on Company information obtained from its cement suppliers. The principal risk that could affect this assumption is that the economy recovers and the demand for cement increases and results in increased prices.

The Company believes that this working capital position along with future cash flows from revenue generated in 2009 and cost reductions taken in the first quarter of 2009 will be sufficient to operate the Company through 2009.

The foregoing statement is forward-looking and is based on the assumption that the Company's sales forecast can be realized. The sales forecasts have been determined by assigning various probabilities to projects that the Company has been awarded or has or will be placing bids on in 2009. The principal risk is that the Company cannot find projects in Alberta or in other areas of Canada or the United States to replace the sales that have been delayed because of project deferrals in the Alberta oil sands sector. This would prevent the Company from achieving its sales forecast. The cost reductions taken in the first quarter of 2009 include staff layoffs (15% of staff effective the end of February), salary and wage cuts of 10% to 20%, effective March 1st and the elimination of discretionary spending. Management is prepared to introduce further cost cuts should they be required. The achievement of these cost reductions is dependent on management discipline to make further cost cuts and reduce discretionary spending.

Management's objective is for the Company to generate a breakeven position in 2009, at a minimum, while positioning the Company for a recovery in the economy, particularly oil sands development in the Fort McMurray and Fort Saskatchewan areas of Alberta.

The operating results and cash flow of the Company for 2010 and beyond will be significantly affected by the decisions made by companies in regard to the start up, the continued deferral or the cancelation of deferred projects in the oil and gas sector of Alberta that were originally scheduled for 2008 and 2009.

The foregoing statements contain forward- looking statements and are based on the assumption that the Company can generate cost reductions in 2009 and that it can generate sufficient sales to generate a breakeven position in 2009. Salary and wage cuts and layoffs represent approximately 67% of the targeted cost reductions, and this has occurred as of March 1, 2009. Achieving the balance of the cost reduction will depend on managements discipline to reduce and control discretionary spending. The sales forecasts are based on work which is under contract for 2009 and beyond, as well as probability adjusted forecasts for projects on which the Company has placed or will place bids in the coming years. There are a number of risks that could affect those assumptions which include the failure of sales to materialize in its Alberta market, because of project delays or cancelations or because CEMATRIX's cellular concrete is not specified into projects, a delay in getting product acceptance in new markets such that the timeline for geographical diversification and an increase in infrastructure sales is longer than anticipated resulting in reduced sales and the inability of management to complete the targeted cost reductions.

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

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