CEMATRIX CORPORATION
Consolidated Financial Statements
(in Canadian dollars)
March 31, 2014

Management's Responsibility for Financial Reporting and Notice of No Auditor Review of the Interim Consolidated Financial Statements for the Quarter and Three Months Ended March 31, 2014

To the Shareholders:

CEMATRIX CORPORATION

Management has responsibility for preparing the accompanying consolidated financial statements. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgement. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has developed and maintains appropriate accounting and systems of internal control designed to provide reasonable assurance that reliable and relevant financial information is produced. In addition, programs of proper business conduct and risk management have been implemented to protect the Company's assets and operations. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable financial information for the preparation of the consolidated financial statements.

The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out these responsibilities principally through the Audit Committee (the "Committee"), which includes two independent directors.

The Committee has the responsibility of meeting with management to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the interim consolidated financial statements and reports its findings to the Board for approval.

The Company's external auditor MNP LLP, an independent firm of Chartered Accountants, has not performed a review of these interim consolidated financial statements.

May 8, 2014

Signed "Bruce McNaught" Chief Financial Officer
Bruce McNaught, CA

CEMATRIX CORPORATION
Consolidated Statements of Financial Position
As at March 31, 2014 (unaudited) and December 31, 2013 (audited)
(in Canadian Dollars)

		2014		2013
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**44,944**	$	17,017
Trade and other receivables *(note 5)*		**1,059,666**		1,537,197
Inventory *(note 6)*		**528,325**		526,470
Prepaid expenses and deposits		**103,869**		76,117
		1,736,804		2,156,801
Non Current Assets				
Property and equipment		**2,582,694**		2,496,989
Intangibles		**465,116**		465,116
Deferred taxes		**900,335**		726,581
		3,948,145		3,688,686
Total Assets	**$**	**5,684,949**	$	5,845,487
LIABILITIES and EQUITY				
Current Liabilities				
Bank overdraft	$	**-**	$	53.109
Bank operating loan *(note 7)*		**-**		435,000
Trade and other payables *(note 8)*		**293,878**		466,484
Current portion of long term debt *(note 9)*		**286,662**		286,662
Current portion of finance lease obligations		**54,124**		54,287
		634,664		1,295,542
Non Current Liabilities				
Long term debt *(note 9)*		**1,780,268**		673,761
Finance lease obligations		**129,100**		142,473
		1,909,368		816,234
Total Liabilities		**2,544,032**		2,111,776
SHAREHOLDERS' EQUITY				
Share capital *(note 10)*		**7,160,015**		7,160,015
Contributed surplus		**490,962**		361,198
Cumulative translation adjustment account		**10,886**		12,831
Deficit		**(4,520,946)**		(3,800,333)
Total Shareholders' Equity		**3,140,917**		3,733,711
Total Liabilities and Shareholders' Equity	$	**5,684,949**	$	5,845,487

Subsequent event *(note 22)*

Approved on behalf of the Board

Signed "Jeffrey Kendrick" **Director** *Signed "Steve Bjornson"* **Director**

The accompanying notes are an integral part of these consolidated financial statements.

CEMATRIX CORPORATION

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three months ending at March 31 (unaudited)
(in Canadian Dollars)

		2014		2013
Revenue *(note 21)*	**$**	**260,960**	$	1,997,842
Cost of sales *(note 12)*		**495,888**		1,556,306
Gross margin		**(234,928)**		441,536
Operating expenses				
General and administrative		**396,697**		227,170
Sales, marketing and engineering		**224,377**		198,163
Total operating expenses		**621,074**		425,333
Operating income (loss)		**(856,002)**		16,203
Other income (expenses) *(note 13)*		**1,017**		(304)
Finance costs *(note 14)*		**(39,382)**		(24,473)
Loss before income taxes		**(894,367)**		(8,574)
Provision of deferred taxes		**173,754**		(177)
Net loss attributable to the common shareholders		**(720,613)**		(8,751)
Unrealized foreign exchange gain on translation of foreign subsidiary		**(1,945)**		3,496
Total comprehensive loss	**$**	**(722,558)**	$	(5,255)
Loss per common share *(note 15)*				
Basic	**$**	**(0.02)**	$	-
Fully Diluted	**$**	**(0.02)**	$	-
Weighted average number of common shares *(note 15)*				
Basic		**33,465,994**		33,465,994
Fully Diluted		**33,465,994**		33,465,994

The accompanying notes are an integral part of these consolidated financial statements.

CEMATRIX CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

For the three months ending March 31 (unaudited)
(in Canadian Dollars)

	Share Capital	Share Purchase Warrants	Contributed Surplus	Cumulative Translation Adjustment Account	Deficit	Total Shareholders' Equity
Balance at January 1, 2014	**$ 7,160,015**	**$ -**	**$ 361,198**	**12,831**	**$ (3,800,333)**	**$ 3,733,711**
Share-based payments (note 16)	**-**	**-**	**129,764**	**-**	**-**	**129,764**
Net loss attributable to common shareholders	**-**	**-**	**-**	**-**	**(720,613)**	**(720,613)**
Unrealized foreign exchange loss on translation of foreign subsidiary	**-**	**-**	**-**	**(1,945)**	**-**	**(1,945)**
Balance at March 31, 2014	**$ 7,160,015**	**$ -**	**$ 490,962**	**10,886**	**$ (4,520,946)**	**$ 3,140,917**
Balance January 1, 2013	$ 7,160,015	$ 88,877	$ 758,734	994	$ (4,083,756)	$ 3,924,864
Expiry of share purchase warrants (note 11)	-	(88,877)	88,877	-	-	-
Share-based payments (note 16)	-	-	2,442	-	-	2,442
Net loss attributable to common shareholders	-	-	-	-	(8,751)	(8,751)
Unrealized foreign exchange gain on translation of foreign subsidiary	-	-	-	3,496	-	3,496
Balance at March 31, 2013	$ 7,160,015	$ -	$ 850,053	4,490	$ (4,092,507)	$ 3,922,051

The accompanying notes are an integral part of these consolidated financial statements.

CEMATRIX CORPORATION
Consolidated Statements of Cash Flows
For the three months ending March 31 (unaudited)
(in Canadian Dollars)

		2014		2013
Cash generated from (used in):				
Operating activities				
Net loss attributable to common shareholders	**$**	**(720,613)**	$	(8,751)
Add (deduct) non-cash items				
Provision of deferred taxes		**(173,754)**		177
Depreciation		**83,511**		76,259
Share-based payments *(note 16)*		**129,764**		2,442
Unrealized foreign exchange gain on translation of foreign subsidiary		**(1,945)**		3,496
		(683,037)		73,623
Net change in non-cash working capital items *(note 17)*		**275,318**		269,578
Cash generated from (used in) operations		**(407,719)**		343,201
Investing activities				
Purchase of property and equipment		**(169,216)**		(116,225)
Cash generated from (used in) investing activities		**(169,216)**		(116,225)
Financing activities				
Repayments of bank operating loan		**(435,000)**		(120,000)
Proceeds from BDC Financing		**106,507**		-
Proceeds from Secured Debenture		**1,000,000**		-
Repayments of finance lease obligations		**(13,536)**		(18,207)
Cash generated from (used in) financing activities		**657,971**		(138,207)
Increase in cash		**81,036**		88,769
Cash, beginning of period		**(36,092)**		(272,141)
Cash, end of period	**$**	**44,944**	$	(183,372)
Cash				
Cash and cash equivalents	**$**	**44,944**	$	15,731
Bank overdraft		**-**		(199,103)
Cash, end of period	**$**	**44,944**	$	(183,372)
Finance costs paid during the period	**$**	**39,383**	$	24,461

The accompanying notes are an integral part of these consolidated financial statements.

1. Corporate information

CEMATRIX Corporation ("CEMATRIX" or the "Company") is a limited company incorporated in the province of Alberta, Canada whose common shares are publicly traded on the TSX venture exchange under the symbol "cvx.v". It is domiciled in Canada with its registered office at 5440 - 53rd Street S.E., Calgary, Alberta, Canada.

Through its wholly-owned subsidiary, CEMATRIX (CANADA) Inc. and its subsidiary CEMATRIX (USA) Inc. the Company is a manufacturer and supplier of cellular concrete products with applications in a variety of markets. The current market focus is in the oil and gas sector in Western Canada and infrastructure construction in Western Canada, Ontario Canada and in the United States.

The consolidated financial statements of the Company for the quarter ended March 31, 2014 were authorized for issue in accordance with a resolution of the Board of Directors dated May 8, 2014.

2. Basis of preparation

Statement of compliance
These consolidated financial statements for the three month period ended March 31, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of measurement
These consolidated financial statements are stated in Canadian dollars and were prepared under the historical cost convention except for share-based payment transactions which are measured at fair value.

Use of estimates and judgments
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Judgements, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of judgements, estimates and assumptions that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2013. There have been no changes since that date.

(in Canadian dollars)

4. Significant accounting policies

The significant accounting policies of the Company are outlined in note 4 of the audited consolidated financial statements for the year ended December 31, 2013. There have been no changes since that date.

Future accounting pronouncements
Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after April 1, 2014 or later periods. The standards impacted that are applicable to the Company are as follows:

IFRS 2 Share-based payments - the amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 8 Operating segments - the amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

IFRS 9 Financial instruments - IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The mandatory effective date of January 1, 2015 has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

The Company does not expect any material impact on its consolidated financial statements from the adoption of these future accounting pronouncements.

5. Trade and other receivables

Trade and other receivables consist of the following components as at March 31, 2014 and December 31, 2013:

		2014		2013
Trade receivables	**$**	**978,927**	$	1,239,183
Holdbacks		**55,115**		307,687
Other receivables		**69,844**		52,871
Allowance for doubtful accounts		**(44,220)**		(62,544)
	$	**1,059,666**	$	1,537,197

(in Canadian dollars)

5. Trade and other receivables *(continued)*

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

The aging of the trade receivables was as follows as at March 31, 2014 and December 31, 2013:

		2014		2013
1-30 days	**$**	**77,626**	$	353,301
30-60 days		**385,220**		431,566
61-90 days		**-**		290,184
Greater than 90 days		**516,081**		164,132
	$	**978,927**	$	1,239,183

In determining the recoverable amount of a trade, holdbacks and other receivable, the Company performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties.

6. Inventory

Inventory consists of the following components as at March 31, 2014 and December 31, 2013:

		2014		2013
Raw materials (principally foaming agent)	**$**	**520,887**	$	516,418
Spare parts and marketing material		**7,438**		10,052
	$	**528,325**	$	526,470

Inventory expensed as part of cost of sales was $6,727 and $77,881, respectively, for the quarter ending March 31, 2014 and 2013. There were no inventory write-downs in either 2014 or 2013.

7. Bank operating loan

The bank operating loan as at March 31, 2014 and December 31, 2013 is outlined below:

		2014		2013
Bank operating loan	**$**	**-**	$	435,000

The Company has a revolving demand credit facility ("Credit Facility") with a Canadian chartered bank which, when utilized by the Company, provides loans to finance working capital for periods of time. Under the Credit Facility, the bank will advance up to $1,000,000 ($1,500,000 during period April 1 to October 31) on trade receivables less than ninety days outstanding at the end of each month, (75% from companies resident in

(in Canadian dollars)

7. Bank operating loan *(continued)*

Canada and 90% from qualifying companies resident in the United States) and 50% of inventories (up to a maximum $250,000). Based on these restrictions the actual credit facility availability at March 31, 2014 was $318,000 (December 31, 2013 - $971,000) of which $nil had been drawn down at March 31, 2014 ($435,000 at December 31, 2013).

The Company has an arrangement through Economic Development Canada to insure trade receivables for sales to qualified companies resident in the United States. The Company has completed a direct to pay of any insurance proceeds to the Company's bank. As a result of this arrangement the Company's bank has agreed to advance up to 90% of trade receivables from qualified companies resident in the United States on the Credit Facility.

Interest on the Credit Facility is at prime plus 2.25% (2013 – 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 tangible net worth ratio of less than 1.75:1. The Company is in compliance with the terms of its covenant.

8. Trade and other payables

Trade and other payables consist of the following components as at March 31, 2014 and December 31, 2013:

	2014	2013
Trade payables	**$ 176,710**	$ 298,178
Accrued interest	**6,108**	5,470
Other accruals	**77,841**	114,014
Payroll remittance and goods & services tax	**33,219**	48,822
	$ 293,878	$ 466,484

9. Long term debt

Long term debt consists of the following components as at March 31, 2014 and December 31, 2013:

	Maturity	**Interest rate**	**2014**	2013
BDC Financing				
Loan 1	December 1, 2016	Floating	**$ 257,400**	$ 257,400
Loan 3	October 1, 2020	Floating	**809,530**	703,023
			1,066,930	960,423
Secured Debenture	February 11, 2017	9%	**1,000,000**	-
			2,066,930	960,423
Less current portion			**(286,662)**	(286,662)
			$ 1,780,268	$ 673,761

In May 2012, the Company`s wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the Business Development Bank of Canada ("BDC") which provided working capital and capital expenditure financing ("BDC Financing") .

(in Canadian dollars)

9. Long term debt *(continued)*

Loan 1 - This loan of $430,000 was fully drawn down in 2012.

The interest rate on the loan is variable and based on the BDC floating base rate, currently set at 5% plus 1.71%. The loan is repayable over four years, commencing on July 1, 2012, with payments of principal of $14,300 required from July to December of each year. Interest is payable monthly.

Loan 2 - In May 2013 this loan, of which $269,000 was outstanding, was superseded into Loan 3 below.

Loan 3- In May 2013, the Company's wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the BDC for a new loan of $1,406,000 ("BDC Capital Financing"). The outstanding amount under the BDC Capital Financing is $809,530 at March 31, 2014 ($703,023 at December 31, 2013). The loan, of which $529,550 is undrawn, will be used to support planned equipment additions and will be drawn down as these expenditures are incurred. The interest rate is based on the BDC floating base rate, currently at 5%, plus 1.75%. The loan is repayable over seven years, commencing with payments of principal on November 1, 2013 of $33,443 and on December 31, 2013 of $33,477 and payments of principal of $33,477 required from July to December of each year thereafter. Interest is payable monthly.

The BDC Financing is secured with a General Security Agreement providing a first security interest in the Company's current owned equipment and new equipment acquired pursuant to the capital loan and a security interest in all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Company's line of credit and future charges on specific equipment to a creditor for financing the purchase or lease thereof.

In February 2014 the Company issued a secured debenture for $1,000,000 ("Secured Debenture"). The Secured Debenture bears interest of 9%, payable monthly, and is repayable in full in 3 years. The Secured Debenture is secured by the Company's current owned equipment and new equipment acquired, subject to the priority of the BDC Financing. The Secured Debenture is further secured by all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Company's line of credit and any charges on specific equipment for financing the purchase or lease thereof

10. Share capital

(a) Authorized

Unlimited number of no par value voting common shares
Preferred shares – to be issued in series as authorized by the directors

b) Issued

The issued common share of the Company at March 31, 2014 and December 31, 2013 are outlined below:

	Number Of Shares	**2014 $ Amount**	Number Of Shares	2013 $ Amount
Common shares, end of year	**33,465,994**	**$7,160,015**	33,465,994	$7,160,015

(in Canadian dollars)

10. Share capital *(continued)*

(c) Common shares

During the three months ended March 31, 2014 and the year ended December 31, 2013 no common shares were issued by the Company.

(d) Share acquisition loans

Share acquisition loans of $113,125 were issued to management in previous years to purchase shares of the Company. The loans bear no interest. As of December 31, 2007 the share acquisition loans were re-issued as demand loans. The loans have been included as a reduction of share capital since their issuance in 1999 and 2000.

11. Share purchase warrants

On January 22, 2013, the warrants issued by the Company in 2010 expired. No warrants were exercised and the value assigned to the warrants of $88,877 was reclassified to contributed surplus.

12. Cost of sales

Cost of sales consists of the following components for the three months ending March 31, 2014 and 2013:

		2014		2013
Manufacture of cellular concrete				
Materials	**$**	**116,055**	$	990,969
Direct labour		**146,704**		226,424
Variable expenses		**86,287**		183,058
Fixed overhead		**67,307**		82,388
Depreciation		**79,535**		73,467
	$	**495,888**	$	1,556,306

13. Other expenses

Other expenses for the three months ending March 31, 2014 and 2013 consist of the following:

		2014		2013
Foreign exchange gains (losses)	**$**	**1,017**	$	**(304)**

(in Canadian dollars)

14. Finance costs

The finance costs incurred for the three months ending March 31, 2014 and 2013 are as follows:

		2014		2013
Interest				
BDC Financing	**$**	**16,913**	$	12,924
Secured Debenture		**11,938**		-
Finance lease obligations		**4,153**		3,510
Bank operating loan		**4,649**		6,481
Other		**1,729**		1,558
	$	**39,382**	$	24,473

15. Loss per common share

The number of common shares included in the computation of basic and diluted loss per common share for the three months ending March 31, 2014 and 2013 is as follows:

	2014	2013
Weighted average common shares outstanding - basic	**33,465,994**	33,465,994
Effect of stock options	**-**	-
Effect of share purchase warrants	**-**	-
Weighted average common shares outstanding – fully diluted	**33,465,994**	33,465,994

The stock options and the share purchase warrants for the three months ended March 31, 2014 and 2013 have no dilutive effect as the Company realized a net loss in the periods.

16. Share-based payments

The Company has an option plan for the issue of up to 10% of the issued and outstanding common shares of the Company. All options that are outstanding will expire upon maturity, or earlier, if the optionee ceases to be a director, officer, employee or consultants or there is a merger, amalgamation or change in control of the Company. The purpose of the option plan is to reward and retain directors, management and consultants important to the continued operation and growth of the Company.

At March 31, 2014, the Company had 781,599 shares reserved for the issuance of stock options (December 31, 2013 – 1,681,599).

In the three months ended March 31, 2014 the Company issued 900,000 options to directors and employees. No options were granted in the three months ended March 31, 2013.

Options issued to employees and directors generally vest as to one third immediately on grant and one third on each of next two anniversary dates. The options issued to The Howard Group, the Company’s investor relation firm, vested as to one quarter every three months from the date of grant on April 1, 2013. The options issued in March 2014 vested immediately.

(in Canadian dollars)

16. Share-based payments *(continued)*

The following table summarizes the changes in options for the three months ended March 31, 2014 and the year ended December 31, 2013:

	2014		2013	
	Number of Options	**Weighted average price**	Number of Options	Weighted average price
Outstanding, beginning of period	**1,665,000**	**$0.150**	2,665,000	$0.140
Granted	**900,000**	**$0.145**	300,000	0.150
Expired	**-**	**-**	(1,300,000)	0.130
Outstanding, end of period	**2,565,000**	**$0.148**	1,665,000	$0.150
Exercisable, end of period	**2,490,000**	**$0.148**	1,515,000	$0.150

There are 75,000 options that have not vested as at March 31, 2014 (December 31, 2013 – 150,000 options).

The following table summarizes the options to acquire common shares outstanding as at March 31, 2014:

Grant Date	Number Options	Exercise Price $	Weighted average remaining life (years)	Expiry Date
March 16, 2010	150,000	0.150	0.96	March 16, 2015
July 15, 2011	1,215,000	0.150	0.29	July 15, 2014
April 1, 2013	300,000	0.150	2.01	April, 1,2006
March 26, 2014	900,000	0.145	4.99	March 26, 2019
	2,565,000			

Share-based payments for the three months ending March 31, 2014 and 2013 of $129,764 and $2,442, respectively, were recognized in the consolidated statement of loss and comprehensive loss with an offsetting amount charged to contributed surplus. Share-based payments have no current period impact on the Company's cash position.

At the date of grant, the per share fair value of the options granted and other assumptions, using the Black-Scholes option pricing model are as follows:

	2014	2013
Estimated per share fair value per option	$0.14	-
Risk-free interest rate	1.51%	-
Expected life	5 years	-
Expected volatility in stock price	151%	-
Expected annual dividend yield	nil	-
Estimated forfeiture rate	nil	-

The options issued to The Howard Group in 2013 pursuant their investor relations agreement have been valued at the fair value of the services provided.

(in Canadian dollars)

17. Change in non cash working capital

The changes in non cash working capital items - asset (increase) decrease and liability increase (decrease) - are outlined below for the three months ending March 31, 2014 and 2013.

	2014	2013
Trade and other receivables	**$ 477,531**	$ 362,173
Inventory	**(1,855)**	69,917
Prepaid expenses and deposits	**(27,752)**	9,643
Trade and other payables	**(172,606)**	(172,155)
	$ 275,318	$ 269,578

18. Related party transactions

During the three months ending March 31, 2014, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of $3,903 ($2,003 for the three months ending March 31, 2013).

There were no other significant related party transactions

19. Financial instruments and risk management

Set out below is a comparison, by category, and how the fair value of financial instruments are measured.

Fair values

The fair values of cash and cash equivalents, trade and other receivables, bank overdraft, bank operating loan, and trade and other payables approximate their carrying values due to the relatively short periods to maturity of these instruments. The fair value of long term debt approximate its carrying value as the debt rate floats with prime.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market date.

The Company's cash and cash equivalent is measured based on Level 1. Trade and other receivables, bank overdraft, bank operating loan, and trade and other payables are measured based on Level 3. There were no

19. Financial instruments and risk management *(continued)*

transfers between level 1 and 2 inputs during the year. Long-term debt is measured based on Level 3 using the effective interest rate method.

Risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign exchange 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 loan facility with a Canadian chartered bank which, when utilized by the Company, provides loans that are subject to floating market rates. The Company had a balance outstanding for this loan facility at March 31, 2014 of $nil. Future cash flow requirements could require the Company to utilize its line of credit to finance working capital for periods of time and during these time periods it would be exposed to interest rate risk. In addition, the BDC Financing loans which had a balance of $1,066,930 outstanding at March 31, 2014 are subject to floating market rates. Based on the floating rate debt outstanding as at March 31, 2014 a 1% increase/decrease in interest rates would result in a decrease/increase in net income (loss) attributable to common shareholders of approximately $8,000.

(b) Credit Risk
Financial instruments that subject the Company to credit risk consist primarily of trade receivables. The Company manages credit risk using credit approval and monitoring practices. At March 31, 2014, 7 customers accounted for approximately 97% of trade receivables (at December 31, 2013, 7 customers accounted for approximately 92% of trade receivables). (See Note 5 for details of credit policy and aging of outstanding trade receivables at March 31, 2014 and December 31, 2013).

(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, 2014, the Company had access to $1,000,000 in bank operating line financing subject to advance restrictions on the level of receivables and inventories (note 9). Based on these restrictions the actual operating line availability at March 31, 2014 was $318,000 (December 31, 2013 - $971,000). The undrawn operating line at March 31, 2014 was $318,000 (December 31, 2013 - $536,000) and the undrawn BDC Capital Financing was $529,550 at March 31, 2014 (December 31, 2013 - $636,057).

19. Financial instruments and risk management *(continued)*

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2014 and December 31, 2013 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 5 years	Total
As at March 31, 2014				
Bank overdraft	$ **-**	$ **-**	$ **-**	$ **-**
Bank operating loan	**-**	**-**	**-**	**-**
Trade and other payables	**293,878**	**-**	**-**	**293,878**
Long-term debt	**286,662**	**286,662**	**1,493,606**	**2,066,930**
Finance lease obligations	**54,124**	**56,938**	**72,162**	**183,224**
	$ **634,664**	$ **343,600**	$ **1,565,768**	$ **2,544,032**
As at December 31, 2013				
Bank overdraft	$ 53,109	$ -	$ -	$ 53,109
Bank operating loan	435,000	-	-	435,000
Trade and other payables	466,484	-	-	466,484
Long-term debt	286,662	286,662	387,099	960,423
Finance lease obligations	54,287	55,542	86,931	196,760
	$ 1,295,542	$ 342,204	$ 474,030	$ 2,111,776

(d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to trade receivables, and the collection thereof, denominated in $US dollars ("USD") and the operations of its US subsidiary which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain.

As at March 31, 2014 and December 31, 2013 the following balances are denominated in USD:

	2014	2013
Cash and cash equivalents	**$ 21,240**	$ 15,704
Trade and other receivables	**$ 17,666**	$ 17,666
Inventory	**$ 1,906**	$ 1,906
Prepaid expenses and deposits	**$ 13,055**	$ 12,063
Trade and other payables	**$ 9,996**	$ 26,362

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at March 31, 2014 a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total comprehensive income (loss) of approximately $2,400.

(in Canadian dollars)

20. Capital management

Management defines capital as the Company's total shareholders' equity, its long term debt and finance lease obligations. The Board of Directors does not establish a quantitative return on capital for management, but rather promotes year over year sustainable profitable growth. The Company's current objective when managing capital is to increase the Company's capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders in relation to the risks underlying the Company's assets.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the three months ended March 31, 2014. The Company is subject to externally imposed capital requirements on its operating loan. As of March 31, 2014, the Company is in compliance with its debt covenants (see Note 7).

Total capitalization

		2014		2013
Long term debt (*Note 9*)	**$**	**2,066,930**	$	960,423
Finance lease obligations		**183,224**		196,760
Total debt		**2,250,154**		1,157,183
Shareholders' equity		**3,140,917**		3,733,711
	$	**5,391,071**	$	4,890,894

21. Geographical segmented information

The Company's primary business is the supply and placement of cellular concrete. It currently markets its services in Canada and the United States. The following tables present the sales to external customers for the quarters ending March 31, 2014 and 2013 and the total non-current assets attributable to the Company's geographical segments as at March 31, 2014 and December 31, 2013:

		2014		2013
Sales to external customers				
Canada	**$**	**260,960**	$	**1,997,842**
United States		**-**		**-**
	$	**260,960**	$	**1,997,842**

		2014		2013
Total non-current assets				
Canada	**$**	**3,944,600**	$	3,683,926
United States		**3,545**		4,760
	$	**3,948,145**	$	3,688,686

22. Subsequent event

In March 2014 the Company's wholly owned subsidiary, CEMATRIX (CANADA) Inc., renewed the lease on its Calgary office for a 5 year period from January 1, 2015 at an annual lease cost of $277,168.