CEMATRIX CORPORATION
Consolidated Financial Statements
March 31, 2007
(Unaudited)

Notice of No Auditor Review of Interim Financial Statements
First Quarter Report for the Three Months Ended March 31, 2007

To the Shareholders:
CEMATRIX CORPORATION

The accompanying unaudited consolidated financial statements for the first quarter ended March 31, 2007 of CEMATRIX CORPORATION have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor, Meyers Norris Penny LLP, has not performed a review of these financial statements.

May 29, 2007

"Jeff Kendrick" Chief Executive Officer
Jeff Kendrick, CA
May 29, 2007

CEMATRIX CORPORATION
Consolidated Balance Sheets
As at

	March 31, 2007 (unaudited)	*December 31, 2006*
Assets		
Current		
Cash	**77,844**	400,218
Accounts receivable *(Note 5)*	**1,002,296**	477,734
Inventory	**316,481**	339,853
Prepaid expenses and deposits	**31,679**	28,967
	1,428,300	1,246,772
Property, plant and equipment *(Note 6)*	**1,230,888**	1,232,317
Patents, trademarks and technology *(Note 7)*	**516,628**	518,878
Product development costs *(Note 8)*	**315,358**	367,108
	3,491,174	3,365,075
Liabilities		
Current		
Bank operating line (Note 9)	**25,000**	**-**
Accounts payable and accrued liabilities *(Note 5)*	**601,917**	269,923
Current portion of Agriculture Financial Services Corporation loan payable *(Note 11)*	**51,605**	47,606
Notes payable *(Note 10)*	**117,225**	156,300
Current portion of capital lease obligations *(Note 12)*	**23,575**	23,555
	819,322	497,384
Agriculture Financial Services Corporation loan payable *(Note 11)*	**180,078**	180,078
Capital lease obligations *(Note 12)*	**36,953**	42,943
	1,036,353	720,405
Going Concern (*Note 3*)		
Commitments (*Note 16*)		
Subsequent Events (*Note19*)		
Shareholders' Equity		
Share capital *(Note 14)*	**6,940,767**	6,940,767
Share purchase warrants *(Note 14)*	**72,264**	72,264
Contributed surplus *(Note 14)*	**254,860**	254,860
Deficit	**(4,813,070)**	(4,623,221)
	2,454,821	2,644,670
	3,491,174	3,365,075

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

CEMATRIX CORPORATION
Consolidated Statements of Loss and Deficit
For the first quarter ended March 31
(Unaudited)

	2007	*2006*
Revenue	**768,474**	603,396
Cost of sales	**553,845**	378,723
Gross Margin	**214,629**	224,673
Expenses		
Finance	**11,460**	111,867
General and administrative	**176,559**	126,023
Sales, marketing and engineering	**133,677**	108,382
Amortization	**82,782**	93,127
	404,478	439,399
Net operating loss for the quarter	**(189,849)**	(214,726)
Other non-operating income	**-**	2,072
Net loss for the quarter	**(189,849)**	(212,654)
Deficit, beginning of year	**(4,623,221)**	(4,197,394)
Deficit, end of quarter	**(4,813,070)**	(4,410,048)
Loss per share		
Basic	**(0.006)**	(0.009)
Fully diluted	**(0.005)**	(0.009)
Weighted average number of common shares		
Basic	**32,976,047**	23,281,162
Fully diluted	**39,031,485**	23,281,162

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

CEMATRIX CORPORATION
Consolidated Statements of Cash Flows
For the first quarter ended March 31
(Unaudited)

	2007	*2006*
Cash provided by (used in):		
Operating activities		
Net loss for the quarter	**(189,849)**	(212,654)
Items not affecting cash		
Amortization of patents, trademarks and technology	**2,250**	2,250
Amortization of product development costs	**51,750**	59,400
Amortization of property, plant and equipment	**28,782**	31,477
	(107,067)	(119,527)
Net change in non-cash working capital items	**(206,964)**	183,778
	(314,031)	64,251
Investing activities		
Purchase of property, plant and equipment	**(27,353)**	(11,328)
Product development costs incurred net of investment tax credit adjustments	**-**	(31,500)
	(27,353)	(42,828)
Financing activities		
Repayment of capital lease obligations	**(5,990)**	(5,031)
Repayment of Agricultural Financial Services Corporation loan	**-**	(7,457)
	(5,990)	(12,488)
Increase (decrease) in cash	**(347,374)**	8,935
Cash, beginning of year	**400,218**	1,523
Cash, end of quarter	**52,844**	10,458
Cash balance	**77,844**	10,458
Operating line	**(25,000)**	-
	52,844	10,458
Supplementary cash flow information:		
Interest paid	**11,460**	111,867

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

1. Incorporation and operations

CEMATRIX CORPORATION (the "Company" or "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".

These Interim Consolidated Financial Statements should be read in conjunction with the audited Annual Consolidated Financial Statements and the notes thereto for the year ended December 31, 2006.

Reverse Takeover and Amalgamation

The Company was classified as a capital pool company ("CPC") under the rules of the TSX Venture Exchange (the "Exchange"). As a CPC, the Company's principal business was to identify and evaluate businesses and assets with a view to potentially acquire them or an interest therein which would constitute the Company's Qualifying Transaction as required by the policies of the Exchange.

Effective April 11, 2006, the Company successfully completed the acquisition (the "Acquisition") of all of the issued and outstanding common shares of CEMATRIX (Canada) Inc. ("Old CEMATRIX") by way of an amalgamation pursuant to the terms of an amalgamation agreement dated December 29, 2005 between the Company, Old CEMATRIX and 1203621 Alberta Ltd. ("Subco"). The terms of the Acquisition, as per the Amalgamation Agreement were as follows:

1. Effective April 11, 2006, Old CEMATRIX and Subco amalgamated (the "Amalgamation") to form "CEMATRIX (Canada) Inc." ("New CEMATRIX").
2. Each issued and outstanding Old CEMATRIX common share was cancelled and exchanged for one common share of the Company at a deemed price of $0.30 per share, resulting in the issuance of an aggregate of 23,281,162 CEMATRIX common shares to the former holders of common shares of Old CEMATRIX.
3. As consideration for the issuance by the Company of common shares to effect the Amalgamation, New CEMATRIX issued to the Company one common share for each common share issued by the Company.
4. The Company cancelled previously issued options in exchange for new options to purchase a total of 840,000 common shares to the directors, officers, employees and contractors of the Company. (See note 15 Share Capital for detailed breakdown).

Upon completion of the above transactions, New CEMATRIX became the wholly-owned subsidiary of the Company and carries on the operations of Old CEMATRIX. Through New CEMATRIX, the Company manufactures and provides technologically advanced cellular concrete products with applications in a variety of markets. Effective April 24, 2006, the Company was no longer considered a CPC as a result of the completion of the Acquisition and the Company is now classified by the Exchange as a Tier II Industrial Issuer and is based in Calgary, Alberta.

2. Basis of consolidation

The acquisition of the shares of Old CEMATRIX has been accounted for as a reverse takeover transaction in accordance with guidance provided in Emerging Issues Committee Abstract No. 10 ("EIC 10") and has therefore been accounted for as a capital transaction. The issuance of treasury shares by the Company has been recorded by eliminating CEMATRIX's share capital resulting in an increase to retained earnings by $773,963, less the deficit which existed in CEMATRIX, prior to amalgamation of $224,463, resulting in a net increase to opening retained earnings of $549,500. Costs associated with completing the qualifying transaction (the "QT") and removing the condition of the Company as a Capital Pool Company totaling $208,250 have been charged to Retained Earnings in accordance with Guidance provided from EIC 10.

2. Basis of consolidation (continued)

These financial statements and the amounts reported for prior periods reflect the assets, liabilities and results of operations of Old CEMATRIX, the legal subsidiary, prior to reverse takeover and the consolidated assets, liabilities and results of operations of the Company and Old CEMATRIX subsequent to the reverse takeover. The consolidated financial statements are issued under the name of the legal parent but are deemed to be a continuation of the legal subsidiary (Old CEMATRIX). The comparative comparative results of operations and cash flows for the first quarter ended March 31, 2006 are those of Old CEMATRIX. Likewise, the earnings per share for comparative periods has been computed by dividing the total earnings by the number of shares issued in the reverse takeover transaction.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, New CEMATRIX and the subsidiaries of New CEMATRIX: CEMATRIX (Calgary) Ltd. (100% owned) and CEMATRIX (U.S.) Inc (90% owned). The Company has consolidated the assets, liabilities, revenues and expenses of its subsidiaries after the elimination of inter-company transactions and balances.

3. Going concern

As the Company is in its development stage, it has incurred recurring operating losses resulting in an accumulated deficit of $4,813,070 (December 31, 2006 - $4,623,221) and a positive working capital of $608,978 (December 31, 2006 – $749,388). To remain a going concern, the Company must become profitable and be able to rely on the continued ability to raise necessary capital through issuance of shares or debt. It cannot be determined at this time whether these objectives will be maintained. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

4. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in first-out method.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives.

Automobiles	30% declining balance
Leasehold improvements	Lease term plus option
Computer equipment and software	30% declining balance
Equipment and cellular material processors	20% declining balance
Equipment – dry mix processors	Per cubic metre produced based on estimated output of equipment over its useful life
Furniture and fixtures	20% declining balance

4. Significant accounting policies (continued)

Amortization is charged in the year the asset becomes available for use.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of the lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital lease are amortized on the declining balance basis over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Patents, trademarks and technology

The Company has adopted the Canadian Institute of Chartered Accountants' (CICA) guidance for "Goodwill and Other Intangible Assets" effective January 1, 2004. The standards require that intangible assets with an indefinite life, such as trademarks and technology, no longer be amortized but tested for impairment at least annually. The Company assesses impairment based on comparing book value to the estimated discounted future cash flows from the intangible assets and any impairment is included in current year earnings. Previously trademarks and technology were recorded at historical cost and amortized on a straight-line basis over ten years for trademarks and fifteen years for technologies.

Intangible assets with a finite life, such as patents, are recorded at cost, are amortized on a straight-line basis over ten years, and are tested for impairment at least annually.

Product development costs

Costs incurred under the Company's ongoing product development program which meet specified criteria related to technological, market and financial feasibility are deferred and amortized over a period of three years, commencing with the year following the year in which the costs are incurred.

Long-lived assets

Long-lived assets consist of property, plant and equipment, patents, trademarks and technology and product development costs. Long lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's value. Any impairment is included in earnings for the year.

Revenue recognition

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.

Segmented information

The Company is a manufacturer and supplier of technologically advanced cellular concrete products with applications in a variety of markets, currently focusing on the oil and gas construction and infrastructure construction markets. These applications include the insulating of tank bases, roads, shallow utilities, fire waterlines, facilities and piles at refinery and oil sand construction and expansion projects in Fort McMurray and Fort Saskatchewan, together with road, bridge and shallow utility infrastructure projects throughout Western Canada, but primarily in Alberta. Management has determined that the Company operates in one industry and in one geographical location.

4. Significant accounting policies (continued)

Investment tax credits

Prior to becoming a public company, the Company was entitled to investment tax credits on certain research and product development costs incurred. These credits are recognized against the related costs when there is reasonable assurance of their recovery.

Stock-based compensation

Stock options issued are accounted for in accordance with fair value accounting for stock-based compensation. The associated compensation expense is charged to earnings (loss) with a corresponding increase in contributed surplus, over the vesting period of the grant. The fair value of each stock option granted is estimated on the date of grant using the Black Scholes option pricing model. As the options are exercised, consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital.

Future income taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

Foreign currency translation

Expenses and capital asset purchases denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the balance sheet date and translation gains and losses are included in current earnings.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Investment tax credits recoverable included in accounts receivable are accrued based on management's assessment of estimated recoverable amounts. Provisions are made for slow moving and obsolete inventory. Amortization of property, plant and equipment, product development costs and patents is based on the estimated useful lives of these assets. Product development costs are deferred based on expected future benefits from these expenditures. The impairment test for intangible assets is based on assumptions regarding future business volumes, sales prices, costs, cash flows, discount rates and other relevant assumptions.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

4. Significant accounting policies (continued)

Financial Instruments and Comprehensive Income

Effective January 1, 2007, the Company adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Comprehensive Income ("Section 1530"); Financial Instruments – Recognition and Measurement ("Section 3855"); Financial Instruments – Presentation and Disclosure ("Section 3861"). These sections require certain financial instruments and hedge positions to be recorded at fair value. The standards also introduce the concept of comprehensive income and accumulated comprehensive income. The accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements.

Comprehensive Income
Section 1530 requires the presentation of comprehensive income, which consists of net income and other comprehensive income ("OCI"). OCI represents changes in shareholders' equity during a period and includes items such as unrealized gains and losses on financial assets classified as available-for-sale.

Financial Instruments – Recognition and Measurement
Section 3855 establishes that all financial assets and financial liabilities must be initially recorded at fair value on the consolidated balance sheet. Financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Subsequent measurement is determined by the classification of each financial asset and liability, according to the categories below.

Financial instrument classification	**As Classified by CEMATRIX**	**Subsequent measurement of gains or losses at each period end**
Assets or liabilities held for trading	Cash and bank operating line	Fair value; unrealized gains or losses recognized in net income
Loans and receivables	Accounts receivable	Amortized cost using the effective interest rate method; if asset is derecognized or asset is impaired, recognized in net income
Other financial liabilities	Accounts payable and accrued liabilities; Notes payable, AFSC loan payable; Capital lease obligations	Fair value initially, then amortized cost in subsequent periods using the effective interest rate method; if liability is impaired, recognized in net income.

The Company has applied the new standards for classification of financial assets and liabilities effective January 1, 2007 in accordance with GAAP. No adjustments to the December 31, 2006 carrying amounts were required.

5. Accounts receivable and accounts receivable factoring

Included in accounts receivable are income tax credits recoverable for eligible scientific research and experimental development expenditures (SR&ED) incurred prior to the Company becoming a public company. Estimated recoverable amounts are accrued when management is reasonably assured that the related expenditures will be deemed eligible by the taxation authorities. Actual recoverable amounts may differ materially from these estimates.

5. Accounts receivable and accounts receivable factoring (continued)

At March 31, 2007, the tax credits recoverable were estimated at $80,233 (December 31, 2006 - $80,233) of which $13,500 relates to expenditures made in 2006 and $66,733 relates to expenditures in 2005. During the year-ended December 31, 2006, a total of $120,476 in tax credits were received by the Company; $102,716 in tax credits were from fiscal 2004 and $17,760 were from 2002.

During 2006, the Company had a credit facility agreement with a shareholder for specific receivables to fund current working capital requirements. The facility enabled the Company to sell to the shareholder a specific receivable on a with-recourse basis. The facility was repaid upon collection of the related receivable. As the Company retained significant risks relating to the accounts receivable being sold, the accounts receivable remained in the Company's financial statements and the amounts advanced by the purchaser were recognized as an account payable. Funds advanced under this facility were equal to up to 80% of the gross amount of the invoice including GST having a carrying value of $Nil (December 31, 2006 - $Nil). The outstanding amount bore interest at 2 – 2.5% per month and was secured by the specific receivable. At March 31, 2007, accounts payable and accrued liabilities includes $Nil (December 31, 2006 – $Nil) relating to this credit facility. This facility was replaced in 2006 with the RBC Operating Loan Facility (Note 9).

6. Property, plant and equipment

	Cost	*Accumulated Amortization*	*March 31, 2007 Net Book Value*
Automobiles	**79,244**	**52,949**	**26,295**
Buildings and leasehold improvements	**39,100**	**37,314**	**1,786**
Computer equipment and software	**98,869**	**74,668**	**24,201**
Equipment and cellular material processors	**968,826**	**550,646**	**418,180**
Equipment – dry mix processors	**766,670**	**13,322**	**753,348**
Furniture and fixtures	**22,194**	**15,116**	**7,078**
	1,974,903	**744,015**	**1,230,888**

	Cost	*Accumulated Amortization*	*December, 31 2006 Net Book Value*
Automobiles	**78,344**	**50,891**	**27,453**
Buildings and leasehold improvements	**39,100**	**37,290**	**1,810**
Computer equipment and software	**98,869**	**72,705**	**26,164**
Equipment and cellular material processors	**949,866**	**528,636**	**421,230**
Equipment – dry mix processors	**759,397**	**10,955**	**748,442**
Furniture and fixtures	**21,974**	**14,756**	**7,218**
	1,947,550	**715,233**	**1,232,317**

During the first quarter of 2007, additions to property, plant and equipment totalled $27,353 (December 31, 2006 - $94,620) of which $ Nil (December 31, 2006 - $4,177) were acquired by means of capital leases, $27,353 (December 31, 2006 - $90,443) were acquired by means of cash and $Nil (December 31, 2006 - $Nil) were acquired by means of financing. Property, plant and equipment includes equipment and automobiles under capital lease with a gross cost of $292,186 (December 31, 2006 - $292,186) and accumulated amortization of $181,873 (December 31, 2006 - $177,430). Amortization of property, plant and equipment for the first quarter-ended March 31, 2007 was $28,782 (March 31, 2006 - $31,477).

7. Patents, trademarks and technology

	Cost	*Accumulated Amortization*	*March 31, 2007 Net Book Value*
Patents	**90,000**	**65,250**	**24,750**
Trademarks	**12,863**	**3,858**	**9,005**
Technology	**537,872**	**54,999**	**482,873**
	640,735	**124,107**	**516,628**

	Cost	*Accumulated Amortization*	*December 31, 2006 Net Book Value*
Patents	**90,000**	**63,000**	**27,000**
Trademarks	**12,863**	**3,858**	**9,005**
Technology	**537,872**	**54,999**	**482,873**
	640,735	**121,857**	**518,878**

Amortization of patents charged for the first quarter ended March 31, 2007 was $2,250 (March 31, 2006: $2,250).

8. Product development costs

	Cost	*Accumulated Amortization*	*March 31, 2007 Net Book Value*
Product development costs	**1,629,063**	**1,313,705**	**315,358**

	Cost	*Accumulated Amortization*	*December 31, 2006 Net Book Value*
Product development costs	**1,629,063**	**1,261,955**	**367,108**

Product development costs capitalized during the quarter year-ended March 31, 2007 amounted to $Nil (December 31, 2006 - $196,062). Research and development tax credits in the amount of $Nil (December 31, 2006 – ($13,500) net of prior year investment tax credit adjustments of $Nil (December 31, 2006 – $39,233) were applied to adjust this balance. Amortization of product development cost of $51,750 (March 31, 2006 - $59,400) was charged during the period.

9. Bank operating line

During the 2006 year-end, the Company opened a $750,000 Demand Operating Facility with the Royal Bank of Canada. 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. 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 tangible net worth ratio of less than 1.75:1. The balance at March 31, 2007 was $25,000 (December 31, 2006: $Nil) and the Company is in compliance with the terms of the covenants. This facility was increased to $1,500,000 effective April 30, 2007 (see Note 19). Finance expenses include interest on operating loans in the amount of $550 (March 31, 2006 - $Nil).

10. Notes payable

On December 31, 2006, the Company entered into an agreement to extend the terms of the Notes Payable that were due January 31, 2007 to December 31, 2007. The notes payable are now due on December 31, 2007 and bear interest at an annual rate of 12.5% and the Company will make monthly payments of principal in the amount of $13,025 plus earned interest, commencing January 31, 2007, with the final payment due December 31, 2007.

The notes payable are due to related parties as described in Note 15. Finance expenses include interest on the notes payable of $4,416 (March 31, 2006 - $1,433).

11. Agriculture Financial Services Corporation loan payable

During 2005, the Company borrowed $300,000 from the Agricultural Financial Services Corporation ("AFSC") to be used to complete the acquisition of equipment with a cost of $571,500. The AFSC loan is payable over five years with monthly payments of $11,137 (including interest) commencing October 1, 2005. The interest rate for the initial three year period is 7.85%. The monthly payments run from July to December each year. The loan is secured by equipment and a General Security Agreement. The executive managers of CEMATRIX have each provided personal guarantees in the amount of $300,000 and are covered by life insurance. At March 31, 2007, $231,683 (December 31, 2006 - $227,684) of this loan is unpaid.

During 2001, the Company borrowed $280,000 from the AFSC. The five-year loan bears interest at 7.3% and was secured by specific capital equipment, personal guarantees by the founding shareholders and life insurance policies on those founding shareholders. The loan was repayable in equal monthly blended payments of $14,069. Monthly payments were made July to December each year, with the final payment being made December 1, 2006.

Finance expenses include interest on AFSC loans in the amount of $3,999 (March 31, 2006 - $6,195).

12. Capital lease obligations

Capital leases, which relate to the purchase of equipment, bear interest at 10.00% to 21.19%, are repayable in blended monthly payments totalling $5,990 and mature from April 2006 to October 2008. The annual future commitments under the leases are as follows:

2007	30,527
2008	38,201
2009	512
	69,240
Less imputed interest	8,712
	60,528
Current portion	23,575
	36,953

Finance expenses include interest on capital lease obligations in the amount of $2,416 (March 31, 2006 - $3,701).

13. Convertible loans

Convertible loans consisted of the following:

- Series V debenture was a one-year convertible, redeemable 11% debenture with interest payable quarterly, maturing January 1, 2007. The debenture was convertible at $2.00 per common share. This amount was repaid in full in December 2006.

- The convertible loan was due January 1, 2007 and bore interest at 11% per annum. The loan amount plus accrued interest automatically converted into 4,237,500 common shares of the Company upon approval of the amalgamation with a Capital Pool Company. (See Note 14).

  The promissory note was due December 31, 2006 and bore interest at 12% per annum. The principal amount of the promissory note plus accrued interest automatically converted into 1,456,652 common shares of the Company upon approval of the amalgamation with a Capital Pool Company. (See Note 14).

  Upon completion of the QT, effective April 11, 2006, the Convertible loan and the promissory note was converted into $1,138,831 worth of common shares (see Note 14).

- Finance charges include interest on debentures, convertible loans and convertible notes payable of $Nil ($37,712).

14. Share capital

Authorized

Unlimited number of common shares
Preferred shares – to be issued in series as authorized by the directors

Issued

	Number Of Shares	***2007 $ Amount***	*Number Of Shares*	*2006 $ Amount*
Old CEMATRIX				
Common shares				
Beginning of year – Old CEMATRIX			17,587,010	$4,224,871
Shares issued on conversion of convertible loans			5,694,152	1,138,831
Total shares of Old CEMATRIX prior to amalgamation			23,281,162	5,363,702
Shares of Old CEMATRIX cancelled upon amalgamation			(23,281,162)	(5,363,702)
			-	$ -
New CEMATRIX				
Beginning of year – New CEMATRIX (see Note 2)	**32,976,047**	**$6,940,767**	3,095,000	$ -
Shares of New CEMATRIX issued upon amalgamation	**-**	**-**	23,281,162	5,363,702
Shares issued as part of Offering	**-**	**-**	6,599,885	1,979,966
Share issue costs	**-**	**-**	-	(330,637)
Issuance of Warrants pursuant to Offering	**-**	**-**	-	(72,264)
Common shares – end of period	**32,976,047**	**$6,940,767**	32,976,047	$6,940,767

14. Share capital (continued)

Common shares

Effective April 11, 2006 the Acquisition was completed, at which time the issued and outstanding shares of Old CEMATRIX were cancelled and one new share of the Company was issued to replace each cancelled share of Old CEMATRIX, effecting a one for one exchange. The Company also received one share of New CEMATRIX for each new share issued by the Company to the shareholders of Old CEMATRIX and upon completion of the Acquisition New CEMATRIX became a wholly-owned subsidiary of the Company.

During fiscal 2006 the Company filed a short form offering document (the "Offering") with the TSX Venture Exchange establishing a price of $0.30 per Unit (a "Unit"). Each Unit consisted of one common share in the capital of the Company ("Common Share") and one-half of one transferable Common Share purchase warrant ("Warrant"). Each whole Warrant entitles the holder thereof to acquire one additional Common Share at an exercise price of $0.40 for a period of 24 months from the date of the Closing of the Offering.

Integral Wealth Securities Limited (the "Agent"), agreed to act as agent for the Offering on a commercially reasonable best efforts basis and received a cash commission equal to 8.5% of the gross proceeds received by the Company. The Agent also received Agent's Warrants entitling the holder thereof to purchase one Unit exercisable at a price of $0.30 per Unit for a period of 12 months from the Closing.

Pursuant to the Offering, a total of 6,599,885 Units were issued in multiple tranches at a price of $0.30 per Unit for total gross proceeds of $1,979,966.

Common share options

The Company has an option plan for the issue of up to 10% of the common shares of the Company. The Company accounts for its grants under the plan in accordance with the fair value based method of accounting for stock-based compensation. All options that are outstanding will expire during the time from April 11, 2007 to November 1, 2011 or earlier if the optionee ceases to be a director, officer, employee or contractor or there is a merger, amalgamation or change in control of the Company. At March 31, 2007 a total of 2,224,500 in Stock options to purchase common shares (December 31, 2006: 2,324,500) at $0.30 and $0.35 per share were issued and are outstanding to directors, consultants and managers of the Company. All options issued to date vest at the date of grant, with the exception of those issued on November 1, 2006 (1/3 vest immediately, 1/3 vest six months from the effective date and the balance vest one year from the effective date).

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:

	2006	2005
Estimated per share fair value per option	0.16-0.17	0.15
Risk-free interest rate	5%	4%
Expected life	5 years	3 years
Expected volatility in stock price	50 - 75%	80%
Expected annual dividend yield	0%	0%

Stock based compensation of $Nil has been recognized as an expense and an increase to contributed surplus (March 31, 2006 - $56,603). This amount together with the December 31, 2006 consolidated balance of $254,860 ($144,558 being the increase to stock based compensation in 2006; together with the December 31, 2005 consolidated balance of $110,302 ($56,603 from CEMATRIX (Canada) Inc. in stock-based compensation and $53,699 from CEMATRIX Corporation Inc., ($35,665 of which was due to stock-based compensation and $18,034 due to share issuance costs)), resulted in a balance in contributed surplus of $254,860 at March 31, 2007 and December 31, 2006.

14. Share capital (continued)

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes to these estimates and assumptions may materially affect the calculations. Stock-based compensation calculations have no effect on the Company's cash position.

The following table summaries the options to acquire common shares outstanding as at March 31, 2007:

Number of Shares under Option	Exercise Price	Expiry Date
162,488	$0.30	April 11, 2007
147,012	$0.30	August 5, 2010
1,590,000	$0.30	April 11, 2011
175,000	$0.35	May 31, 2011
150,000	$0.30	November 1, 2011
2,224,500		

At March 31, 2007, 150,000 in stock options had expired (December 31, 2006, 50,000). There are 100,000 options that have not vested as at March 31, 2007 (December 31, 2006: 100,000 options).

Agent's Options:	Exercise Price	Expiry Date
250,500	$0.30	November 4, 2007

Blackmont Capital Inc. holds an option to acquire up to 250,500 common shares at an exercise price of $0.30 for a period of 24 months following the date the common shares began trading on the Exchange.

Warrants

The Offering dated July 18, 2006 and amended on September 29, 2006 provided that each Unit sold as part of the Offering will consist of one common share in the Company ("Common Share") and one-half of one transferable common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one Common Share at a price of $0.40 per share for a period of 24 months from the date of issuance, subject to earlier expiry where the Common Shares trade at $0.70 or higher on the Exchange for 20 consecutive trading days and the cumulative trading volume of the Common Shares is equal to at least 500,000 Common Shares during that period.

At December 31, 2006, a total of 6,599,885 Units were sold pursuant to the Offering. This resulted in a total number of 3,299,942 Share Purchase Warrants. The warrants will expire between August 18, 2008 and October 6, 2008. They are exercisable into common shares in the Company at an exercise price of $0.40.

14. Share capital (continued)

The following table sets out Share Purchase Warrants to acquire common shares outstanding as at March 31, 2007 and December 31, 2006:

Number of Warrants	Number of Shares on Exercise of Warrants	Exercise Price	Expiry Date
1,648,583	1,648,583	$0.40	August 18, 2008
141,999	141,999	$0.40	September 21, 2008
1,509,360	1,509,360	$0.40	October 6, 2008
3,299,942	3,299,942		

The fair value of the warrants issued during the year has been determined using the Black-Scholes valuation model. The value attributed to Share Purchase Warrants at March 31, 2007 and December 31, 2006 based on management's best estimates is $66,692.

At the closing date, the per share fair value of the warrants issued and other assumptions, using the Black-Scholes pricing model are as follows:

	2006
Estimated per share fair value per warrant	0.062
Risk-free interest rate	4.2%
Expected life	2 years
Expected volatility in stock price	50 %
Expected annual dividend yield	0%

Agent's Warrants
The Agent and its sub-agents, if any, received a non-transferable warrant (the "Agent's Warrant") to purchase that number of Units equal to 8.5% of the Units placed, each such Agent's Warrant entitling the holder thereof to purchase one Unit at an exercise price of $0.30 per Unit for a period of 12 months from the Closing Date.

The following table sets out the Agent's Warrants to acquire Units as at March 31, 2007 and December 31, 2006:

Agent's Warrants	Number of Units on Exercise of Agent's Warrants	Exercise Price	Expiry Date
280,260	280,260	$0.30	August 18, 2007
24,140	24,140	$0.30	September 21, 2007
256,591	256,591	$0.30	October 6, 2007
560,991	560,991		

All of the warrants were granted as a result of the Offering and therefore related to the December 31, 2006 year-end. There were no other warrants granted or exercised during the period. The value attributed to Agent's Warrants at March 31, 2007 and December 31, 2006 based on management's best estimates is $5,572.

Share acquisition loans

Share acquisition loans of $113,125 were issued to management in previous years to purchase shares of the Company. $90,000 of this amount was due on December 31, 2006 with the balance due on December 31, 2007. The loans bear no interest. Effective December 31, 2006 the loans due December 31, 2006 were converted to demand loans. The loans have been included as a reduction of share capital since their issuance in 1999 and 2000.

15. Related party transactions

During 2006, the Company transacted business with a company whose owner and director was a director and shareholder of the Company. This business involved the factoring of receivables as required by the Company. The total receivable amount factored by this related party during the period amounted to $Nil (December 31, 2006: $1,011,765), of which $Nil is due to the related party at March 31, 2007 (December 31, 2006: $Nil). During the quarter, the Company paid or accrued interest in the amount of $Nil (March 31, 2006: 48,327) to this related party, of which, $Nil (December 31, 2006 – $Nil) is included in accounts payable and accrued liabilities at March 31, 2007. During the last quarter of 2006 all factoring amounts together with accrued interest were repaid as the facility was replaced with a bank operating line (See Note 9).

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

Included in accounts payable are wages and other amounts payable or reimbursable to employees and contractors who are shareholders of $4,637 (December 31, 2006 - $9,688).

Included in current portion of notes payable is an amount due to a shareholder/director of $60,700 (December 31, 2006 - $80,933) and also includes a balance due to an immediate family member of a shareholder of $56,525 (December 31, 2006 - $75,367), both of which are due and payable on December 31, 2007. (See Note 10). Interest paid on these loans in the first quarter totalled $4,416 (March 31, 2006 - $4,298).

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

During the second quarter of 2006, an employee who is a shareholder/director of the Company advanced $53,500 to the Company. The amount advanced was repaid by December 31, 2006.

16. Commitments

At March 31, 2007, the Company had operating lease commitments for vehicles for the twelve month periods as follows:

2007	27,428
2008	30,848
2009	30,848
2010	26,552
2011	7,483

17. Income taxes

The income tax expense differs from the amount computed by applying the statutory provincial and federal income tax rates to the respective year's losses before income taxes. The differences result from the following items:

	2007	***2006***	*2005*
Expected tax recovery at 32.12% (2005 – 15.12%)	**(64,080)**	(246,385)	(80,162)
Decrease (increase) resulting from:			
Stock based compensation	**-**	46,433	8,558
Effect of income tax rate adjustments	**-**	(536,735)	-
Change in valuation allowance	**64,080**	736,687	71,604
Income tax expense	**-**	**-**	**-**

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the assets and liabilities for accounting and tax purposes. The tax effects of deductible temporary differences that give rise to the Company's future tax assets are as follows:

	2007	***2006***	*2005*
Non-capital losses carried forward	**1,647,542**	1,626,274	718,219
Share issuance costs	**-**	3,476	4,635
Capital and other assets	**(265,144)**	(261,295)	(92,245)
	1,382,398	1,368,455	630,609
Valuation allowance	**(1,382,398)**	(1,368,455)	(630,609)
Future income tax asset	**-**	**-**	**-**

18. Financial instruments

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. At March 31, 2007, five customers accounted for 92% of accounts receivable (December 31, 2006 – five customers, 77%). For the quarter ended March 31, 2007, four customers comprise 95% of sales (March 31, 2006: four customers comprised 89.3% of sales).

19. Subsequent events

Subsequent to the quarter ended March 31, 2007, in April 2007 the Company entered into an agreement to extend its operating line to $1.5 million from $750,000 (see note 9), with all other terms to the operating line remaining unchanged.

20. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.