

CEMATRIX CORPORATION
Consolidated Financial Statements

March 31, 2008
(unaudited)

**Management's Responsibility for Financial Reporting and Notice of No Auditor
Review of the Interim Financial Statements for the Quarter Ended March 31, 2008**

To the Shareholders:

CEMATRIX CORPORATION

Management has responsibility for preparing the accompanying unaudited consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained.

It is the responsibility of the Audit Committee to review the financial statements in detail with management prior to their approval of the financial statements for publication.

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

May 23, 2008

"Jeff Kendrick" _____ Chief Financial Officer
Jeff Kendrick, CA

CEMATRIX CORPORATION**Consolidated Balance Sheets***As at March 31, 2008 and December 31, 2007*

	2008	2007
	Unaudited	<i>Audited</i>
Assets		
Current		
Cash	159,893	522,855
Accounts receivable <i>(Note 4)</i>	1,152,369	1,641,957
Inventory	516,553	336,737
Prepaid expenses and deposits	194,712	40,401
	2,023,527	2,541,950
Property, plant and equipment <i>(Note 5)</i>	1,210,496	1,151,597
Patents, trademarks and technology <i>(Note 6)</i>	508,654	509,878
Product development costs <i>(Note 7)</i>	140,928	165,222
	3,883,605	4,368,647
Liabilities		
Current		
Bank operating line <i>(Note 8)</i>	40,000	-
Accounts payable and accrued liabilities	376,953	414,142
Current portion of Agriculture Financial Services Corporation loan payable <i>(Note 10)</i>	180,036	176,571
Current portion of notes payable <i>(Note 9)</i>	-	-
Current portion of capital lease obligations <i>(Note 11)</i>	54,812	47,610
	651,801	638,323
Agriculture Financial Services Corporation loan payable <i>(Note 10)</i>	-	-
Capital lease obligations <i>(Note 11)</i>	54,505	12,770
	706,306	651,093
Commitments <i>(Note 13)</i>		
Shareholders' Equity		
Share capital <i>(Note 12)</i>	6,928,753	6,928,753
Warrants <i>(Note 12)</i>	231,262	231,262
Contributed surplus <i>(Note 12)</i>	514,992	514,992
Deficit	(4,497,708)	(3,957,453)
	3,177,299	3,717,554
	3,883,605	4,368,647

Approved on behalf of the Board

"Dave Pickrell" _____ Director

"Kirby Cox" _____ Director

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

CEMATRIX CORPORATION
Consolidated Statements of Income (Loss), Comprehensive Income and Deficit

For the quarter ended March 31
Unaudited

	2008	2007
Revenue	224,669	768,474
Cost of sales	355,018	612,063
Gross Margin	(130,349)	156,411
Expenses		
Finance	7,254	11,460
General and administrative	158,104	118,341
Sales, marketing and engineering	190,321	133,677
Amortization	58,664	82,782
	414,343	346,260
Net operating income (loss) for the year	(544,692)	(189,849)
Other non-operating income	4,437	-
Net income (loss) before income taxes	(540,255)	(189,849)
Income taxes <i>(Note 16)</i>	-	-
Net income (loss) and comprehensive income for the year	(540,255)	(189,849)
Deficit, beginning of year, as previously stated	(3,957,453)	(4,623,221)
Prior period adjustment <i>(Note 18)</i>	-	(143,914)
Deficit, end of year	(4,497,708)	(4,956,984)
Earnings (loss) per share		
Basic	(.016)	(.006)
Diluted	(.014)	(.005)
Weighted average number of common shares		
Basic	33,465,994	32,976,047
Diluted	39,827,921	39,031,485
Supplementary expense information:		
Inventory expensed as costs of sales during the period	10,074	25,211
Inventory expensed as sales, marketing and engineering during the period	3,000	3,000

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

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

	<i>2008</i>	<i>2007</i>
Cash provided by (used in):		
Operating activities		
Net income (loss) for the year	(540,255)	(189,849)
Items not affecting cash		
Amortization of patents, trademarks and technology	2,250	2,250
Amortization of product development costs	24,294	51,750
Amortization of property, plant and equipment	32,120	28,782
	(481,591)	(107,067)
Net change in non-cash working capital items	159,931	(167,889)
	(321,660)	(274,956)
Investing activities		
Purchase of property, plant and equipment	(32,089)	(27,353)
	(32,089)	(27,353)
Financing activities		
Repayment of capital lease obligations	(9,213)	(5,990)
Repayment of notes payable	-	(39,075)
	(9,213)	(45,065)
Increase (decrease) in cash	(362,962)	(347,374)
Cash, beginning of year	522,855	400,218
Cash, end of quarter	159,893	52,844
 Supplementary cash flow information:		
Interest paid	62,578	11,460

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

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”.

2. Basis of consolidation

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. Significant accounting policies

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

Cash

Cash is comprised of cash on hand and short term interest bearing deposits.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in first-out method. Inventory consists mainly of raw materials used in the manufacture of the Company’s product, but includes some parts and marketing materials.

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	Straight line over 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

Amortization commences in the month 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.

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.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

3. Significant accounting policies (continued)

Patents, trademarks and technology

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. Intangible assets with an indefinite life, such as trademarks and technology, are 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 charged to current year income (loss).

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 income (loss) 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. The evaluation of collectability of amounts invoiced is assessed and any contractual obligations related to the placement of cellular concrete are met before recognizing revenue.

Stock-based compensation

Stock options granted are accounted for in accordance with fair value accounting for stock-based compensation. The associated compensation expense is charged to income (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. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are cancelled, previously recognized compensation expense associated with such stock options is reversed.

Earnings per share

Basic earnings per common share are calculated based on the average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method, which assumes that the cash that would be received on the exercise of options and warrants is applied to purchase shares at the average price during the period and that the difference between the shares issued upon their exercise and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. Anti-dilutive amounts are not considered in computing diluted earnings per share.

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

Foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the balance sheet date for monetary items. Non-monetary assets and liabilities are translated at the rates prevailing at the transaction date. Revenues and expenses are converted at average exchange rates for the period. Any exchange gain or loss that arises on translation is included in the consolidated statement of income (loss) for the period.

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

3. Significant accounting policies (continued)

Financial Instruments

The Company has classified its financial instruments under the following classifications

- (i) Cash and cash equivalents are classified as financial assets held for trading;
- (ii) Accounts receivable are classified as loans and receivables;
- (iii) Accounts payable and accrued liabilities and the Agriculture Financial Services Corporation Loan are classified as other financial liabilities.

The Company has not recorded any financial instruments as available-for-sale or held to maturity investments during the year.

The estimated fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the relatively short-term nature of the 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 fair value does not differ significantly from its carrying value as the interest rate on the Company's fixed rate debt is essentially equal to market rates for similar loans. Consequently, as at March 31, 2008 and December 31, 2007, the impact on the consolidated balance sheet of measuring the financial assets and liabilities was nil.

The Company has no derivatives or embedded derivatives in other financial instruments as of March 31, 2008 or December 31, 2007.

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 collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. 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.

Estimated recoverable amounts for investment tax credits are accrued when management is reasonably assured that the related expenditures will be deemed eligible by the taxation authorities. Actual recoverable amounts could differ materially from these estimates. 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 income in the periods in which they become known.

Estimates of the fair value of stock options and warrants require the use of estimates and assumptions including stock price volatility, forfeiture rates, and risk-free interest rates in the year granted. Changes to these estimates and assumptions may materially affect the calculations.

Transaction costs

The Company has a choice of recognizing transaction costs in net income when incurred versus adding transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability to the financial instrument's carrying cost. This guidance allows companies to choose different accounting policies for transaction costs of financial instruments that are not similar. There were no transaction costs incurred by the Company during the quarter ended March 31, 2008 or the year ended December 31, 2007.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

3. Significant accounting policies (continued)

Comprehensive income

The components of other comprehensive income include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income upon transition or for the quarters ended March 31, 2008 and March 31, 2007. As the Company has no items of other comprehensive income or loss, the net earnings or loss for the periods are equivalent to comprehensive income.

Investment tax credits

Prior to becoming a public company, the Company was entitled to refundable 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.

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.

Changes in Accounting Policies

The Company may make voluntary changes in accounting policies when they result in the financial statements providing reliable and more relevant information. Any changes in accounting policies will be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. There have been no changes in accounting policies during the period ended March 31, 2008 except as follows:

- (a) Effective January 1, 2008, the Company adopted the CICA issued Handbook Section 1535, "Capital Disclosures". This standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Company. As this standard only addresses disclosure requirements, there was no impact to the Company's financial statements.
- (b) Effective January 1, 2008, the Company adopted the CICA issued Handbook Sections 3862 and 3863 to replace Section 3861, "Financial Instruments - Disclosure and Presentation". This standard requires an increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how an entity manages those risks. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Company. As this standard only addresses presentation and disclosure requirements, there was no impact to the Company's financial statements.
- (c) Effective January 1, 2008, the Company adopted the CICA issued Handbook Section 3031, "Inventories" to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including the allocation of overheads and other costs to inventory. This standard requires the allocation of fixed production overheads to the costs of conversion to be based on the normal capacity of the production facilities. The standard also requires the consistent use of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of other inventories and requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, specifically January 1, 2008 for the Company. The adoption of this section did not have an impact on the Company's financial statements.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

3. Significant accounting policies (continued)

New Accounting Standards not yet implemented

- (a) The CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, which will be adopted by the Company, effective 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. The Company is presently assessing the impact of this new accounting standard on its consolidated financial statements;
- (b) In January 2006, the CICA adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada are to converge with International Financial Reporting Standards (“IFRS”) by 2011. On April 7, 2008, the Accounting Standards Board issued its exposure draft proposing to incorporate IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted. The Company is presently assessing the impact of this new accounting standard on its consolidated financial statements;

4. 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). At March 31, 2008, the tax credits recoverable from expenditures incurred in 2006 were estimated at \$24,762 (December 31, 2007 - \$82,206). The 2005 tax credits in the amount of \$57,444 outstanding at December 31, 2007 were received by the Company during the quarter ended March 31, 2008.

5. Property, plant and equipment

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2008 Net Book Value</i>
Automobiles	57,744	40,956	16,788
Buildings and leasehold improvements	38,973	38,414	559
Computer equipment and software	128,342	87,807	40,535
Equipment and cellular material processors	1,073,376	642,756	430,620
Equipment – dry mix processors	770,953	57,686	713,267
Furniture and fixtures	25,765	17,038	8,727
	2,095,153	884,657	1,210,496
	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2007 Net Book Value</i>
Automobiles	75,744	56,113	19,631
Buildings and leasehold improvements	38,973	38,407	566
Computer equipment and software	125,305	84,520	40,785
Equipment and cellular material processors	985,912	620,092	365,820
Equipment – dry mix processors	768,953	53,344	715,609
Furniture and fixtures	25,765	16,579	9,186
	2,020,652	869,055	1,151,597

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

5. Property, plant and equipment (continued)

During the first quarter of 2008, additions to property, plant and equipment totalled \$92,501 (December 31, 2007 - \$78,212) of which \$60,412 (December 31, 2007 - \$18,750) were acquired by means of capital leases and \$32,089 (December 31, 2007 - \$59,462) were acquired by means of cash. Property, plant and equipment includes equipment and automobiles under capital lease with a gross cost of \$387,148 (December 31, 2007 - \$310,936) and accumulated amortization of \$182,265 (December 31, 2007 - \$198,015). Amortization of property, plant and equipment for the quarter ended March 31, 2008 was \$32,120 (March 31, 2007 - \$28,782).

6. Patents, trademarks and technology

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2008 Net Book Value</i>
Patents	90,000	74,250	15,750
Trademarks	12,863	3,858	9,005
Technology	538,898	54,999	483,899
	641,761	133,107	508,654

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2007 Net Book Value</i>
Patents	90,000	72,000	18,000
Trademarks	12,863	3,858	9,005
Technology	537,872	54,999	482,873
	640,735	130,857	509,878

Amortization of patents charged for the quarter ended March 31, 2008 was \$2,250 (March 31, 2007 - \$2,250).

7. Product development costs

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2008 Net Book Value</i>
Product development costs	1,627,090	1,486,162	140,928

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2007 Net Book Value</i>
Product development costs	1,627,090	1,461,868	165,222

Product development costs capitalized during the quarter ended March 31, 2008 amounted to \$Nil (December 31, 2007 - \$Nil). Research and development tax credits in the amount of \$Nil (December 31, 2007 - \$Nil) net of prior year investment tax credit adjustments of \$Nil (December 31, 2007 - \$1,973) were applied to adjust this balance. Amortization of product development costs of \$24,294 (March 31, 2007 - \$51,750) was charged during the quarter.

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

8. Bank operating line

The Company has a demand operating facility 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. 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 loan balance at quarter-end is \$40,000 (December 31, 2007 - \$Nil) and the Company is in compliance with the terms of the covenants. Finance expenses include interest on operating loans in the amount of \$109 (March 31, 2007 - \$550). Subsequent to quarter end the Company had its operating loan agreement amended with respect to advances under the loan, which now include fifty percent of inventories up to a maximum of \$250,000 (see Note 17 – Subsequent events)

9. Notes payable

The unsecured notes payable to related parties were repaid as of December 31, 2007. Finance expenses include interest on the notes payable of \$Nil (March 31, 2007 - \$4,416). Additional details regarding these notes payable are included in Note 14.

10. 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 amortized over five years, but repayable in December 2008 unless renewed. The Company expects to renew this loan in December of 2008 for an additional two year period. Terms include monthly principal and interest payments of \$11,137 commencing October 1, 2005. The interest rate for the initial three year period ending December 31, 2008 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 net book value of the equipment used as security at March 31, 2008 is \$1,044,031 (December 31, 2007 - \$1,040,180). The executive managers together with a consultant/shareholder of CEMATRIX have each provided personal guarantees in the amount of \$300,000, which are covered by life insurance. Finance expenses include interest on AFSC loans in the amount of \$3,465 (March 31, 2007 - \$3,999).

11. Capital lease obligations

Capital leases, which relate to the purchase of equipment, bear interest at 7.8% to 24.8%, are repayable in blended monthly payments and mature from June 2008 to December 2013. The annual future commitments under the leases are as follows:

2008/9	69,862
2009/10	33,076
2010/11	25,006
2011/12	4,616
2012/13	7,762
	<hr/>
	140,322
Less imputed interest	31,005
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	109,317
Current portion	54,812
	<hr/>
	54,505
	<hr/>

Finance expenses for the first quarter included interest on capital lease obligations in the amount of \$3,680 (March 31, 2007 - \$2,416).

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

12. Share Capital

(a) Authorized

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

(b) Issued

	<i>Number Of Shares</i>	<i>2008 \$ Amount</i>	<i>Number Of Shares</i>	<i>2007 \$ Amount</i>
Beginning of year	33,465,994	\$6,928,753	32,976,047	\$6,772,151
Shares issued on exercise of Agent's Warrants	-	-	489,947	177,362
Expiry of Agent's Warrant's	-	-	-	4,406
Issuance of warrants pursuant to Offering, net of cancellations and expired warrants	-	-	-	(25,166)
Common shares – end of period	33,465,994	\$6,928,753	33,465,994	\$6,928,753

(c) Common shares

During the year ended December 31, 2007 the Company issued 489,947 shares pursuant to the exercise of 489,947 Agent's Warrants for proceeds of \$146,984 (see Agent's Warrants Note 12 (h)).

(a) Stock Option Plan

The Company has an option plan for the issue of up to 10% of the 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 contractor 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 contractors important to the continued operation and growth of the Company. At March 31, 2008 a total of 2,817,012 stock options to purchase common shares (December 31, 2007: 2,817,012) were issued and are outstanding to directors, consultants and managers of the Company.

(b) Stock Option Plan (continued)

The Company has an option plan for the issue of up to 10% of the 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 contractor 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 contractors important to the continued operation and growth of the Company. At March 31, 2008 a total of 2,817,012 (December 31, 2007: 2,817,012) stock options to purchase common shares were issued and are outstanding to directors, consultants and managers of the Company.

All options issued to date have vested at the date of grant or have vested, with the exception of those granted on June 1, 2007 (100,000 vested immediately, with the remaining 300,000 to be vested at the rate of 100,000 per year over a three year period on the anniversary date of employment).

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

12. Share capital (continued)

The following table summarizes the options to acquire common shares outstanding as at March 31, 2008:

<i>Grant Date</i>	<i>Number Options</i>	<i>Exercise Price</i>	<i>Weighted average remaining life (years)</i>	<i>Expiry Date</i>
August 5, 2005	147,012	\$0.30	2.59	August 5, 2010
April 11, 2006	1,520,000	\$0.30	3.28	April 11, 2011
May 31, 2006	150,000	\$0.35	3.41	May 31, 2011
November 1, 2006	150,000	\$0.30	3.83	November 1, 2011
June 1, 2007	700,000	\$0.30	4.50	June 1, 2012
July 27, 2007	150,000	\$0.35	4.57	July 27, 2012
	2,817,012			

The following table summarizes the changes in options during the quarter ended March 31, 2008 and the year ended December 31, 2007:

	<i>2008</i>		<i>2007</i>	
	<i>Number of Options</i>	<i>Weighted average price</i>	<i>Number of Options</i>	<i>Weighted average price</i>
Outstanding at beginning of year	2,817,012	\$0.30	2,324,500	\$0.30
Granted	-	-	850,000	0.31
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	(357,488)	0.30
Outstanding at end of quarter	2,817,012	0.30	2,817,012	0.30
Exercisable at end of quarter	2,517,012	\$0.30	2,517,012	\$0.30

There are 300,000 options that have not vested as at March 31, 2008 (December 31, 2007 - 300,000 options).

(e) Stock-based compensation

During the quarter ended March 31, 2008, the Company granted Nil (December 31, 2007 – 850,000) options to directors and management. Stock based compensation of \$Nil (December 31, 2007 - \$116,218) was calculated using the Black-Scholes option pricing model and recognized as an expense during the year. Stock-based compensation expense has 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:

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For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

12. Share capital (continued)

	<i>2008</i>	<i>2007</i>
Estimated per share fair value per option	n/a	0.16-0.20
Risk-free interest rate	n/a	4.5% - 4.6%
Expected life	n/a	5 years
Expected volatility in stock price	n/a	50 - 65%
Expected annual dividend yield	n/a	0%
Estimated forfeiture rate (options not immediately vesting)	n/a	10%

(f) Contributed surplus

The following table summarizes the changes in contributed surplus during the quarter ended March 31, 2008 and the year ended December 31, 2007:

	<i>2008</i>	<i>2007</i>
Balance, beginning of year	\$ 514,992	\$ 398,774
Stock-based compensation expense	-	116,218
Balance, end of year	\$514,992	\$514,992

(g) Warrants - Share Purchase

During the year ended December 31, 2007, 244,973 Share Purchase Warrants were issued upon the exercise of 489,947 Agent's Warrants to purchase Units. All of the share purchase warrants outstanding at March 31, 2008 are exercisable into common shares in the Company at an exercise price of \$0.40 per share.

These Agent's Warrants were issued pursuant to the Offering dated July 18, 2006 and amended on September 29, 2006. As a result of the Offering the Company issued 3,299,942 share purchase warrants. Each whole Warrant entitled 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.

The following table summarizes the Share Purchase Warrants to acquire common shares as at March 31, 2008:

<i>Number of Full Warrants</i>	<i>Number of Shares on Exercise of Warrants</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
1,788,713	1,788,713	\$0.40	August 18, 2008
152,325	152,325	\$0.40	September 21, 2008
1,603,877	1,603,877	\$0.40	October 6, 2008
3,544,915	3,544,915		

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

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For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

12. Share capital (continued)

The fair value of the warrants issued and vested during the 2007 year was determined using the Black-Scholes valuation model. The value attributed to share purchase warrants issued during 2007 was \$25,166. At the closing dates in 2007, the per share fair value of the warrants issued and other assumptions, using the Black-Scholes pricing model are as follows:

	2008	2007
Estimated per share fair value per warrant	n/a	0.062
Risk-free interest rate	n/a	4.2%
Expected life	n/a	2 years
Expected volatility in stock price	n/a	50 %
Expected annual dividend yield	n/a	0%

The following table sets out the changes in share purchase warrants to acquire common shares for the quarter ended March 31, 2008 and the year ended December 31, 2007:

	2008		2007	
	Number	Fair Value (\$)	Number	Fair Value (\$)
Balance, beginning of year	3,544,915	231,262	3,299,942	206,096
Issued pursuant to offering	-	-	-	-
Exercised	-	-	-	-
Issued on exercise of Agent's Warrants	-	-	244,973	25,166
Expired	-	-	-	-
Balance, end of year	3,544,915	231,262	3,544,915	231,262

(h) Warrants - Agent's

Pursuant to the Offering completed in 2006, the Agent and its sub-agents received a non-transferable warrant (the "Agent's Warrant") to purchase 560,990 Units, for a period of 12 months from the Closing Date of the Offering.

During the year ended December 31, 2007, 489,947 Agent's warrants were exercised at a price of \$0.30 per share, resulting in the issue of 489,947 shares and 244,973 share purchase warrants for total proceeds of \$146,984. The share purchase warrants issued to agents during the period were one year warrants expiring on the dates set out under the share purchase warrants table above. 71,043 Agent's warrants expired during the year ended December 31, 2007.

The following table summarizes the changes in Agent's warrants during the quarter ended March 31, 2008 and the year ended December 31, 2007:

	2008		2007	
	Number	Fair Value (\$)	Number	Fair Value (\$)
Balance, beginning of year	-	-	560,990	34,784
Issued pursuant to offering	-	-	-	-
Exercised	-	-	(489,947)	(30,378)
Expired	-	-	(71,043)	(4,406)
Balance, end of year	-	-	-	-

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

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For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

12. Share capital (continued)

The fair value of the Agent's Warrant's is based on the same fair value per warrant disclosed in Note 12(g) – Share Purchase Warrants.

(i) Per share amounts

The number of shares included in the computation of diluted earnings per share at March 31, 2008 and December 31, 2007 are as follows:

	<i>2008</i>	<i>2007</i>
Weighted average shares outstanding - basic	33,465,994	33,142,211
Effect of stock options	2,817,012	2,578,383
Effect of share purchase warrants	3,544,915	3,377,326
	39,827,921	39,097,920

(j) 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. 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.

13. Commitments

At March 31, 2008, the Company had operating lease commitments for vehicles and new premises lease commitments for the twelve month periods as follows:

2008/9	264,564
2009/10	264,564
2010/11	250,384
2011/12	234,732
2012/13	234,732

14. Related Party Transactions

During the quarter, the Company incurred legal fees from a firm which employs two of the directors of the Company in the amount of \$4,889 (March 31, 2007 - \$574). Included in accounts payable at March 31, 2008 is \$4,428 (December 31, 2007 - \$5,300) relating to these transactions.

Included in accounts payable are wages and other amounts payable or reimbursable to employees and contractors who are shareholders of \$149 (2007 - \$98).

In 2007, the Company sold redundant assets, which included assets carried as inventory and property plant and equipment to an individual who is a shareholder and provides contracting services to the Company for proceeds of \$4,319. The assets sold had a carrying value of \$3,323 resulting in a gain on the sale of assets of \$996, which is included in other income.

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

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For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

14. Related Party Transactions (continued)

In 2007, notes payable due to a shareholder/director in the amount of \$80,933 and due to an immediate family member of a shareholder in the amount of \$75,367 were repaid (see Note 9). Interest paid on these loans during the quarter ended March 31, 2008 was \$Nil (March 31, 2007 - \$4,416).

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.

15. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and the Agricultural Financial Services Corporation loan.

(a) Financial Risk Management

The Company's activities are exposed to a variety of financial risks: price risk, credit risk, liquidity risk and cash flow 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.

(b) Price Risk

There are two types of price risk: currency risk and interest rate risk:

- (i) **Currency Risk:** Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is not significantly exposed to foreign currency risk;
- (ii) **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 December 31, 2007 and is not significantly exposed to interest rate risk.

(c) 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, 2008, four customers accounted for 94% of accounts receivable (December 31, 2007 - five customers - 90%). For the period ended March 31, 2008 three customers comprise 92% of sales (March 31, 2007 - four customers comprised 95% of sales).

(d) 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.

(e) Cash Flow Risk

As the Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

15. Financial Instruments (continued)

(f) Fair Value

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 fair value of the Agriculture Financial Services Corporation loan is equal to its carrying value because the full amount is due in 2008.

16. 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 income (loss) before income taxes. The differences for the quarter ended March 31, 2008 and year ended December 31, 2007 result from the following items:

	<i>2008</i>	<i>2007</i>
Net income (loss) before income taxes	(540,255)	809,682
Expected income tax rate	30%	32.12%
Expected income tax expense (recovery)	(162,077)	260,070
Differences resulting from:		
Stock-based compensation	-	37,329
Tax effect of rate change and other	(109,463)	(24,332)
Tax effect of loss expiry	-	86,489
Change in valuation allowance	271,539	(359,556)
Provision for income taxes	-	-

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:

	<i>2008</i>	<i>2007</i>
Non-capital losses carried forward	1,234,696	1,086,054
Capital and other assets	(166,414)	(77,155)
	1,068,282	1,008,899
Valuation allowance	(1,068,282)	(1,008,899)
Future income tax asset	-	-

17. Subsequent events

In May of 2008, the Company's banker approved a change to the Company's operating loan agreement by adding 50% of inventories up to a maximum of \$250,000 to the calculation of the maximum draw limit. The bank also approved a capital lease up to a maximum amount of \$150,000 to be used for the acquisition of a portable batch plant and two portable silos.

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the quarter ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

18. Restatements of Stock Based Compensation and Share Purchase Warrants

The Company's consolidated balance sheet, statement of income (loss) and deficit and statement of cash flows were restated for the year ended December 31, 2006.

Due to an error in the application of forfeiture rates, it was determined that the fair values for vested options and share purchase warrants were understated for the year ended December 31, 2006.

The following presents the effect on the Company's previously issued financial statements for the year ended December 31, 2006. The restatement had no reportable impact on the net loss per share as previously disclosed.

(a) Balance sheet

	Previously Reported	Increase (decrease)	Restated
Share capital	6,940,767	(168,616)	6,772,151
Share purchase warrants	72,264	168,616	240,880
Contributed surplus	254,860	143,914	398,774
Deficit	(4,623,221)	(143,914)	(4,767,135)

(b) Statement of income (loss) and deficit

	Previously Reported	Increase (decrease)	Restated
Stock based compensation	144,558	143,914	288,472
Net income (loss) for the year	(767,077)	(143,914)	(910,991)
Deficit	(4,623,221)	(143,914)	(4,767,135)

(c) Statement of cash flow

	Previously Reported	Increase (decrease)	Restated
Net income (loss) for the year	(767,077)	(143,914)	(910,991)
Stock based compensation	144,558	143,914	288,472

19. Capital management

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 Corporation's assets.

20. Comparative figures

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