

CEMATRIX CORPORATION
Interim Consolidated Financial Statements
March 31, 2011

**Management's Responsibility for Financial Reporting and Notice of No Auditor
Review of the Interim Consolidated Financial Statements for the Quarter Ended March 31, 2011**

To the Shareholders:

CEMATRIX CORPORATION

Management has responsibility for preparing the accompanying interim consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with International Financial Reporting Standards.

In discharging its responsibilities for the integrity and fairness of the interim consolidated 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 interim consolidated financial statements in detail with management prior to their approval of the interim consolidated financial statements for publication.

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

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

CEMATRIX CORPORATION
Consolidated Statement of Financial Position (unaudited)
Canadian Dollars

	As at March 31, 2011	As at December 31, 2010 <i>(note 26)</i>	As at January 1, 2010 <i>(note 26)</i>
ASSETS			
Current Assets			
Cash	\$ 10,420	\$ 3,648	\$ 110,310
Restricted cash <i>(note 13)</i>	9,971	23,047	-
Trade and other receivables <i>(note 6)</i>	1,119,268	764,736	179,347
Inventory <i>(note 7)</i>	515,033	394,472	440,719
Prepaid expenses and deposits	84,400	65,376	59,596
	1,739,092	1,251,279	789,972
Non Current Assets			
Property and equipment <i>(note 8)</i>	2,230,407	2,338,382	2,491,226
Intangibles	465,116	465,116	465,116
	2,695,523	2,803,498	2,956,342
	\$ 4,434,615	\$ 4,054,777	\$ 3,746,314
LIABILITIES			
Current Liabilities			
Bank overdraft <i>(note 9)</i>	\$ 180,242	\$ 113,363	\$ -
Bank operating loan <i>(note 10)</i>	666,348	511,348	-
Trade and other payables <i>(note 11)</i>	616,816	260,420	231,319
Promissory note <i>(note 12)</i>	200,000	-	-
Current portion of long term debt <i>(note 13)</i>	287,565	249,030	98,880
Current portion of finance lease obligations <i>(note 14)</i>	28,665	40,610	40,231
	1,979,636	1,174,771	370,430
Non Current Liabilities			
Long term debt <i>(note 13)</i>	207,402	266,002	123,561
Finance lease obligations <i>(note 14)</i>	34,170	47,489	63,247
	241,572	313,491	186,808
	2,221,208	1,488,262	557,238
SHAREHOLDERS' EQUITY			
Share capital <i>(note 15)</i>	7,160,015	7,160,015	7,160,015
Share purchase warrants <i>(notes 13 and 16)</i>	88,877	88,877	-
Contributed surplus	662,433	661,135	596,179
Deficit	(5,697,918)	(5,343,512)	(4,567,118)
Total Shareholders' Equity	2,213,407	2,566,515	3,189,076
	\$ 4,434,615	\$ 4,054,777	\$ 3,746,314

Going concern assumption *(note 2)*

Approved on behalf of the Board

Signed "Jeffrey Kendrick" Director

Signed "Kirby Cox" Director

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

CEMATRIX CORPORATION
Consolidated Statement of Comprehensive Loss
For the three months ending at March 31 (unaudited)
Canadian Dollars

	2011	2010
		<i>(note 26)</i>
Revenue	\$ 831,131	\$ 816,145
Cost of sales <i>(note 17)</i>	785,091	643,617
Gross margin	46,040	172,528
Operating expenses		
General and administrative	156,950	174,490
Sales, marketing and engineering	181,323	178,101
Total operating expenses	338,273	352,591
Operating loss	(292,233)	(180,063)
Other income (expenses) <i>(note 18)</i>	(16,120)	(143)
Loss before finance costs and income taxes	(308,353)	(180,206)
Finance costs <i>(note 19)</i>	(46,053)	(33,347)
Loss before income taxes	(354,406)	(213,553)
Income taxes	-	-
Total comprehensive loss for the period attributable to shareholder's	\$ (354,406)	\$ (213,553)
Loss per share <i>(note 20)</i>		
Basic	\$ (0.01)	\$ (0.01)
Fully Diluted	\$ (0.01)	\$ (0.01)
Weighted average number of common shares <i>(note 20)</i>		
Basic	33,465,994	33,465,994
Fully Diluted	33,465,994	33,465,994

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

CEMATRIX CORPORATION

Consolidated Statement of Shareholders' Equity

For the three months ending March 31, 2011 (unaudited) and year ending December 31 (unaudited)
Canadian Dollars

	Share Capital	Share Purchase Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance at January 1, 2010 (note 26)	\$ 7,160,015	\$ -	\$ 596,179	\$ (4,567,118)	\$ 3,189,076
Issue of share purchase warrants - net of issuance costs (notes 13 and 16)	-	88,877	-	-	88,877
Stock based compensation (note 21)	-	-	64,956	-	64,956
Comprehensive loss for the year				(776,394)	(776,394)
Balance at December 31, 2010 (note 26)	7,160,015	88,877	661,135	(5,343,512)	2,566,515
Stock-based compensation (note 21)	-	-	1,298	-	1,298
Comprehensive loss for the period	-	-	-	(354,406)	(354,406)
Balance at March 31, 2011	\$ 7,160,015	\$ 88,877	\$ 662,433	\$ (5,697,918)	\$ 2,213,407

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

CEMATRIX CORPORATION

Consolidated Statements of Cash Flows

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

	2011	2010 <i>(note 26)</i>
Cash provided by (used in):		
Operating activities		
Comprehensive loss for the period	\$ (354,406)	\$ (213,553)
Add (deduct) non-cash items		
Depreciation and amortization	81,747	47,746
Stock-based compensation expense <i>(note 21)</i>	1,298	11,300
Accretion expense on subordinated secured debentures <i>(notes 13 and 19)</i>	8,769	15,968
Loss on sale of equipment <i>(note 18)</i>	16,651	-
	(245,941)	(138,539)
Net change in non-cash working capital items <i>(note 22)</i>	(137,721)	(349,368)
	(383,662)	(487,907)
Investing activities		
Purchase of property and equipment <i>(note 8)</i>	(7,490)	(3,900)
Proceeds on sale of equipment <i>(note 18)</i>	38,867	-
	31,377	(3,900)
Financing activities		
Proceeds from bank operating loan <i>(note 10)</i>	155,000	-
Proceeds from promissory note <i>(note 12)</i>	200,000	-
Proceeds from subordinated secured debentures (net of issuance costs) <i>(note 13)</i>	-	444,384
Repayments of subordinated secured debentures <i>(note 13)</i>	(28,834)	-
Restricted cash <i>(note 13)</i>	13,076	(231)
Repayment of finance lease obligations	(47,064)	(10,109)
	292,178	434,044
Decrease in cash	(60,107)	(57,763)
Cash, beginning of period	(109,715)	110,310
Cash, end of period	\$ (169,822)	\$ 52,547
Cash		
Cash	\$ 10,420	\$ 52,547
Bank overdraft <i>(note 9)</i>	(180,242)	-
Cash, end of period	\$ (169,822)	\$ 52,547
Finance costs paid during the period	\$ 28,941	\$ 2,543

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

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

1. Corporate information

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

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

The interim consolidated financial statements of the Company for the quarter ended March 31, 2011 were authorized for issue in accordance with a resolution of the Board of Directors on May 30, 2011.

2. Going concern assumption

The interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company had a deficit amounting to \$5,697,918 at March 31, 2011 (as at December 31, 2010 - \$5,343,512). Cash flows from operations, before the net change in non-cash working capital items, was negative \$245,941 for the quarter ended March 31, 2011 compared to negative \$418,049 for the year ended December 31, 2010.

The Company has contracted sales for 2011 of \$5.5 million, much of which is currently scheduled for the period of April 1 to September 30, 2011. The Company’s existing bank operating loan facility is currently limited to \$1.0 million. Management must manage its working capital and cash flow closely over the next six months to ensure that its bank loan level does not exceed the current approved level. The timing of the sales and the timing of collection of the associated trade receivables is substantially beyond the control of the Company.

Management is in discussions with potential lenders to access additional short term funding to finance the expected growth in working capital as a result of the contracted sales that are in place. No assurance can be given at this time as to whether the Company will be successful in these discussions or whether the additional short term funding will be required.

These interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern for a reasonable period of time.

3. Basis of preparation

Statement of compliance

These interim consolidated financial statements represent the first consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (“IFRS”), including IAS 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”).

The Company adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards (“IFRS 1”) with a transition date to IFRS of January 1, 2010. Consequently the comparative figures for 2010 and the Company’s Statement of Financial Position as at January 1, 2010 have been restated from accounting principles generally accepted in Canada (“Canadian GAAP”) to comply with IFRS.

The reconciliations to IFRS from the previously published Canadian GAAP consolidated financial statements are summarized in note 26. In addition, IFRS 1 allows certain exemptions from retrospective application of IFRS in the opening statement of financial position. Where these have been used they are explained in note 26.

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

3. Basis of preparation (continued)

Basis of measurement

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

Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim consolidated financial statements are disclosed in note 4.

Functional and presentation currency

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

4. Significant accounting estimates and assumptions

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

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the interim consolidated financial statements are:

A) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next three - five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

B) Share-based payment transactions

The Company measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option. The Company measures the cost of share-based payment transactions with consultants by reference to the fair value of the services to be performed.

C) Income Taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

4. Significant accounting estimates and assumptions (continued)

related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

D) Useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

E) Allowance for doubtful debts

The Company makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

F) Subordinated secured debenture repayments

Estimates of the amount of the subordinated secured debentures that are repayable within the next twelve months from the balance sheet date are required. The subordinated secured debentures are repayable on a quarterly basis based on a fixed percentage of cash revenues collected in the particular quarter. In order to estimate the amount that would be required to be repaid over the twelve months following a reporting date management is required to forecast future revenues and the cash collection of this future revenue.

G) Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Trade receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Changes in accounting estimate

The Company completed a review of the useful life of its property and equipment and effective January 1, 2011 changed the depreciation methodology for property and equipment to the straight line method from the declining balance and unit of production methods. The impact in the quarter ending March 31, 2011 was to increase the depreciation expense by \$12,100. This change has been accounted for as a change in estimate on a prospective basis. It is impracticable to estimate the impact on future periods as a significant component of property and equipment was depreciated using the unit of production basis and the related amount of depreciation expense was dependant on future production levels which are uncertain.

5. Significant accounting policies

The significant accounting policies of the Company are outlined on the following pages:

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

5. Significant accounting policies (continued)

A) **Basis of consolidation**

The interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CEMATRIX (Canada) Inc. and its subsidiaries: CEMATRIX (Calgary) Ltd. (100% owned) and CEMATRIX (USA) Inc (99.99% owned). Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. The Company has consolidated the assets, liabilities, revenues and expenses of its subsidiaries after the elimination of inter-company transactions and balances.

B) **Cash**

Cash and cash equivalents include short-term investments with original maturities of three months or less which are considered to be cash equivalents and are recorded at cost, which approximates fair market value.

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalent consist of cash and short term deposits, net of bank overdraft.

C) **Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventory consists mainly of raw materials used in the production of the Company's product, cellular concrete. It also includes some spare parts and marketing materials.

D) **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the income statement as incurred.

Depreciation is calculated on a straight-line basis to recognize the cost less estimated residual value over the estimated useful life of the assets as follows:

Equipment and cellular material processors	3-20 years
Vehicles	7-15 years
Computer equipment and software	5-10 years
Furniture and fixtures	10 years
Leasehold improvements	Over the term of the related lease

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

E) **Leases**

Leases or other arrangements entered into for the use of an asset are classified as either finance or operating leases. Finance leases transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Capitalized leased assets are amortized over the shorter of the estimated useful life of the assets and the lease term. When the lease contains terms that allow ownership to pass to the Company

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

5. Significant accounting policies (continued)

or a bargain purchase option, the period of amortization is the economic life of the asset. All other leases are classified as operating leases and the payments are amortized on a straight-line basis over the lease term.

F) Intangible assets

Intangible assets represent trademarks and technology. Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and any expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

G) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

6. Significant accounting policies (continued)

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

H) Revenue recognition

The Company's revenue is primarily generated from the production and 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. The Company also derives revenue from the sale of foaming agent, which is recognized when the product leaves the Company's facilities and revenue from the short term rental of its equipment which is recognized evenly over the term of the particular equipment lease.

I) Share-based payment

The Company operates an equity-settled share-based compensation plan under which it receives services from employees and consultants as consideration for equity instruments of the Company or cash payments.

For equity-settled plans, expense is based on the fair value of the awards granted, net of expected forfeitures, on the date of grant. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding credit to shareholders' equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the income statement.

J) Earnings per common share

Basic EPS is calculated by dividing the comprehensive income or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Company is in a loss position.

K) Income taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in the income statement except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current income tax

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were enacted or

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

5. Significant accounting policies (continued)

substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Statement of Financial Position. Deferred income tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred income tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

L) Foreign currency translation

The Company's interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. This is the currency of the primary economic environment in which the Company operates.

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

M) Financial Instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

5. Significant accounting policies (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or is designated as such by management. Such assets are held for trading if it is acquired principally for the purpose of selling in the short-term. These assets are initially recognized, and subsequently carried, at fair value, with changes recognized in the Consolidated Statement of Comprehensive Income (Loss). Transaction costs are expensed. Assets in this category include cash and cash equivalents.

Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include trade and other receivables.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the trade receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Consolidated Statement of Comprehensive Income (Loss). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include operating line, trade and other payables, promissory note and long-term debt.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

N) New pronouncements adopted

March 31, 2011 is the Company's first reporting period under IFRS. Accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS.

O) Recent pronouncements issued

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

As of January 1, 2013, the Company will be required to adopt IFRS 9, "Financial Instruments", which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard should not have a material impact on the Company.

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

6. Trade and other receivables

Trade and other receivables consist of the following components as at March 31, 2011 and December 31, 2010:

	2011	2010
Trade receivables	\$ 1,081,816	\$ 728,594
Holdbacks	13,944	27,891
Other receivables	23,508	8,251
	\$ 1,119,268	\$ 764,736

Trade receivables are non-interest bearing and are generally on 30 day terms subject to standard ten percent construction holdbacks on most of its sales over \$100,000. The Company has historically experienced minimal customer defaults on its trade receivables including holdbacks. Holdbacks are generally collectible forty-five days after completion of the work performed by the Company, however, holdbacks can be outstanding much longer, if the holdback release is tied to the completion of the entire project by the general contractor. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more. The aging of the trade receivables that were past due but not impaired and the amount of the holdback amounts billed and included in trade receivables were as follows as at March 31, 2011 and December 31, 2010:

	Trade Receivables Aging		Holdbacks Included	
	2011	2010	2011	2010
1-30 days	\$ 422,592	\$ 114,825	\$ 31,417	\$ 13,492
30-60 days	383,987	301,776	-	51,573
61-90 days	45,218	311,993	-	48,070
Greater than 90 days	230,019	-	-	-
	\$ 1,081,816	\$ 728,594	\$ 31,417	\$ 113,135

As at March 31, 2011, there were no trade receivable balances that were impaired.

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

7. Inventory

Inventory consists of the following components as at March 31, 2011 and December 31, 2010:

	2011	2010
Raw materials (principally foaming agent)	\$ 499,473	\$ 377,086
Spare parts and marketing material	15,560	17,386
	\$ 515,033	\$ 394,472

Inventory expensed as part of cost of sales was \$37,294 and \$33,600, respectively, for the quarters ended March 31, 2011 and 2010.

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

8. Property and equipment

The movement in the net carrying amounts for each class of property and equipment for the quarter ended March 31, 2011 and the year ended December 31, 2010 is outlined below:

	2011	2010
Owned:		
Equipment and cellular material processors		
Carrying amount at the beginning of the period	\$ 2,196,398	\$ 2,337,716
Additions	7,490	20,541
Disposals	(11,724)	-
Depreciation	(71,263)	(161,859)
Carrying amount at the end of the period	\$ 2,120,901	\$ 2,196,398
Vehicles		
Carrying amount at the beginning of the period	\$ 6,323	\$ 9,692
Reclassification	4,335	-
Depreciation	(60)	(3,369)
Carrying amount at the end of the period	\$ 10,598	\$ 6,323
Computer equipment and software		
Carrying amount at the beginning of the period	\$ 18,090	\$ 16,675
Additions	-	1,404
Reclassification	-	5,801
Depreciation	(3,685)	(5,790)
Carrying amount at the end of the period	\$ 14,405	\$ 18,090
Furniture and fixtures		
Carrying amount at the beginning of the period	\$ 5,341	\$ 6,677
Depreciation	(215)	(1,336)
Carrying amount at the end of the period	\$ 5,126	\$ 5,341
Leasehold improvements		
Carrying amount at the beginning of the period	\$ 14,737	\$ 14,039
Additions	-	2,459
Depreciation	(921)	(1,761)
Carrying amount at the end of the period	\$ 13,816	\$ 14,737
Summary owned:		
Carrying amount at the beginning of the period	\$ 2,240,889	\$ 2,384,799
Additions	7,490	24,404
Disposals	(11,724)	-
Reclassification	4,335	5,801
Depreciation	(76,144)	(174,115)
Carrying amount at the end of the period	\$ 2,164,846	\$ 2,240,889

CEMATRIX CORPORATION
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For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

8. Property and equipment

Leased:	2011	2010
Computer equipment and software		
Carrying amount at the beginning of the period	\$ 300	\$ 7,834
Reclassification	-	(5,801)
Depreciation	(31)	(1,733)
Carrying amount at the end of the period	\$ 269	\$ 300
Vehicles and equipment		
Carrying amount at the beginning of the period	\$ 97,193	\$ 98,593
Additions	21,800	30,204
Disposals	(43,794)	-
Reclassification	(4,335)	-
Depreciation	(5,572)	(31,604)
Carrying amount at the end of the period	\$ 65,292	\$ 97,193
Summary leased:		
Carrying amount at the beginning of the period	\$ 97,493	\$ 106,427
Additions	21,800	30,204
Disposals	(43,794)	-
Reclassification	(4,335)	(5,801)
Depreciation	(5,603)	(33,337)
Carrying amount at the end of the period	\$ 65,561	\$ 97,493
Summary:		
Carrying amount at the beginning of the period	\$ 2,338,382	\$ 2,491,226
Additions	29,290	54,608
Disposals	(55,518)	-
Depreciation	(81,747)	(207,452)
Carrying amount at the end of the period	\$ 2,230,407	\$ 2,338,382

9. Bank overdraft

The bank overdraft represents checks written at the reporting date in excess of the bank balance.

10. Bank operating loan

The bank operating loan as at March 31, 2011 and December 31, 2010 is outlined below:

	2011	2010
Bank operating loan	\$ 666,348	\$ 511,348

The Company has a revolving demand credit facility ('Credit Facility') with a Canadian chartered bank which, when utilized by the Company, provides loans to finance working capital for periods of time. Under the Credit Facility, the bank will advance up to \$1,000,000 on trade receivables less than ninety days outstanding at the end of each month, (up to a maximum of 75% of trade receivables from companies resident in Canada, up to 90% of trade receivables from companies resident in the United States) and 50% of inventories (up to a maximum of

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

10. Bank operating loan (continued)

\$250,000). Based on these restrictions the actual credit facility availability at March 31, 2011 was \$996,000 (December 31, 2010 \$693,000).

In the first quarter of 2011 the Company entered into an arrangement through Economic Development Canada to insure trade receivables for sales to qualified companies resident in the United States. The Company has completed a direct to pay of any insurance proceeds to the Company's bank. As a result of this arrangement the Company's bank has agreed to advance up to 90% of trade receivables from qualified companies resident in the United States on the Credit Facility.

Interest on the Credit Facility is at prime plus 2.25%. The security provided includes a General Security Agreement over all of the assets of the Company. Under the facility, the Company is required to maintain a debt to tangible net worth ratio of less than 1.75:1. The Company is in compliance with the terms of the covenants.

11. Trade and other payables

Trade and other payables consist of the following components as at March 31, 2011 and December 31, 2010:

		2011		2010
Trade payables	\$	331,444	\$	102,750
Accruals		251,082		132,274
Payroll remittance and goods & services tax		34,290		25,396
	\$	616,816	\$	260,420

12. Promissory note

In February 2011, the Company signed a promissory note with the Agricultural Financial Services Corporation in the amount of \$200,000. The promissory note bears interest at 4.48%, payable monthly, with the principal to be repaid by August 1, 2011.

		2011		2010
Promissory note	\$	200,000	\$	-

13. Long term debt

Long term debt consists of the following components as at March 31, 2011 and December 31, 2010:

	Maturity	Interest rate	2011	2010
Agricultural Financial Services Corporation – Loan 2	Feb. 2014	5.82%	123,102	123,102
Subordinated secured debentures	Jan. 2013	12.00%	371,865	391,930
			494,967	515,032
Less current portion			(287,565)	(249,030)
			\$ 207,402	\$ 266,002

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

13. Long term debt (continued)

AFSC loans

Loan 1

During 2005, the Company borrowed \$300,000 from the Agricultural Financial Services Corporation ("AFSC") ("AFSC Loan 1") to be used to complete the acquisition of equipment with an original cost of \$571,500. This loan was repaid in December 2010.

Loan 2

During 2009, the Company borrowed \$200,000 from the AFSC ("AFSC Loan 2") to be used for the acquisition and construction of equipment at a cost of \$200,000. The original term included monthly principal and interest payments of \$7,565 commencing July 1, 2009 with monthly payments from July to December each year. In November 2010 the term was modified, at the request of the AFSC, to comply with their internal administration systems, such that payments of \$22,626 (principal plus interest) will be made twice a year in August and January commencing in August 2011 which moved the maturity to February 2014.

The loan is secured by equipment and a General Security Agreement. The net book value of the equipment used as security at March 31, 2011 is \$2,164,846 (December 31, 2010 - \$2,240,889).

Repayments of the AFSC loans in the quarters ended March 31, 2011 and 2010 were \$nil. Principal repayments for the twelve month periods following March 31, 2011 are as follows: 2011/12 - \$38,565; 2012/13 - \$40,880; 2013/14 - \$43,657.

Finance costs during the quarters ending March 31, 2011 and 2010 include interest on the AFSC loans in the amount of \$2,971 and \$3,336 respectively.

Subordinated secured debentures

On January 22, 2010, the Company completed a private placement (the "Private Placement") of 100 units (individually, a "Unit") to certain subscribers at a subscription price of \$5,000 per Unit, for aggregate gross proceeds of \$500,000. Each Unit was comprised of a \$5,000 subordinated secured debenture (individually, a "Debenture") and 10,000 share purchase warrants (individually, a "Warrant"). Each whole Warrant entitles the holder to purchase one common share of the Company.

Each Debenture will mature 3 years after the issuance thereof, subject to early repayment. Three percent of the cash revenues received by the Company and its wholly owned subsidiaries during each three month period (a "Quarter") ending after the closing date are to be paid by the Company against the principal amounts owing under the Debentures. For each Debenture held, the holder thereof will be entitled to a quarterly distribution of \$150 so long as any of the principal amounts owing under the Debentures are outstanding within thirty days of a Quarter end. Notwithstanding that the principal amounts owing under the Debentures are paid back prior to the expiry of the three year term, and subject to compliance with all applicable laws, each holder of a Debenture will be entitled to a minimum of six quarterly distributions and: (i) should re-payment of the principal amount owing under the Debentures occur between months 19 and 24 months after the issuance of the Debentures, a holder of Debentures shall be entitled to one additional distribution of \$150 above and beyond their quarterly distributions for each Debenture held; or (ii) should re-payment of the principal amount owing under the Debentures occur between months 25 and 36 after the issuance of the Debentures, a holder of Debentures shall be entitled to two additional distributions of \$150 above and beyond their quarterly distributions for each Debenture held.

Each Warrant issued pursuant to the Private Placement shall be exercisable for a term of three years at an exercise price of \$0.15. If the average closing trading price of the Common Shares on the TSX Venture Exchange Inc. or other recognized exchange is equal to or greater than \$0.30 for a period of 60 consecutive days, the Company shall have an option at its sole discretion to provide a written notice to accelerate the expiry (the "Acceleration Notice") advising the Warrant holders that they shall have 21 days following the date of the Acceleration Notice to exercise their Warrants and any unexercised Warrants after the expiry of the 21st day following the Acceleration Notice shall expire with no further rights and privileges attached thereto.

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

13. Long term debt (continued)

For accounting purposes, the Private Placement has a liability and an equity component, which are separately presented in the consolidated balance sheet. The \$500,000 face value of the Private Placement has been allocated to the liability and equity components based on the fair value of the equity component with the difference assigned to debt. The fair value of the Warrants was measured using the Black-Scholes option pricing model, assuming a risk free interest rate of 1.7%, no dividend, and a volatility factor of 364% and such fair value was credited to Warrants within Shareholders' Equity. As a result, the Company allocated \$400,000 to debt and \$100,000 to equity. The transaction costs relative to the Private Placement were \$55,616 and these have been charged to both the value of the Debentures and the Warrants based on their respective fair value determinations.

The fair value of the Debentures, as determined above, and after the allocation of transaction costs, was \$355,507. For accounting purposes, an accounting entry is recorded each period to accrete the recorded amount to the full value of the repayment obligation of \$500,000 over its expected life. This is reflected in finance costs (see note 19) as "accretion expense on subordinated secured debentures". This expense has no current period impact on the Company's cash position.

Repayments of the Debentures are to be made quarterly from the date of issue based on 3% of revenues collected related to revenues earned subsequent to the closing date. Repayments in the quarters ended March 31, 2011 were \$28,834 (March 31, 2010 - \$nil); At March 31, 2011, the 3% of related revenue collected and held for repayment amounted to \$9,971 (December 31, 2010 - \$23,047) and this has been reported as restricted cash on the consolidated statement of financial position. At March 31, 2011 the Company has estimated the amount of the Debentures that will be repaid within twelve months to be \$249,000 (December 31, 2010 - \$230,000). In order to estimate this amount, management is required to forecast future revenues and cash collections of this future revenue. Management believes that the estimates are reasonable, however, actual results could differ from these estimates.

Finance costs related to the Debentures during the quarters ending March 31, 2011 and 2010 amounted to \$29,598 and \$27,468, respectively. This included a non-cash accretion expense of \$8,769 in the quarter ended March 31, 2011 (March 31, 2010 - \$15,968).

14. Finance lease obligations

Finance leases, which relate to the purchase of equipment, bear interest at 5.75% to 15.75% and are repayable in blended monthly payments and mature from May 2011 to June 2013. The annual future commitments under the leases are as follows:

2011/12	\$	33,987
2012/13		33,331
2013/14		2,985
		<hr/>
		70,303
Less imputed interest		(7,468)
		<hr/>
		62,835
Current portion		(28,665)
	\$	<hr/> 34,170 <hr/>

Finance costs for the quarter ended March 31, 2011 includes interest on finance lease obligations in the amount of \$4,882 (March 31, 2010 - \$2,247).

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

15. Share capital

(a) Authorized

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

b) Issued

The issued common share of the Company at March 31, 2011 and December 31, 2010 are outlined below:

	Number Of Shares	2011 \$ Amount	Number Of Shares	2010 \$ Amount
Common shares, end of period	33,465,994	\$7,160,015	33,465,994	\$7,160,015

(c) Common shares

During the quarter ended March 31, 2011 and the year ended December 31, 2010 no common shares were issued by the Company.

(d) Share acquisition loans

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

16. Share purchase warrants

The following table summarizes the changes in Warrants during the quarter ended March 31, 2011 and the year ended December 31, 2010:

	Number Of Warrants	2011 Amount	Number Of Warrants	2010 Amount
Share purchase warrants, beginning of period	1,000,000	\$ 88,877	-	-
Issue of share purchase warrants ⁽¹⁾	-		1,000,000	88,877
Share purchase warrants end of period	1,000,000	\$ 88,877	1,000,000	\$ 88,877

(1) The fair value determined per Note 13 of \$100,000 less the allocated transaction costs of \$11,123.

The following table summarizes the Warrants to acquire common shares of the Company at March 31, 2011:

Issue Date	Number Warrants	Exercise Price \$	Weighted average remaining life (years)	Expiry Date
January 22, 2010	1,000,000	0.15	1.82	January 22, 2013

CEMATRIX CORPORATION
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For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

17. Cost of sales

Cost of sales consists of the following components for the quarters ending March 31, 2011 and 2010

	2011	2010
Manufacture of cellular concrete		
Materials	\$ 397,555	\$ 369,069
Direct labour	137,199	74,896
Variable expenses	91,405	80,726
Fixed overhead	82,331	72,172
Depreciation	76,601	45,254
	785,091	642,117
Other	-	1,500
	\$ 785,091	\$ 643,617

18. Other income (expenses)

Other income and (expenses) for the quarters ended March 31, 2011 and 2010 consist of the following:

	2011	2010
Loss on the sale of equipment	\$ (16,651)	\$ -
Foreign exchange	531	(143)
	\$ (16,120)	\$ (143)

In the quarter ending March 31, 2011 the Company sold equipment with a book value at the time of sale of \$55,518 for net cash proceeds of \$38,867.

19. Finance costs

The finance costs incurred for the quarters ending March 31, 2011 and 2010 are as follows:

	2011	2010
Interest		
AFSC loans	\$ 2,971	\$ 3,336
Subordinated secured debentures	20,829	11,500
Finance lease obligations	4,882	2,247
Bank operating loan	6,891	-
Promissory note	1,301	-
Other	410	296
	37,284	17,379
Accretion expense on subordinated secured debentures (note 13)	8,769	15,968
	\$ 46,053	\$ 33,347

The accretion expense on the subordinated secured debentures has no current period impact on the Company's cash position.

CEMATRIX CORPORATION
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For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

20. Loss per share

The number of shares included in the computation of basic and diluted loss per share for the quarters ending March 31, 2011 and 2010 is as follows:

	2011	2010
Weighted average shares outstanding - basic	\$ 33,465,994	\$ 33,465,994
Effect of stock options	-	-
Effect of share purchase warrants	-	-
<hr/>		
Weighted average shares outstanding – fully diluted	\$ 33,465,994	\$ 33,465,994

The stock options and the share purchase warrants for the quarters ended March 31, 2011 and 2010 have no dilutive effect as the Company realized a net loss during the periods.

21. Stock-based compensation

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

On February 5, 2010 the Company granted stock options to the Howard Group to enable it to acquire 300,000 common shares of the Company at an exercise price of \$0.12. These stock options vest as to one quarter every three months from the date of grant and expire three years from the date of grant. The Howard Group were contracted to provide an investor and financial relations program commencing July 1, 2010, or at such other date as agreed to by both parties, until July 31, 2011. No investor and financial relations program was undertaken in the quarter ended March 31, 2011 or the year ended December 31, 2010.

On March 16, 2010 the Company granted stock options to a new director to enable him to acquire 150,000 common shares of the Company at an exercise price of \$0.30. These stock options vest as to one third immediately and one third on the first and second anniversary date of the grant and expire in five years.

At March 31, 2011 a total of 2,687,500 stock options to purchase common shares (December 31, 2010 - 2,687,500) were issued and are outstanding to directors, consultants and managers of the Company. At March 31, 2011, the Company had 659,099 shares reserved for the issuance of stock options (December 31, 2010 – 659,099).

All options issued prior to 2008 vested at the date of grant or have vested. Options issued to employees and directors subsequent to 2008 vest as to one third immediately on grant and one third on each of next two anniversary dates. The options to the Howard Group vest as described previously.

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For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

21. Stock-based compensation (continued)

The following table summarizes the options to acquire common shares outstanding as at March 31, 2011:

Grant Date	Number Options	Exercise Price \$	Weighted average remaining life (years)	Expiry Date
April 11, 2006	1,150,000	0.30	0.28	April 11, 2011
June 1, 2007	100,000	0.30	1.42	June 1, 2012
July 27, 2007	87,500	0.35	1.57	July 27, 2012
August 13, 2008	600,000	0.30	2.62	August 13, 2013
December 1, 2008	300,000	0.10	2.92	December 1, 2013
February 5, 2010	300,000	0.12	2.10	February 5, 2013
March 16, 2010	150,000	0.30	4.21	March 16, 2015
2,687,500				

The following table summarizes the changes in options for the quarter ended March 31, 2011 and the year ended December 31, 2010:

	2011		2010	
	Number of Options	Weighted average price	Number of Options	Weighted average price
Outstanding, beginning of period	2,687,500	\$0.26	2,370,825	\$0.28
Granted	-	-	450,000	0.18
Forfeited	-	-	(25,000)	0.35
Expired	-	-	(108,325)	0.30
Outstanding, end of period	2,687,500	0.26	2,687,500	0.26
Exercisable, end of period	2,637,500	\$0.26	2,512,500	\$0.26

There are 50,000 options that have not vested as at March 31, 2011 (December 31, 2010 – 175,000 options).

Stock-based compensation for the quarters ending March 31, 2011 and 2010 of \$1,298 and \$11,300, respectively, was calculated using the Black-Scholes option pricing model for options related to directors and managers of the Company and the fair value of services for consultants and recognized as an expense during the periods. 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:

	2011	2010
Estimated per share fair value per option	-	\$0.11
Risk-free interest rate	-	2.75%
Expected life	-	5 years
Expected volatility in stock price	-	375%
Expected annual dividend yield	-	nil
Estimated forfeiture rate	-	25%

CEMATRIX CORPORATION

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For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

22. Change in non cash working capital

The changes in non cash working capital items - asset (increase) decrease and liability increase (decrease) - are outlined below for the quarters ended March 31, 2011 and 2010.

	2011	2010
Trade and other receivables	\$ (354,532)	\$ (603,625)
Inventory	(120,561)	23,334
Prepaid expenses and deposits	(19,024)	(5,777)
Trade and other payables	356,396	236,700
	\$ (137,721)	\$ (349,368)

23. Related party transactions

In 2010, employees, directors and relatives of certain employees subscribed for \$230,000 of the secured subordinated debentures (note 13). Scheduled interest payments and repayments on the subordinated secured debentures to these related parties in the quarter ended March 31, 2011 were \$6,900 and \$13,248, respectively (March 31, 2010 - \$nil and \$nil, respectively). During the quarter ending March 31, 2011, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of \$2,750 (2010 - \$nil). There were no other significant related party transactions and these were in the normal course of operations and measured at the exchange rate.

24. Financial instruments and risk management

The fair values of cash, trade and other receivables, bank overdraft, bank operating loan, trade and other payables and the promissory note 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 long term debt and promissory note approximate its carrying value.

The Company's financial assets and liabilities recorded at fair value have been classified according to the following hierarchy based on the amount of observable inputs used to value the instruments.

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

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

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

The Company's cash has been assessed on the fair value hierarchy described above; cash is classified as Level 1.

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

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

24. Financial instruments and risk management (continued)

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

(a) Interest Rate Risk

The Company has a loan facility with a Canadian chartered bank which, when utilized by the Company, provides loans that are subject to floating market rates. The Company had a balance outstanding for this loan facility at March 31, 2011 of \$666,348 and \$511,348 at December 31, 2010. Future cash flow requirements could require the Company to utilize its line of credit to finance working capital for periods of time and during these time periods it would be exposed to interest rate risk. The Company's long term debt and the promissory note have fixed interest rates and therefore do not have any additional interest rate risk.

(b) Credit Risk

Financial instruments that subject the Company to credit risk consist primarily of trade receivables. The Company manages credit risk using credit approval and monitoring practices. At March 31, 2011, 5 customers accounted for approximately 90% of trade receivables (at December 31, 2010, 6 customers accounted for approximately 92% of trade receivables). (See Note 6 for details of credit policy and aging of outstanding trade receivables at March 31, 2011 and December 31, 2010).

(c) Liquidity Risk

Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines. Due to the nature of the business, the Company aims to maintain flexibility in funding by keeping committed credit lines available and limiting the investment of available cash to short term risk free interest bearing deposits. At March 31, 2011, the Company had access to \$1,000,000 in bank operating line financing subject to advance restrictions on the level of receivables and inventories (note 10). Based on these restrictions the actual operating line availability at March 31, 2011 was \$996,000 (December 31, 2010 - \$693,000).

25. Capital management

Management defines capital as the Company's total shareholders' equity, its long term debt and finance lease obligations. The Board of Directors does not establish a quantitative return on capital for management, but rather promotes year over year sustainable profitable growth. The consolidated capital structure of the Company at March 31, 2011 and December 31, 2010 is as follows:

	2011	2010
Long term debt (Note 13)	\$ 494,967	\$ 515,032
Finance lease obligations (Note 14)	62,835	88,099
Total debt	557,802	603,131
Shareholders' equity	2,213,407	2,566,515
Company's managed capital	\$ 2,771,209	\$ 3,169,646

The Company's current objective when managing capital is to increase the Company's capital through growth in earnings and to re-invest the earnings generated to facilitate the continued growth in the Company, in order to provide an appropriate rate of return to shareholders in relation to the risks underlying the Company's assets.

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

26. Transition to IFRS

As disclosed in Note 3, these are the Company's first consolidated financial statements prepared in accordance with IFRS for the period ended March 31, 2011 in conjunction with the Company's annual audited consolidated financial Statements to be issued under IFRS as at and for the year ending December 31, 2011. As a result, these Interim Consolidated Financial Statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with IAS 34, "Interim Financial Reporting", as issued by the IASB. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP. IFRS requires the presentation of comparative information as at the January 1, 2010 conversion date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the conversion, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of IFRS's.

In preparing its opening IFRS Financial Position, the Company has adjusted amounts reported previously in the consolidated financial statements prepared in accordance with Canadian GAAP. IFRS accounting policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon conversion to IFRS for first-time adopters.

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following notes below and the tables that follow.

IFRS Adjustments

Market value adjustment (MV)

The Company utilized the exemption under IFRS 1 to fair value specific items of property and equipment at the date of conversion. The fair value was determined using a valuation model which was based on productive capacity remaining over the estimated useful lives of the assets.

Depreciation and amortization (DA)

IAS 16 "Property, plant and equipment" requires that assets be separated into their component parts and depreciation be expensed on a systematic basis over the useful life of the componentized assets.

Stock based compensation (SBC)

IFRS 2 requires that if options vest in instalments, each tranche is to be considered a separate award with the compensation cost amortized accordingly. Under Canadian GAAP, separate tranches of a stock option award could be considered together for recognition purposes. In addition, IFRS 2 requires that a fair value be determined for stock options granted to consultants. The Company utilized the exemption under IFRS 1 whereby the liability for share-based payments that had vested or settled prior to January 1, 2010 were not required to be retrospectively restated.

Other IFRS 1 exemptions taken by the Company at January 1, 2010 included the following:

- Borrowing costs directly attributable to the acquisition or construction of qualified assets were not retrospectively restated prior to January 1, 2010.
- Leases were not reassessed to determine whether an arrangement contained a lease under International Financial Reporting Interpretations Committee 4, "Determining whether an Arrangement contains a Lease" for contracts that were already assessed under Canadian GAAP.

The remaining IFRS 1 exemptions were not applicable or material to the preparation of the Company's Financial Position at the date of transition to IFRS on January 1, 2010.

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

26. Transition to IFRS (continued)

Reconciliation of the Financial Position as at January 1, 2010

	Canadian GAAP		Adjustments			IFRS	
			MV	D&A	SBC		
ASSETS							
Current Assets							
Cash	\$	110,310	\$	\$	\$	\$ 110,310	
Trade and other receivables		179,347				179,347	
Inventory		440,719				440,719	
Prepaid expenses and deposits		59,596				59,596	
		789,972				789,972	
Non Current Assets							
Property and equipment		1,371,109	1,170,471	(50,354)		2,491,226	
Intangibles		465,116				465,116	
		1,836,225	1,170,471	(50,354)		2,956,342	
	\$	2,626,197	\$	1,170,471	\$	(50,354)	\$ 3,746,314
LIABILITIES							
Current liabilities							
Trade and other payables	\$	231,319	\$	\$	\$	\$ 231,319	
Current portion of long term debt		98,880				98,880	
Current portion of finance lease obligations		40,231				40,231	
		370,430				370,430	
Non Current Liabilities							
Long term debt		123,561				123,561	
Finance lease obligations		63,247				63,247	
		186,808				186,808	
		557,238				557,238	
SHAREHOLDERS' EQUITY							
Share capital		7,160,015				7,160,015	
Contributed Surplus		596,179				596,179	
Deficit		(5,687,235)	1,170,471	(50,354)		(4,567,118)	
		2,068,959	1,170,471	(50,354)		3,189,076	
	\$	2,626,197	\$	1,170,471	\$	(50,354)	\$ 3,746,314

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

26. Transition to IFRS (continued)

Reconciliation of the Financial Position as at December 31, 2010

	Canadian GAAP		Adjustments			IFRS
			MV	D&A	SBC	
ASSETS						
Current Assets						
Cash	\$	3,648	\$		\$	3,648
Restricted cash		23,047				23,047
Trade and other receivables		764,736				764,736
Inventory		394,472				394,472
Prepaid expenses and deposits		65,376				65,376
		1,251,279				1,251,279
Non Current Assets						
Property and equipment		1,255,873	1,170,471	(87,962)		2,338,382
Intangibles		465,116				465,116
		1,720,989	1,170,471	(87,962)		2,803,498
	\$	2,972,268	\$	1,170,471	\$	(87,962)
					\$	4,054,777
LIABILITIES						
Current liabilities						
Bank overdraft		113,363				113,363
Bank operating loan		511,348				511,348
Trade and other payables	\$	260,420	\$		\$	260,420
Current portion of long term debt		249,030				249,030
Current portion of finance lease obligations		40,610				40,610
		1,174,771				1,174,771
Non Current Liabilities						
Long term debt		266,002				266,002
Finance lease obligations		47,489				47,489
		313,491				313,491
		1,488,262				1,488,262
SHAREHOLDERS' EQUITY						
Share capital		7,160,015				7,160,015
Share purchase warrants		88,877				88,877
Contributed Surplus		667,635			(6,500)	661,135
Deficit		(6,432,521)	1,170,471	(87,962)	6,500	(5,343,512)
		1,484,006	1,170,471	(87,962)		2,566,515
	\$	2,972,268	\$	1,170,471	\$	(87,962)
					\$	4,054,777

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

26. Transition to IFRS (continued)

Reconciliation of Comprehensive Income (Loss) for the year ending December 31, 2010.

	Canadian GAAP		Adjustments			IFRS
			MV	D&A	SBC	
Revenue	\$	3,257,197	\$		\$	\$ 3,257,197
Cost of sales		2,468,289		37,891		2,506,180
Gross margin		788,908		(37,891)		751,017
Operating Expenses						
General & Administrative		689,525		45	(6,500)	683,070
Sales, marketing and engineering		672,254		(328)		671,926
Total Operating Expenses		1,361,779		(283)	(6,500)	1,354,996
Operating loss		(572,871)		(37,608)	6,500	(603,979)
Other income (expenses)		(228)				(228)
Loss before finance costs and income taxes		(573,099)		(37,608)	6,500	(604,207)
Finance costs		(172,187)				(172,187)
Net loss before income taxes		(745,286)		(37,608)	6,500	(776,394)
Income taxes		-				-
Net loss and comprehensive loss for the year	\$	(745,286)	\$	(37,608)	\$ 6,500	\$ (776,394)

Reconciliation of Comprehensive Income (Loss) for the three months ending March 31, 2010.

	Canadian GAAP		Adjustments			IFRS
			MV	D&A	SBC	
Revenue	\$	816,145	\$		\$	\$ 816,145
Cost of sales		635,583		8,034		643,617
Gross margin		180,562		(8,034)		172,528
Operating Expenses						
General & Administrative		182,090			(7,600)	174,490
Sales, marketing and engineering		178,906		(805)		178,101
Total Operating Expenses		360,996		(805)	(7,600)	352,591
Operating loss		(180,434)		(7,229)	7,600	(180,063)
Other income (expenses)		(143)				(143)
Loss before finance costs and income taxes		(180,577)		(7,229)	7,600	(180,206)
Finance costs		(33,347)				(33,347)
Net loss before income taxes		(213,924)		(7,229)	7,600	(213,553)
Income taxes		-				-
Net loss and comprehensive loss for the period	\$	(213,924)	\$	(7,229)	\$ 7,600	\$ (213,553)

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the quarter ended March 31, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

26. Transition to IFRS (continued)

Reconciliation of Cash Flows for the year ending December 31, 2010.

	Canadian GAAP		Adjustments			IFRS
			MV	D&A	SBC	
Cash provided by (used in):						
Operating activities						
Net loss for the year	\$	(745,286)	\$	\$ (37,608)	\$ 6,500	\$ (776,394)
Add (deduct) non-cash items						
Depreciation and amortization		169,844		37,608		207,452
Stock-based compensation expense		71,456			(6,500)	64,956
Accretion expense on subordinated secured debentures		85,937				85,937
		(418,049)				(418,049)
Net change in non-cash working capital items		(515,821)				(515,821)
		(933,870)				(933,870)
Investing activities						
Purchase of property and equipment		(24,404)				(24,404)
Financing activities						
Proceeds from bank operating loan		511,348				511,348
Proceeds from New AFSC loan						
Proceeds from subordinated secured debentures (net if issuance costs)		444,384				444,384
Repayments of AFSC loans		(99,339)				(99,339)
Repayments of subordinated secured debentures		(49,514)				(49,514)
Restricted cash		(23,047)				(23,047)
Repayment of finance lease obligations		(45,583)				(45,583)
		738,249				738,249
Decrease in cash		(220,025)				(220,025)
Cash, beginning of year		110,310				110,310
Cash, end of year	\$	(109,715)	\$	\$	\$	\$ (109,715)
Cash						
Cash	\$	3,648	\$	\$	\$	\$ 3,648
Bank overdraft		(113,363)				(113,363)
Cash, end of year	\$	(109,715)	\$	\$	\$	\$ (109,715)