

CEMATRIX CORPORATION
Interim Consolidated Financial Statements
June 30, 2011

**Management's Responsibility for Financial Reporting and Notice of No Auditor
Review of the Interim Consolidated Financial Statements for the Quarter and Six Months
Ended June 30, 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 June 30, 2011	As at December 31, 2010 <i>(note 26)</i>	As at January 1, 2010 <i>(note 26)</i>
ASSETS			
Current Assets			
Cash	\$ 13,234	\$ 3,648	\$ 110,310
Restricted cash <i>(note 13)</i>	27,408	23,047	-
Trade and other receivables <i>(note 6)</i>	1,222,580	764,736	179,347
Inventory <i>(note 7)</i>	530,215	394,472	440,719
Prepaid expenses and deposits	87,271	65,376	59,596
	1,880,708	1,251,279	789,972
Non Current Assets			
Property and equipment <i>(note 8)</i>	2,165,723	2,338,382	2,491,226
Intangibles	465,116	465,116	465,116
	2,630,839	2,803,498	2,956,342
	\$ 4,511,547	\$ 4,054,777	\$ 3,746,314
LIABILITIES			
Current Liabilities			
Bank overdraft <i>(note 9)</i>	\$ 178,358	\$ 113,363	\$ -
Bank operating loan <i>(note 10)</i>	512,865	511,348	-
Trade and other payables <i>(note 11)</i>	760,662	260,420	231,319
Promissory note <i>(note 12)</i>	200,000	-	-
Current portion of long term debt <i>(note 13)</i>	296,565	249,030	98,880
Current portion of finance lease obligations <i>(note 14)</i>	31,973	40,610	40,231
	1,980,423	1,174,771	370,430
Non Current Liabilities			
Long term debt <i>(note 13)</i>	189,582	266,002	123,561
Finance lease obligations <i>(note 14)</i>	40,570	47,489	63,247
	230,152	313,491	186,808
	2,210,575	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	664,757	661,135	596,179
Deficit	(5,612,677)	(5,343,512)	(4,567,118)
Total Shareholders' Equity	2,300,972	2,566,515	3,189,076
	\$ 4,511,547	\$ 4,054,777	\$ 3,746,314

Going concern assumption *(note 2)*

Subsequent events *(note 27)*

Approved on behalf of the Board

Signed "Steve Bjornson" Director

Signed "Jeffrey Kendrick" Director

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

CEMATRIX CORPORATION
Consolidated Statement of Comprehensive Income (Loss)
For the three and six months ending at June 30 (unaudited)
Canadian Dollars

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
		<i>(note 26)</i>		<i>(note 26)</i>
Revenue	\$ 1,824,975	\$ 144,752	\$ 2,656,106	\$ 960,897
Cost of sales <i>(note 17)</i>	1,313,223	269,417	2,098,314	913,034
Gross margin	511,752	(124,665)	557,792	47,863
Operating expenses				
General and administrative	210,886	176,905	367,836	351,395
Sales, marketing and engineering	165,012	183,526	346,335	361,627
Total operating expenses	375,898	360,431	714,171	713,022
Operating income (loss)	135,854	(485,096)	(156,379)	(665,159)
Other income (expenses) <i>(note 18)</i>	(3,661)	82	(19,781)	(61)
Income (loss) before finance costs and income taxes	132,193	(485,014)	(176,160)	(665,220)
Finance costs <i>(note 19)</i>	(46,952)	(42,307)	(93,005)	(75,654)
Income (loss) before income taxes	85,241	(527,321)	(269,165)	(740,874)
Income taxes	-	-	-	-
Total comprehensive Income (loss) for the period	\$ 85,241	\$ (527,321)	\$ (269,165)	\$ (740,874)
Income (loss) per share <i>(note 20)</i>				
Basic	\$ 0.003	\$ (0.016)	\$ (0.008)	\$ (0.022)
Fully Diluted	\$ 0.003	\$ (0.016)	\$ (0.008)	\$ (0.022)
Weighted average number of common <i>(note 20)</i>				
Basic	33,465,994	33,465,994	33,465,994	33,465,994
Fully Diluted	33,465,994	33,465,994	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 and six months ending June 30 (unaudited)
Canadian Dollars

	Share Capital	Share Purchase Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance at December 31, 2010 <i>(note 26)</i>	\$ 7,160,015	\$ 88,877	\$ 661,135	\$ (5,343,512)	\$ 2,566,515
Stock-based compensation <i>(note 21)</i>	-	-	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
Stock-based compensation <i>(note 21)</i>	-	-	2,324	-	2,324
Comprehensive income for the period	-	-	-	85,241	85,241
Balance at June 30, 2011	\$ 7,160,015	\$ 88,877	\$ 664,757	\$ (5,612,677)	\$ 2,300,972
Balance at January 1, 2010 <i>(note 26)</i>	\$ 7,160,015	\$ -	\$ 596,179	\$ (4,567,118)	\$ 3,189,076
Issue of share purchase warrants - net of issuance costs <i>(notes 13 and 16)</i>	-	88,877	-	-	88,877
Stock based compensation <i>(note 21)</i>	-	-	11,300	-	11,300
Comprehensive loss for the period	-	-	-	(213,553)	(213,553)
Balance at March 31, 2010 <i>(note 26)</i>	\$ 7,160,015	\$ 88,877	\$ 607,479	\$ (4,780,671)	\$ 3,075,700
Stock based compensation <i>(note 21)</i>	-	-	10,046	-	10,046
Comprehensive loss for the period	-	-	-	(527,321)	(527,321)
Balance at June 30, 2010 <i>(note 26)</i>	\$ 7,160,015	\$ 88,877	\$ 617,525	\$ (5,307,992)	\$ 2,558,425

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

CEMATRIX CORPORATION

Consolidated Statements of Cash Flows

*For the three and six months ending June 30 (unaudited)
Canadian Dollars*

	Three months ended June 30		Six months ended June 30	
	2011	2010 <i>(note 26)</i>	2011	2010 <i>(note 26)</i>
Cash provided by (used in):				
Operating activities				
Comprehensive income (loss) for the period	\$ 85,241	\$ (527,321)	\$ (269,165)	\$ (740,874)
Add (deduct) non-cash items				
Depreciation and amortization	81,870	42,068	163,617	89,814
Stock-based compensation expense <i>(note 21)</i>	2,324	10,046	3,622	21,346
Accretion expense on subordinated secured debentures <i>(notes 13 and 19)</i>	8,942	22,010	17,711	37,978
Loss (gain) on sale of equipment <i>(note 18)</i>	(5,573)	-	11,078	-
	172,804	(453,197)	(73,137)	(591,736)
Net change in non-cash working capital items <i>(note 22)</i>	22,481	450,118	(115,240)	100,750
	195,285	(3,079)	(188,377)	(490,986)
Investing activities				
Purchase of property and equipment <i>(note 8)</i>	(9,773)	(16,011)	(17,263)	(19,911)
Proceeds on sale of equipment <i>(note 18)</i>	14,960	-	53,827	-
	5,187	(16,011)	36,564	(19,911)
Financing activities				
Proceeds (reduction) from/to bank operating loan <i>(note 10)</i>	(153,483)	-	1,517	-
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>	(17,762)	(5,406)	(46,596)	(5,406)
Restricted cash <i>(note 13)</i>	(17,437)	(19,096)	(4,361)	(19,327)
Repayment of finance lease obligations	(7,092)	(10,145)	(54,156)	(20,254)
	(195,774)	(34,647)	96,404	399,397
Decrease in cash	4,698	(53,737)	(55,409)	(111,500)
Cash, beginning of period	(169,822)	52,547	(109,715)	110,310
Cash, end of period	\$ (165,124)	\$ (1,190)	\$ (165,124)	\$ (1,190)
Cash				
Cash	\$ 13,234	\$ 13,810	\$ 13,234	\$ 13,810
Bank overdraft <i>(note 9)</i>	(178,358)	(15,000)	(178,358)	(15,000)
Cash, end of period	\$ (165,124)	\$ (1,190)	\$ (165,124)	\$ (1,190)
Finance costs paid during the period	\$ 30,371	\$ 13,654	\$ 59,312	\$ 16,197

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

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 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 three and six months ended June 30, 2011 were authorized for issue in accordance with a resolution of the Board of Directors on August 10, 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 \$5,612,677 at June 30, 2011 (as at December 31, 2010 - \$5,343,512). Cash flows from operations, before the net change in non-cash working capital items, were negative \$73,137 for the six months ended June 30, 2011 compared to a negative \$591,736 for the same quarter in 2010 and a negative \$418,049 for the year ended December 31, 2010.

The Company has contracted sales for 2011 of \$6.8 million, of which \$2.656 million is complete as of June 30, 2011 and a significant portion of the remaining is currently scheduled for the third quarter. 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 three 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, if required, 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 are prepared in accordance with International Financial Reporting Standards (“IFRS”), including International Accounting standard (“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 three and six months quarter ended June 30, 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 described in Note 4 of the Unaudited Consolidated Financial Statements for the three months ended March 31, 2011. There have been no material changes as of June 30, 2011.

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. 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 in note 5 of the Unaudited Consolidated Financial Statements for the three months ended March 31, 2011. There have been no changes since that date.

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:

On or after July 1, 2012 the Company will be required to adopt amendments to IAS 1, "Presentation of Financial Statements - Presentation of Items of other Comprehensive Income". The amendments split items of other comprehensive income between those classified to income and those that do not. The Company is evaluating the impact that this standard may have on its results of operation and financial position

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

5. Significant accounting policies *(continued)*

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.

As of January 1, 2013 the Company will be required to adopt IFRS 12, "Disclosure of Interest in Other Entities". The standard requires a company to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard should not have a material impact on the Company.

As of January 1, 2013, the Company will be required to adopt IFRS 13, "Fair Value Measurement". The standard provides guidance on determining fair value and requires disclosure about these measurements. The adoption of this standard should not have a material impact on the Company.

6. Trade and other receivables

Trade and other receivables consist of the following components as at June 30, 2011 and December 31, 2010:

	2011	2010
Trade receivables	\$ 1,177,354	\$ 728,594
Holdbacks not invoiced	27,045	27,891
Other receivables	18,181	8,251
	\$ 1,222,580	\$ 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 June 30, 2011 and December 31, 2010:

	Trade Receivables Aging		Holdbacks Included in Trade Receivables	
	2011	2010	2011	2010
1-30 days	\$ 872,910	\$ 114,825	\$ 41,670	\$ 13,492
30-60 days	163,042	301,776	-	51,573
61-90 days	101,619	311,993	-	48,070
Greater than 90 days	39,783	-	30,416	-
	\$ 1,177,354	\$ 728,594	\$ 72,086	\$ 113,135

As at June 30, 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.

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

7. Inventory

Inventory consists of the following components as at June 30, 2011 and December 31, 2010:

		2011		2010
Raw materials (principally foaming agent)	\$	510,628	\$	377,086
Spare parts and marketing material		19,587		17,386
	\$	530,215	\$	394,472

Inventory expensed as part of cost of sales was \$72,519 and \$3,487, respectively, for the quarters ended June 30, 2011 and 2010 (\$109,813 and \$37,087 for the six months ended June 30, 2011 and 2010).

8. Property and equipment

The movement in the net carrying amounts for each class of property and equipment for the six months ended June 30, 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		11,307		20,541
Disposals		(28,480)		-
Reclassification		7,369		-
Depreciation		(142,196)		(161,859)
Carrying amount at the end of the period	\$	2,044,398	\$	2,196,398
Vehicles				
Carrying amount at the beginning of the period	\$	6,323	\$	9,692
Reclassification		4,335		-
Depreciation		(780)		(3,369)
Carrying amount at the end of the period	\$	9,878	\$	6,323
Computer equipment and software				
Carrying amount at the beginning of the period	\$	18,090	\$	16,675
Additions		5,956		1,404
Reclassification		238		5,801
Depreciation		(9,027)		(5,790)
Carrying amount at the end of the period	\$	15,257	\$	18,090
Furniture and fixtures				
Carrying amount at the beginning of the period	\$	5,341	\$	6,677
Depreciation		(431)		(1,336)
Carrying amount at the end of the period	\$	4,910	\$	5,341
Leasehold improvements				
Carrying amount at the beginning of the period	\$	14,737	\$	14,039
Additions		-		2,459
Depreciation		(1,842)		(1,761)
Carrying amount at the end of the period	\$	12,895	\$	14,737

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

8. Property and equipment (continued)

	2011	2010
Summary owned:		
Carrying amount at the beginning of the period	\$ 2,240,889	\$ 2,384,799
Additions	17,263	24,404
Disposals	(28,480)	-
Reclassification	11,942	5,801
Depreciation	(154,276)	(174,115)
Carrying amount at the end of the period	\$ 2,087,338	\$ 2,240,889
Leased:		
Computer equipment and software		
Carrying amount at the beginning of the period	\$ 300	\$ 7,834
Reclassification	(238)	(5,801)
Depreciation	(62)	(1,733)
Carrying amount at the end of the period	\$ -	\$ 300
Vehicles and equipment		
Carrying amount at the beginning of the period	\$ 97,193	\$ 98,593
Additions	38,600	30,204
Disposals	(36,425)	-
Reclassification	(11,704)	-
Depreciation	(9,279)	(31,604)
Carrying amount at the end of the period	\$ 78,385	\$ 97,193
Summary leased:		
Carrying amount at the beginning of the period	\$ 97,493	\$ 106,427
Additions	38,600	30,204
Disposals	(36,425)	-
Reclassification	(11,942)	(5,801)
Depreciation	(9,341)	(33,337)
Carrying amount at the end of the period	\$ 78,385	\$ 97,493
Summary:		
Carrying amount at the beginning of the period	\$ 2,338,382	\$ 2,491,226
Additions	55,863	54,608
Disposals	(64,905)	-
Depreciation	(163,617)	(207,452)
Carrying amount at the end of the period	\$ 2,165,723	\$ 2,338,382

9. Bank overdraft

The bank overdraft represents checks written at the reporting date in excess of the bank balance. The amount will increase the bank operating loan when the checks clear the bank.

10. Bank operating loan

The bank operating loan as at June 30, 2011 and December 31, 2010 is outlined below:

	2011	2010
Bank operating loan	\$ 512,865	\$ 511,348

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

10. Bank operating loan (continued)

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 \$250,000). Based on these restrictions the actual credit facility availability at June 30, 2011 was \$1,000,000 (December 31, 2010 \$693,000).

In the first quarter of 2011 the Company entered into an arrangement through Export 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 June 30, 2011 and December 31, 2010:

		2011		2010
Trade payables	\$	516,921	\$	102,750
Accruals		159,315		132,274
Payroll remittance and goods & services tax		84,426		25,396
	\$	760,662	\$	260,420

12. Promissory note

In February 2011, the Company signed a promissory note with the Agricultural Financial Services Corporation ("AFSC") in the amount of \$200,000. The promissory note bears interest at 4.48%, payable monthly, with the principal to be repaid by November 1, 2011 (see note 27).

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

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

13. Long term debt

Long term debt consists of the following components as at June 30, 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%	363,045	391,930
			486,147	515,032
Less current portion			(296,565)	(249,030)
			\$ 189,582	\$ 266,002

AFSC loans

Loan 1

During 2005, the Company borrowed \$300,000 from the AFSC to be used to complete the acquisition of equipment. 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. 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 June 30, 2011 is \$2,087,338 (December 31, 2010 - \$2,240,889).

Repayments of the AFSC loans in the quarters and six months ended June 30, 2011 and 2010 were \$nil. Principal repayments for the twelve month periods following June 30, 2011 are as follows: 2011/12 - \$38,565; 2012/13 - \$40,880; 2013/14 - \$43,657.

Finance costs during the quarter and six months ending June 30, 2011 include interest on the AFSC loans in the amount of \$636 and \$3,607, respectively (quarter and six months ending June 30, 2010 \$3,144 and \$6,480, 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

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

13. Long term debt (continued)

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.

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". The Company concluded in the first quarter of 2011 that it would not be in a position to repay the Debentures until later than previously forecast and accordingly the period accretion charge was adjusted. 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 quarter and six months ending June 30, 2011 were \$17,762 and \$46,596, respectively (quarter and six months ending June 30, 2010 \$5,406 and \$5,406, respectively). At June 30, 2011, the 3% of related revenue collected and held for repayment amounted to \$27,408 (December 31, 2010 - \$23,047) and this has been reported as restricted cash on the consolidated statement of financial position. At June 30, 2011 the Company has estimated the amount of the Debentures that will be repaid within twelve months to be \$258,000 (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 quarter and six months ending June 30, 2011 were \$30,971 and \$60,569, respectively (quarter and six months ending June 30, 2010 \$37,010 and \$64,478, respectively). This included a non-cash accretion expense of \$8,942 and \$17,711 in the quarter and six months ending June 30, 2011, respectively (\$22,010 and \$37,978 for the quarter and six months ending June 30, 2010, respectively).

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

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 June 2013 to May 2016. The annual future commitments under the leases are as follows:

2011/12	\$	38,511
2012/13		32,731
2013/14		4,575
2014/15		4,575
2015/16		3,811
		84,203
Less imputed interest		(11,660)
		72,543
Current portion		(31,973)
		\$ 40,570

Finance costs for the quarter and six months ending June 30, 2011 include interest on finance lease obligations in the amount of \$2,230 and \$7,112, respectively (quarter and six months ending June 30, 2010 \$1,980 and \$4,227, respectively).

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 June 30, 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 six months ended June 30, 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.

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

16. Share purchase warrants

The following table summarizes the changes in Warrants during the quarter ended June 30, 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 June 30, 2011:

Issue Date	Number Warrants	Exercise Price \$	Weighted average remaining life (years)	Expiry Date
January 22, 2010	1,000,000	0.15	1.57	January 22, 2013

17. Cost of sales

Cost of sales consists of the following components for the quarters and six months ending June 30, 2011 and 2010.

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2011	2010	2011	2010
Materials	\$ 845,282	\$ 62,370	\$ 1,242,840	\$ 432,939
Direct labour	172,662	82,713	309,860	157,609
Variable expenses	134,316	31,194	225,720	111,920
Fixed overhead	85,896	53,668	168,226	125,840
Depreciation	75,067	39,472	151,668	84,726
	\$ 1,313,223	\$ 269,417	\$ 2,098,314	\$ 913,034

18. Other income (expenses)

Other income and (expenses) for the quarters and six months ended June 30, 2011 and 2010 consist of the following:

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2011	2010	2011	2010
Gain (loss) on the sale of equipment	\$ 5,573	\$ -	\$ (11,078)	\$ -
Foreign exchange income (expense)	(9,234)	82	(8,703)	(61)
	\$ (3,661)	\$ 82	\$ (19,781)	\$ (61)

In the quarter and six months ending June 30, 2011 the Company sold equipment with a book value at the time of sale of \$9,387 and \$64,905, respectively for net cash proceeds of \$14,960 and \$53,827, respectively.

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

19. Finance costs

The finance costs incurred for the quarters and six months ending June 30, 2011 and 2010 are as follows:

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2011	2010	2011	2010
Interest				
AFSC loans	\$ 636	\$ 3,144	\$ 3,607	\$ 6,480
Subordinated secured debentures	22,029	15,000	42,858	26,500
Finance lease obligations	2,230	1,980	7,112	4,227
Bank operating loan	10,645	55	17,536	55
Promissory note	2,234	-	3,535	-
Other	236	118	646	414
	38,010	20,297	75,294	37,676
Accretion expense on subordinated secured debentures (note 13)	8,942	22,010	17,711	37,978
	\$ 46,952	\$ 42,307	\$ 93,005	\$ 75,654

20. Income (loss) per share

The number of shares included in the computation of basic and diluted loss per share for the quarters and six months ending June 30, 2011 and 2010 is as follows:

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2011	2010	2011	2010
Weighted average shares outstanding - basic	33,465,994	33,465,994	33,465,994	33,465,994
Effect of stock options	-	-	-	-
Effect of share purchase warrants	-	-	-	-
	33,465,994	33,465,994	33,465,994	33,465,994

The stock options and the share purchase warrants for the quarter ended June 30, 2010 and the six months ending June 30, 2011 and 2010 have no dilutive effect as the Company realized a net loss during the periods. The stock options and the share purchase options have no dilutive effect for the quarter ended June 30, 2011 as their exercise prices were less than the average market price of the Company's shares during this period.

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

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

21. Stock-based compensation (continued)

as agreed to by both parties, until July 31, 2011. No investor and financial relations program was undertaken in the six months ended June 30, 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.

In April 2011, 1,150,000 granted stock options expired.

At June 30, 2011 a total of 1,537,500 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 June 30, 2011, the Company had 1,809,099 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.

The following table summarizes the options to acquire common shares outstanding as at June 30, 2011 (see note 27):

Grant Date	Number Options	Exercise Price \$	Weighted average remaining life (years)	Expiry Date
June 1, 2007	100,000	0.30	0.92	June 1, 2012
July 27, 2007	87,500	0.35	1.08	July 27, 2012
August 13, 2008	600,000	0.30	2.12	August 13, 2013
December 1, 2008	300,000	0.10	2.42	December 1, 2013
February 5, 2010	300,000	0.12	1.61	February 5, 2013
March 16, 2010	150,000	0.30	3.71	March 16, 2015
1,537,500				

The following table summarizes the changes in options for the six months ended June 30, 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	(1,150,000)	0.30	(108,325)	0.30
Outstanding, end of period	1,537,500	0.23	2,687,500	0.26
Exercisable, end of period	1,487,500	\$0.23	2,512,500	\$0.26

There are 50,000 options that have not vested as at June 30, 2011 (December 31, 2010 - 175,000 options).

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

21. Stock-based compensation (continued)

Stock-based compensation for the quarter and six months ending June 30, 2011 of \$2,324 and \$3,622, respectively, (quarter and six months ending June 30, 2010 of \$10,046 and \$21,346, 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%

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 quarter and six months ended June 30, 2011 and 2010.

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2011	2010	2011	2010
Trade and other receivables	\$ (103,312)	\$ 716,716	\$ (457,844)	\$ 113,091
Inventory	(15,182)	4,206	(135,743)	27,540
Prepaid expenses and deposits	(2,871)	(13,879)	(21,895)	(19,656)
Trade and other payables	143,846	(256,925)	500,242	(20,225)
	\$ 22,481	\$ 450,118	\$ (115,240)	\$ 100,750

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 ending June 30, 2011 were \$15,069 (\$9,387 for the quarter ending June 30, 2010) and \$35,217 for the six months ended June 30, 2010 (\$9,387 for the six months ending June 30, 2010). Accrued interest on the subordinated secured debentures as at June 30, 2011 for these related parties was \$11,205 (\$5,290 as December 31, 2010). Restricted cash as at June 30, 2011 includes \$12,608 of cash revenues collected that will be used for repayments of the subordinated secured debentures held by these related parties (\$10,602 as at December 31, 2010).

During the quarter and the six months ending June 30, 2011, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of \$1,802 and \$4,552, respectively (\$nil and \$nil, respectively for the quarter and six months ending June 30, 2010).

There were no other significant related party transactions and these were in the normal course of operations and measured at the exchange rate.

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

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

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 June 30, 2011 of \$512,865 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 June 30, 2011, 6 customers accounted for approximately 94% 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 June 30, 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 June 30, 2011, the Company had access to \$1,000,000 in bank operating line financing subject to advance restrictions on the level of

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

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

receivables and inventories (note 10). Based on these restrictions the actual operating line availability at June 30, 2011 was \$1,000,000 (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 June 30, 2011 and December 31, 2010 is as follows:

		2011		2010
Long term debt <i>(Note 13)</i>	\$	486,147	\$	515,032
Finance lease obligations <i>(Note 14)</i>		72,543		88,099
<hr/>				
Total debt		558,690		603,131
Shareholders' equity		2,300,972		2,566,515
<hr/>				
Company's managed capital	\$	2,859,662	\$	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.

26. Transition to IFRS

As disclosed in Note 3, these interim consolidated financial statements are prepared in accordance with IFRS 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. Prior to January 1, 2011, 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 Consolidated Statement of Financial Position ("Financial Position") under IFRS, 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. As at January 1, 2010, management conducted an independent review of certain equipment,

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

26. Transition to IFRS (continued)

exclusively its dry and wet mix production units. The valuation used a replacement cost less depreciation approach ("Cost Approach"). The Cost Approach established value based on the cost of reproduction or replacement cost of the particular asset less depreciation from physical deterioration and functional and economic obsolescence. The Cost Approach was selected as in management's opinion this method was the most reliable since the equipment being valued was custom made for the production process of the Company. The fair value of the various component parts that made up each of the production units was determined from various manufacturers' pricing catalogues, manufacturer's quotes and other relevant material. In addition, for some of the equipment the Company had third party quotes for the manufacture of similar production units. The key estimate in this approach was the determination of the estimated remaining life of the various component parts and the unit as a whole (see note 5 to the Interim Consolidated Financial Statements at March 31, 2011 - Significant accounting policies – (D) Property and equipment – for information on the useful lives of various 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 three and six months quarter ended June 30, 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 three and six months quarter ended June 30, 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 three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

26. Transition to IFRS (continued)

Reconciliation of the Financial Position as at June 30, 2010

	Canadian GAAP		Adjustments			IFRS		
			MV	D&A	SBC			
ASSETS								
Current Assets								
Cash	\$	13,810	\$	\$	\$	\$	13,810	
Restricted cash		19,327					19,327	
Trade and other receivables		66,256					66,256	
Inventory		413,179					413,179	
Prepaid expenses and deposits		79,252					79,252	
		591,824					591,824	
Non Current Assets								
Property and equipment		1,316,630	1,170,471	(65,778)			2,421,323	
Intangibles		465,116					465,116	
		1,781,746	1,170,471	(65,778)			2,886,439	
	\$	2,373,570	\$	1,170,471	\$	(65,778)	\$	3,478,263
LIABILITIES								
Current liabilities								
Bank operating loan	\$	15,000	\$	\$	\$	\$	15,000	
Trade and other payables		211,084					211,084	
Current portion of long term debt		235,880					235,880	
Current portion of finance lease obligations		36,611					36,611	
		498,585					498,585	
Non Current Liabilities								
Long term debt		374,640					374,640	
Finance lease obligations		46,613					46,613	
		421,253					421,253	
		919,838					919,838	
SHAREHOLDERS' EQUITY								
Share capital		7,160,015					7,160,015	
Share purchase warrants		88,877					88,877	
Contributed Surplus		632,725			(15,200)		617,525	
Deficit		(6,427,885)	1,170,471	(65,778)	15,200		(5,307,992)	
		1,453,732	1,170,471	(65,778)			2,558,425	
	\$	2,373,570	\$	1,170,471	\$	(65,778)	\$	3,478,263

CEMATRIX CORPORATION

Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 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)

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

26. Transition to IFRS (continued)

Reconciliation of Cash Flows for the three months ending June 30, 2010.

	Canadian GAAP		Adjustments			IFRS
			MV	D&A	SBC	
Cash provided by (used in):						
Operating activities						
Net loss for the year	\$	(526,726)	\$	\$ (8,195)	\$ 7,600	\$ (527,321)
Add (deduct) non-cash items						
Depreciation and amortization		33,873		8,195		42,068
Stock-based compensation expense		17,646			(7,600)	10,046
Accretion expense on subordinated secured debentures		22,010				22,010
		(453,197)				(453,197)
Net change in non-cash working capital items		450,118				450,118
		(3,079)				(3,079)
Investing activities						
Purchase of property and equipment		(16,011)				(16,011)
Financing activities						
Repayments of subordinated secured debentures		(5,406)				(5,406)
Restricted cash		(19,096)				(19,096)
Repayment of finance lease obligations		(10,145)				(10,145)
		(34,647)				(34,647)
Decrease in cash		(53,737)				(53,737)
Cash, beginning of year		52,547				52,547
Cash, end of year	\$	(1,190)	\$	\$	\$	\$ (1,190)
Cash						
Cash	\$	13,810	\$	\$	\$	\$ 13,810
Bank overdraft		(15,000)				(15,000)
Cash, end of year	\$	(1,190)	\$	\$	\$	\$ (1,190)

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

26. Transition to IFRS (continued)

Reconciliation of Cash Flows for the six months ending June 30, 2010.

	Canadian GAAP		Adjustments			IFRS	
			MV	D&A	SBC		
Cash provided by (used in):							
Operating activities							
Net loss for the year	\$	(740,650)	\$	\$ (15,424)	\$	15,200	\$ (740,874)
Add (deduct) non-cash items							
Depreciation and amortization		74,390		15,424			89,814
Stock-based compensation expense		36,546				(15,200)	21,346
Accretion expense on subordinated secured debentures		37,978					37,978
		(591,736)					(591,736)
Net change in non-cash working capital items		100,750					100,750
		(490,886)					(490,886)
Investing activities							
Purchase of property and equipment		(19,911)					(19,911)
Financing activities							
Proceeds from subordinated secured debentures (net if issuance costs)		444,384					444,384
Repayments of subordinated secured debentures		(5,406)					(5,406)
Restricted cash		(19,327)					(19,327)
Repayment of finance lease obligations		(20,254)					(20,254)
		399,397					399,397
Decrease in cash		(111,500)					(111,500)
Cash, beginning of year		110,310					110,310
Cash, end of year	\$	(1,190)	\$	\$	\$	\$	(1,190)
Cash							
Cash	\$	13,810	\$	\$	\$	\$	13,810
Bank overdraft		(15,000)					(15,000)
Cash, end of year	\$	(1,190)	\$	\$	\$	\$	(1,190)

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 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 June 30, 2010.

	Canadian GAAP		Adjustments			IFRS
			MV	D&A	SBC	
Revenue	\$	144,752	\$	\$	\$	\$ 144,752
Cost of sales		261,297		8,120		269,417
Gross margin		(116,545)		(8,120)		(124,665)
Operating Expenses						
General & Administrative		184,505			(7,600)	176,905
Sales, marketing and engineering		183,451		75		183,526
Total Operating Expenses		367,956		75	(7,600)	360,431
Operating loss		(484,501)		(8,195)	7,600	(486,096)
Other income (expenses)		82				82
Loss before finance costs and income taxes		(484,307)		(8,195)	7,600	(485,014)
Finance costs		(42,307)				(42,307)
Net loss before income taxes		(526,726)		(8,195)	7,600	(527,321)
Income taxes		-				-
Net loss and comprehensive loss for the period	\$	(526,726)	\$	(8,195)	\$ 7,600	\$ (527,321)

CEMATRIX CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three and six months quarter ended June 30, 2011 (unaudited) and the year ended December 31, 2010 (unaudited)

26. Transition to IFRS (continued)

Reconciliation of Comprehensive Income (Loss) for the six months ending June 30, 2010.

	Canadian GAAP		Adjustments			IFRS
			MV	D&A	SBC	
Revenue	\$	960,897	\$		\$	\$ 960,897
Cost of sales		896,880		16,154		913,034
Gross margin		64,017		(16,154)		47,863
Operating Expenses						
General & Administrative		366,595			(15,200)	351,395
Sales, marketing and engineering		362,357		(730)		361,627
Total Operating Expenses		728,952		(730)	(15,200)	713,022
Operating loss		(664,935)		(15,424)	15,200	(665,159)
Other income (expenses)		(61)				(61)
Loss before finance costs and income taxes		(664,996)		(15,424)	15,200	(665,220)
Finance costs		(75,654)				(75,654)
Net loss before income taxes		(740,650)		(15,424)	15,200	(740,874)
Income taxes		-				-
Net loss and comprehensive loss for the year	\$	(740,650)	\$	(15,424)	\$ 15,200	\$ (740,874)

27. Subsequent events

In July the terms of the promissory note (note 12) with the AFSC were modified to change the repayment to November 1, 2011 from August 1, 2011 to assist the Company manage its working capital during its busy season. The remaining terms of the note were left unchanged.

On July 15, 2011 the Company granted new incentive stock options to directors, employees and consultants for the purchase of a total of 1,365,000 shares at an exercise price of \$0.15 per share for a term of three years. The stock options vest as to one third immediately and one third on each of the first and second anniversaries of the grant date.

In July 2011 the Company re-priced an aggregate of 937,500 outstanding incentive stock options granted to directors and employees with expiration dates ranging from June 1, 2012 to March 16, 2015, from exercise prices ranging from \$0.30 to \$0.35 per share to the new amended option exercise price of \$0.15 per share. The re-pricing of these options received the approval of the disinterested shareholders of the Company at the annual shareholder meeting on June 15, 2011 and of the TSX Venture exchange on July 21, 2011.