

CEMATRIX CORPORATION
Consolidated Financial Statements
December 31, 2007

Management's Responsibility for Financial Reporting

To the Shareholders:

CEMATRIX CORPORATION

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

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

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

External auditors are appointed by the shareholders to examine the financial statements and report directly to them; their report follows. The external auditors have full and free access to the Audit Committee and management.

“Jeff Kendrick” _____ Chief Financial Officer
Jeff Kendrick, CA

To the Shareholders:

CEMATRIX CORPORATION

We have audited the consolidated balance sheets of CEMATRIX CORPORATION as at December 31, 2007 and 2006 and the consolidated statements of income (loss), comprehensive income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the result of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta

April 16, 2008

Meyer Norris Penny LLP

Chartered Accountants

CEMATRIX CORPORATION
Consolidated Balance Sheets

As at December 31

	2007	2006
Assets		<i>Restated –Note 18</i>
Current		
Cash	522,855	400,218
Accounts receivable (Note 4)	1,641,957	477,734
Inventory	336,737	339,853
Prepaid expenses and deposits	40,401	28,967
	2,541,950	1,246,772
Property, plant and equipment (Note 5)	1,151,597	1,232,317
Patents, trademarks and technology (Note 6)	509,878	518,878
Product development costs (Note 7)	165,222	367,108
	4,368,647	3,365,075
Liabilities		
Current		
Accounts payable and accrued liabilities	414,142	269,923
Current portion of Agriculture Financial Services Corporation loan payable (Note 10)	176,571	47,606
Current portion of notes payable (Note 9)	-	156,300
Current portion of capital lease obligations (Note 11)	47,610	23,555
	638,323	497,384
Agriculture Financial Services Corporation loan payable (Note 10)	-	180,078
Capital lease obligations (Note 11)	12,770	42,943
	651,093	720,405
Commitments (Note 13)		
Shareholders' Equity		
Share capital (Note 12)	6,928,753	6,772,151
Warrants (Note 12)	231,262	240,880
Contributed surplus (Note 12)	514,992	398,774
Deficit	(3,957,453)	(4,767,135)
	3,717,554	2,644,670
	4,368,647	3,365,075

Approved on behalf of the Board

“Dave Pickrell” Director

“Kirby Cox” Director

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

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

For the years ended December 31

	2007	2006
		<i>Restated – Note 18</i>
Revenue	7,495,029	2,375,921
Cost of sales	4,824,063	1,532,691
Gross Margin	2,670,966	843,230
Expenses		
Finance	62,578	209,268
General and administrative	738,083	502,220
Sales, marketing and engineering	580,131	375,452
Stock-based compensation	116,218	288,472
Amortization	366,340	383,281
	1,863,350	1,758,693
Net operating income (loss) for the year	807,616	(915,463)
Other non-operating income	2,066	4,472
Net income (loss) before income taxes	809,682	(910,991)
Income taxes (<i>Note 16</i>)	-	-
Net income (loss) and comprehensive income for the year	809,682	(910,991)
Deficit, beginning of year, as previously stated	(4,623,221)	(4,197,394)
Prior period adjustment (<i>Note 18</i>)	(143,914)	-
Change in deficit due to amalgamation (<i>Note 2</i>)	-	549,500
Qualifying transaction costs (<i>Note 2</i>)	-	(208,250)
Deficit, end of year	(3,957,453)	(4,767,135)
Earnings (loss) per share		
Basic	\$0.02	\$(0.03)
Diluted	\$0.02	\$(0.03)
Weighted average number of common shares		
Basic	33,142,211	26,809,866
Diluted	39,097,920	26,809,866

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

CEMATRIX CORPORATION
Consolidated Statements of Cash Flows
For the years ended December 31

	2007	2006
		<i>Restated – Note 18</i>
Cash provided by (used in):		
Operating activities		
Net income (loss) for the year	809,682	(910,991)
Items not affecting cash		
Gain on the sale of property, plant and equipment	(996)	-
Amortization of patents, trademarks and technology	9,000	9,000
Amortization of product development costs	199,913	247,955
Amortization of property, plant and equipment	157,427	126,326
Stock-based compensation expense	116,218	288,472
	1,291,244	(239,238)
Net change in non-cash working capital items	(1,028,321)	(633,111)
	262,923	(872,349)
Investing activities		
Purchase of property, plant and equipment	(59,462)	(90,443)
Proceeds from the sale of property, plant and equipment	2,500	-
Product development costs incurred net of investment tax credits received	1,973	(221,795)
	(54,989)	(312,238)
Financing activities		
Repayment of capital lease obligations	(24,868)	(24,391)
Issuance of common stock, net of issue costs	146,984	1,649,329
Repayment of notes payable	(156,300)	-
Repayment of convertible debt	-	(100,000)
Technology agreement payments	-	(50,000)
Repayment of Agricultural Financial Services Corporation loan	(51,113)	(126,465)
Qualifying Transaction Costs (<i>Note 2</i>)	-	(208,250)
	(85,297)	1,140,223
Increase (decrease) in cash	122,637	(44,364)
Cash acquired upon Amalgamation (<i>Note 2</i>)	-	443,059
Cash, beginning of year	400,218	1,523
Cash, end of year	522,855	400,218
Supplementary cash flow information:		
Interest paid	62,578	179,268

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

1. Incorporation and operations

CEMATRIX CORPORATION (the “Company” or “CEMATRIX”) was incorporated on March 22, 2005 under the *Business Corporations Act (Alberta)* as “Moonshoot Capital Corp.” By a Certificate of Amendment issued on May 31, 2006, the Company’s name was changed to “CEMATRIX CORPORATION”.

Reverse Takeover and Amalgamation

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

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

1. Effective April 11, 2006, Old CEMATRIX and Subco amalgamated (the “Amalgamation”) to form “CEMATRIX (Canada) Inc.” (“New CEMATRIX”).
2. Each issued and outstanding Old CEMATRIX common share was cancelled and exchanged for one common share of the Company at a deemed price of \$0.30 per share, resulting in the issuance of an aggregate of 23,281,162 CEMATRIX common shares to the former holders of common shares of Old CEMATRIX.
3. As consideration for the issuance by the Company of common shares to effect the Amalgamation, New CEMATRIX issued to the Company one common share for each common share issued by the Company.
4. The Company cancelled previously issued options in exchange for new options to purchase a total of 840,000 common shares to the directors, officers, employees and contractors of the Company. (See note 12 - Share Capital for detailed breakdown).

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

2. Basis of consolidation

The acquisition of the shares of Old CEMATRIX has been accounted for as a reverse takeover transaction in accordance with guidance provided in Emerging Issues Committee Abstract No. 10 (“EIC 10”) and has therefore been accounted for as a capital transaction. The issuance of treasury shares by the Company has been recorded by eliminating CEMATRIX’s share capital resulting in an increase to retained earnings by \$773,963, less the deficit which existed in CEMATRIX, prior to amalgamation of \$224,463, resulting in a net increase to opening retained earnings of \$549,500. Costs associated with completing the qualifying transaction (the “QT”) and removing the condition of the Company as a Capital Pool Company totaling \$208,250 have been charged to Retained Earnings in accordance with Guidance provided from EIC 10. Cash acquired as a result of the amalgamation amounted to \$443,059.

These financial statements and the amounts reported for prior periods reflect the assets, liabilities and results of operations of Old CEMATRIX, the legal subsidiary, prior to reverse takeover and the consolidated assets, liabilities and results of operations of the Company and Old CEMATRIX subsequent to the reverse takeover. The consolidated financial statements are issued under the name of the legal parent but are deemed to be a continuation of the legal subsidiary (Old CEMATRIX).

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

2. Basis of consolidation (continued)

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

3. Significant accounting policies

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

Cash

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

Inventory

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

Property, plant and equipment

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

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

Amortization commences in the month the asset becomes available for use.

Leases

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

Product development costs

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

Patents, trademarks and technology

Intangible assets with a finite life, such as patents, are recorded at cost, are amortized on a straight-line basis over ten years, and are tested for impairment at least annually. Intangible assets with an indefinite life, such as trademarks and technology, are tested for impairment at least annually. The Company assesses impairment based on comparing book value to the estimated discounted future cash flows from the intangible assets and any impairment is charged to current year income (loss).

3. Significant accounting policies (continued)

Long-lived assets

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

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

Revenue recognition

The Company's revenue is generated from the sale of cellular concrete and is recognized as the Company processes and places the cellular concrete on site, based on the number of cubic metres processed and placed. The evaluation of collectability of amounts invoiced is assessed and any contractual obligations related to the placement of cellular concrete are met before recognizing revenue.

Stock-based compensation

Stock options granted are accounted for in accordance with fair value accounting for stock-based compensation. The associated compensation expense is charged to income (loss) with a corresponding increase in contributed surplus, over the vesting period of the grant. The fair value of each stock option granted is estimated on the date of grant using the Black Scholes option pricing model. As the options are exercised, consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are cancelled, previously recognized compensation expense associated with such stock options is reversed.

Earnings per share

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

Future income taxes

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

Foreign currency translation

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and December 31, 2006

3. Significant accounting policies (continued)

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization of property, plant and equipment, product development costs and patents is based on the estimated useful lives of these assets. Product development costs are deferred based on expected future benefits from these expenditures. Estimated recoverable amounts for investment tax credits are accrued when management is reasonably assured that the related expenditures will be deemed eligible by the taxation authorities. Actual recoverable amounts could differ materially from these estimates. The impairment test for intangible assets is based on assumptions regarding future business volumes, sales prices, costs, cash flows, discount rates and other relevant assumptions. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in income in the periods in which they become known.

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

Investment tax credits

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

Segmented information

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

Changes in Accounting Policies

- (a) Effective January 1, 2007 the Company adopted new accounting standards for financial instruments issued by the Accounting Standards Board that comprehensively address when an entity should recognize a financial instrument on its balance sheet, or how it should measure the financial instrument once recognized. These standards have been adopted on a retrospective without restatement basis. The new standards comprise three sections of the CICA Handbook:

CICA Section 3855, "Financial Instruments – Recognition and Measurement", establishes the criteria for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It also specifies how financial instrument gains and losses are to be presented. In accordance with this standard, the Company now classifies all financial instruments as available for sale, held for trading, loans and receivables, held to maturity or other financial liabilities. Under the new standards, financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent upon their classification.

All financial assets must be classified either as held for trading, available for sale, held to maturity or loans and receivables. All financial liabilities must be classified as either held for trading or other liabilities.

The Company has made the following classifications

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

3. Significant accounting policies (continued)

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

The estimated fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the relatively short-term nature of the instruments. The fair value of fixed interest rate long term debt is determined by comparing the floating interest rate that the Company could obtain in the market for debt with similar terms to its fixed rate debt. The fair value does not differ significantly from its carrying value as the interest rate on the Company's fixed rate debt is essentially equal to market rates for similar loans. Consequently, as at January 1, 2007 and December 31, 2007, the impact on the consolidated balance sheet of measuring the financial assets and liabilities was nil.

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

CICA Section 3865, "Hedges", provides optional alternative treatments to CICA Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. This new standard replaces AcG-13, "Hedging Relationships", and builds on CICA Section 1651, "Foreign Currency Translation", and specifies how hedge accounting is applied and what disclosures are necessary when CICA Section 3865 is applied. The adoption of this standard did not have an impact on the consolidated financial statements for the year ended December 31, 2007.

CICA Section 1530, "Comprehensive Income", establishes standards for the reporting and disclosure of comprehensive income. These standards require that an entity present comprehensive income and its components in a separate financial statement that is displayed with the same prominence as other financial statements. The components of other comprehensive income include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income upon transition or for the year ended December 31, 2007. As the Company has no items of other comprehensive income or loss, the net earnings or loss for the periods are equivalent to comprehensive income.

- (b) Effective January 1, 2007, the Company adopted CICA Section 1506, "Accounting Changes" which allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. Changes in accounting policies must be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes. The adoption of this section had no impact on these consolidated financial statements.
- (c) Effective September 30, 2007, the Company adopted the CICA issued Emerging Issues Committee Abstract No. 166, "Accounting Policy Choices for Transaction Costs". This guidance provides additional clarification on accounting policy choices relating to transaction costs under CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement". Specifically, the accounting policy provides a choice of recognizing transaction costs in net income when incurred versus adding transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability to the financial instrument's carrying cost. This guidance allows companies to choose different accounting policies for transaction costs of financial instruments that are not similar. The adoption of this section had no impact on these consolidated financial statements.

Recent accounting pronouncements

(a) Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures". This standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

3. Significant accounting policies (continued)

The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Company. There will be no impact to the Company's financial statements as this standard only addresses disclosure requirements.

(b) Financial Instruments - Presentation and Disclosure

In October, 2006, the CICA issued Handbook Sections 3862 and 3863 to replace Section 3861, "Financial Instruments - Disclosure and Presentation". This standard requires an increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how an entity manages those risks. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Company. As this standard only addresses presentation and disclosure requirements, there will be no impact to the Company's financial statements.

(c) Inventories

In June 2007, the CICA issued Handbook Section 3031, "Inventories" to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including the allocation of overheads and other costs to inventory. This standard requires the allocation of fixed production overheads to the costs of conversion to be based on the normal capacity of the production facilities. The standard also requires the consistent use of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of other inventories and requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, specifically January 1, 2008 for the Company. The adoption of this section is not expected to have an impact on the Company's financial statements.

4. Accounts receivable and accounts receivable factoring

Included in accounts receivable are income tax credits recoverable for eligible scientific research and experimental development expenditures (SR&ED) incurred prior to the Company becoming a public company. At December 31, 2007, the tax credits recoverable were estimated at \$82,206 (December 31, 2006 - \$80,233) of which \$24,762 relates to expenditures made in 2006 and \$57,444 relates to expenditures in 2005. The 2005 amount was received subsequent to year end.

During 2006, the Company had a credit facility agreement with a shareholder for specific receivables to fund current working capital requirements. The facility enabled the Company to sell to the shareholder a specific receivable on a with recourse basis. The facility was repaid upon collection of the related receivable. As the Company retained significant risks relating to the accounts receivable being sold, these amounts remained on the Company's balance sheet. Additional details regarding this factoring arrangement are included in Note 14.

5. Property, plant and equipment

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2007 Net Book Value</i>
Automobiles	75,744	56,113	19,631
Buildings and leasehold improvements	38,973	38,407	566
Computer equipment and software	125,305	84,520	40,785
Equipment and cellular material processors	985,912	620,092	365,820
Equipment – dry mix processors	768,953	53,344	715,609
Furniture and fixtures	25,765	16,579	9,186
	2,020,652	869,055	1,151,597

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and December 31, 2006

5. Property, plant and equipment (continued)

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

During 2007, additions to property, plant and equipment totalled \$78,212 (December 31, 2006 - \$94,620) of which \$18,750 (December 31, 2006 - \$4,177) were acquired by means of capital leases and \$59,462 (December 31, 2006 - \$90,443) were acquired by means of cash. Property, plant and equipment includes equipment and automobiles under capital lease with a gross cost of \$310,936 (December 31, 2006 - \$292,186) and accumulated amortization of \$198,015 (December 31, 2006 - \$177,430). Amortization of property, plant and equipment for the year-ended December 31, 2007 was \$157,427 (December 31, 2006 - \$126,326).

6. Patents, trademarks and technology

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

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

Amortization of patents charged for the year ended December 31, 2007 was \$9,000 (December 31, 2006 - \$9,000).

7. Product development costs

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

7. Product development costs (continued)

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2006 Net Book Value</i>
Product development costs	1,629,063	1,261,955	367,108

Product development costs capitalized during the year-ended December 31, 2007 amounted to \$Nil (December 31, 2006 - \$196,062). Research and development tax credits in the amount of \$Nil (December 31, 2006 - \$13,500) net of prior year investment tax credit adjustments of \$1,973 (December 31, 2006 - \$39,233) were applied to adjust this balance. Amortization of product development costs of \$199,913 (December 31, 2006 - \$247,955) was charged during the year.

8. Bank operating line

During 2007, the Company increased its demand operating facility to \$1,500,000 from \$750,000. Under the facility, the bank will advance up to a maximum of 75% of total receivables less than ninety days outstanding at the end of each month, net of any priority claims. Interest on the facility is at prime plus 2.25%. The security provided includes a General Security Agreement over all of the assets of the Company. Under the facility, the Company is required to maintain a debt to tangible net worth ratio of less than 1.75:1. The balance at year-end is nil and the Company is in compliance with the terms of the covenants.

9. Notes payable

The unsecured notes payable to related parties required monthly payments of principal in the amount of \$13,025 plus earned interest at 12.5%, with the final payment made December 31, 2007. Finance expenses include interest on the notes payable of \$10,540 (December 31, 2006 - \$17,193). Additional details regarding these notes payable are included in Note 14.

10. Agriculture Financial Services Corporation loan payable

During 2005, the Company borrowed \$300,000 from the Agricultural Financial Services Corporation (“AFSC”) to be used to complete the acquisition of equipment with a cost of \$571,500. The AFSC loan is amortized over five years, but repayable in December 2008 unless renewed. The Company expects to renew this loan in December of 2008 for an additional two year period. Terms include monthly principal and interest payments of \$11,137 commencing October 1, 2005. The interest rate for the initial three year period is 7.85%. The monthly payments run from July to December each year. The loan is secured by equipment and a General Security Agreement. The net book value of the equipment used as security at December 31, 2007 is \$1,040,180 (2006 - \$1,117,561). The executive managers together with a consultant/shareholder of CEMATRIX have each provided personal guarantees in the amount of \$300,000, which are covered by life insurance. Finance expenses include interest on AFSC loans in the amount of \$15,709 (December 31, 2006 - \$24,780).

11. Capital lease obligations

Capital leases, which relate to the purchase of equipment, bear interest at 9.4% to 24.8%, are repayable in blended monthly payments and mature from June 2008 to December 2010. The annual future commitments under the leases are as follows:

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
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11. Capital lease obligations (continued)

	2008	52,500
	2009	7,978
	2010	5,033
		65,511
Less imputed interest		5,131
		60,380
Current portion		47,610
		12,770

Finance expenses include interest on capital lease obligations in the amount of \$10,548 (December 31, 2006 - \$11,021).

12. Share Capital

(a) Authorized

Unlimited number of common shares

Preferred shares – to be issued in series as authorized by the directors

(b) Issued

	<i>Number Of Shares</i>	<i>2006 \$ Amount</i>
Old CEMATRIX		
Common shares		
Beginning of year – Old CEMATRIX	17,587,010	\$4,224,871
Shares issued on conversion of convertible loans	5,694,152	1,138,831
Total shares of Old CEMATRIX prior to amalgamation	23,281,162	5,363,702
Shares of Old CEMATRIX cancelled upon amalgamation	(23,281,162)	(5,363,702)
	-	\$ -

	<i>Number Of Shares</i>	<i>2007 \$ Amount</i>	<i>Number Of Shares</i>	<i>2006 \$ Amount</i>
				<i>Restated – Note 18</i>
New CEMATRIX				
Beginning of year – New CEMATRIX	32,976,047	\$6,772,151	3,095,000	\$ -
Shares issued on exercise of Agent's Warrants	489,947	177,362	-	-
Expiry of Agent's Warrant's	-	4,406		
Shares issued upon amalgamation	-	-	23,281,162	5,363,702
Shares issued as part of Offering	-	-	6,599,885	1,979,966
Share issue costs	-	-	-	(330,637)
Issuance of warrants pursuant to Offering, net of cancellations and expired warrants	-	(25,166)	-	(240,880)
Common shares – end of period	33,465,994	\$6,928,753	32,976,047	\$6,772,151

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

12. Share capital (continued)

(c) Common shares

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

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

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

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

(d) Stock Option Plan

The Company has an option plan for the issue of up to 10% of the common shares of the Company. All options that are outstanding will expire upon maturity, or earlier, if the optionee ceases to be a director, officer, employee or contractor or there is a merger, amalgamation or change in control of the Company. The purpose of the option plan is to reward and retain directors, management and contractors important to the continued operation and growth of the Company. At December 31, 2007 a total of 2,817,012 stock options to purchase common shares (December 31, 2006: 2,324,500) were issued and are outstanding to directors, consultants and managers of the Company.

All options issued to date have vested at the date of grant, with the exception of those granted on June 1, 2007 (100,000 vested immediately, with the remaining 300,000 to be vested at the rate of 100,000 per year over a three year period on the anniversary date of employment) and those granted on November 1, 2006 (1/3 vest immediately, 1/3 vest six months from the effective date and the balance vest one year from the effective date).

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

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

12. Share capital (continued)

(d) Stock Option Plan (continued)

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

	2007		2006	
	<i>Number of Options</i>	<i>Weighted average price</i>	<i>Number of Options</i>	<i>Weighted average price</i>
Outstanding at beginning of year	2,324,500	\$0.30	309,500	\$0.30
Issued on completion of Qualifying transaction	-	-	840,000	0.30
Granted	850,000	0.31	1,225,000	0.30
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	(357,488)	0.30	(50,000)	0.30
Outstanding at end of year	2,817,012	0.30	2,324,500	0.30
Exercisable at end of year	2,517,012	\$0.30	2,224,500	\$0.30

There are 300,000 options that have not vested as at December 31, 2007 (December 31, 2006 - 100,000 options).

(e) Stock-based compensation

During 2007, the Company granted 850,000 (2006 – 2,065,000) options to directors and management. Stock based compensation of \$116,218 (December 31, 2006 (restated) - \$288,472) was calculated using the Black-Scholes option pricing model and recognized as an expense during the year. Stock-based compensation expense has no current period impact on the Company's cash position.

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

	2007	2006 <i>Restated – Note 18</i>
	Estimated per share fair value per option	0.16-0.20
Risk-free interest rate	4.5% - 4.6%	5.0%
Expected life	5 years	5 years
Expected volatility in stock price	65%	50%
Expected annual dividend yield	0%	0%
Estimated forfeiture rate (options not immediately vesting)	10%	10%

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and December 31, 2006

12. Share capital (continued)

(f) Agent's option

At December 31, 2006, Blackmont Capital Inc. held an option to acquire up to 250,500 common shares at an exercise price of \$0.30 for a period of 24 months following the date the common shares began trading on the Exchange. This option expired on November 5, 2007.

(g) Contributed surplus

	<i>2007</i>	<i>2006</i> <i>Restated - Note 18</i>
Balance, beginning of year	\$ 398,774	\$ 110,302
Stock-based compensation expense	116,218	288,472
<hr/>		
Balance, end of year	\$514,992	\$398,774

(h) Warrants - Share Purchase

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

These Agent's Warrants were issued pursuant to the Offering dated July 18, 2006 and amended on September 29, 2006. As a result of the Offering the Company issued 3,299,942 share purchase warrants. Each whole Warrant entitled the holder to acquire one Common Share at a price of \$0.40 per share for a period of 24 months from the date of issuance, subject to earlier expiry where the Common Shares trade at \$0.70 or higher on the Exchange for 20 consecutive trading days and the cumulative trading volume of the Common Shares is equal to at least 500,000 Common Shares during that period. The following table summarizes the share purchase warrants to acquire common shares as at December 31, 2007:

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

The fair value of the warrants issued and vested during the year has been determined using the Black-Scholes valuation model. The value attributed to share purchase warrants issued during 2007 was \$25,166 (2006 (restated) - \$206,096). At the closing date per share fair value of the warrants issued and other assumptions, using the Black-Scholes pricing model are as follows:

	<i>2007</i>	<i>2006</i> <i>Restated - Note 18</i>
Estimated per share fair value per warrant	0.07-0.12	0.062
Risk-free interest rate	4.2% - 4.7%	4.2%
Expected life	1 year	2 years
Expected volatility in stock price	65%	50%
Expected annual dividend yield	0%	0%

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

12. Share capital (continued)

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

	<i>2007</i>		<i>2006</i> <i>(Restated – Note 18)</i>	
	Number	Fair Value (\$)	Number	Fair Value (\$)
Balance, beginning of year	3,299,942	206,096	-	-
Issued pursuant to offering	-	-	3,299,942	206,096
Exercised	-	-	-	-
Issued on exercise of Agent's Warrants	244,973	25,166	-	-
Expired	-	-	-	-
Balance, end of year	3,544,915	231,262	3,299,942	206,096

(i) Warrants - Agent's

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

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

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

	<i>2007</i>		<i>2006</i> <i>(Restated – Note 18)</i>	
	Number	Fair Value (\$)	Number	Fair Value (\$)
Balance, beginning of year	560,990	34,784	-	-
Issued pursuant to offering	-	-	560,990	34,784
Exercised	(489,947)	(30,378)	-	-
Expired	(71,043)	(4,406)	-	-
Balance, end of year	-	-	560,990	34,784

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

(j) Per share amounts

The number of shares included in the computation of diluted earnings per share are as follows:

	<i>2007</i>	<i>2006</i>
Weighted average shares outstanding - basic	33,142,211	26,809,866
Effect of stock options	2,578,383	-
Effect of share purchase warrants	3,377,326	-
	39,097,920	26,809,866

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

12. Share capital (continued)

(k) Share acquisition loans

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

13. Commitments

At December 31, 2007, the Company had operating lease commitments for vehicles and new premises lease commitments (see Note 17 – Subsequent events) for the twelve month periods as follows:

2008	207,327
2009	264,564
2010	257,842
2011	234,732
2012	234,732

14. Related Party Transactions

During the year, the Company incurred legal fees from a firm which employs two of the directors of the Company in the amount of \$31,019 (2006 - \$135,663). Included in accounts payable at December 31, 2007 is \$5,300 (2006 - \$18,023) relating to these transactions.

Included in accounts payable are wages and other amounts payable or reimbursable to employees and contractors who are shareholders of \$98 (2006 - \$9,688).

In 2007, the Company sold redundant assets, which included assets carried as inventory and property plant and equipment to an individual who is a shareholder and provides contracting services to the Company for proceeds of \$4,319. The assets sold had a carrying value of \$3,323 resulting in a gain on the sale of assets of \$996, which is included in other income. The Company also paid this shareholder consulting fees in the amount of \$1,575.

During 2007, notes payable due to a shareholder/director in the amount of \$80,933 (December 31, 2006 - \$80,933) and due to an immediate family member of a shareholder in the amount of \$75,367 (December 31, 2006 - \$75,367) were repaid. (See Note 9). Interest paid on these loans in 2007 totalled \$10,540 (2006: \$17,193).

During 2006, the Company transacted business with a company whose owner and director was a director and shareholder of the Company. This business involved the factoring of receivables as required by the Company. The total receivable amount factored by this related party during 2006 amounted to \$1,011,765, of which \$Nil was due to the related party at December 31, 2006. During 2006, the Company paid or accrued interest in the amount of \$44,831 to this related party, of which, \$Nil was due to this related party at December 31, 2006.

During the 2006 year, an employee who is a shareholder and director of the Company advanced \$53,500 to the Company. The amount advanced was repaid by December 31, 2006. Interest paid on this loan in 2006 amounted to \$1,393.

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

15. Financial Instruments

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

(a) Financial Risk Management

The Company's activities are exposed to a variety of financial risks: price risk, credit risk, liquidity risk and cash flow risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

(b) Price Risk

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

- (i) **Currency Risk:** Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is not significantly exposed to foreign currency risk;
- (ii) **Interest Rate Risk:** The Company has a credit facility with a Canadian chartered bank which, when utilized by the Company, provides loans that are subject to interest rate fluctuation. The Company did not have balances outstanding for this credit facility at December 31, 2007 and is not significantly exposed to interest rate risk.

(c) Credit Risk

Financial instruments that subject the company to credit risk consist primarily of trade accounts receivable. At December 31, 2007, five customers accounted for 90% of accounts receivable (December 31, 2006 - five customers - 77%). For the year ended December 31, 2007, seven customers comprise 92% of sales (December 31, 2006 - five customers comprised 68% of sales).

(d) Liquidity Risk

Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines. Due to the nature of the business, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

(e) Cash Flow Risk

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

(f) Fair Value

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity of these instruments. The fair value of fixed interest rate long term debt is determined by comparing the floating interest rate that the Company could obtain in the market for debt with similar terms to its fixed rate debt. The fair value of the Agriculture Financial Services Corporation loan is equal to its carrying value because the full amount is due in 2008.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

16. Income Taxes

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

	<i>2007</i>	<i>Restated – see Note 18 2006</i>
Net income before income taxes (loss)	809,682	(910,991)
Expected income tax rate	32.12%	32.12%
Expected income tax expense (recovery)	260,070	(292,610)
Differences resulting from:		
Stock-based compensation	37,329	92,657
Tax effect of rate change and other	(24,332)	(536,735)
Tax effect of loss expiry	86,489	-
Change in valuation allowance	(359,556)	736,688
Provision for income taxes	-	-

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

	<i>2007</i>	<i>2006</i>
Non-capital losses carried forward	1,086,054	1,626,274
Share issue costs	-	3,476
Capital and other assets	(77,155)	(261,295)
	1,008,899	1,368,455
Valuation allowance	(1,008,899)	(1,368,455)
Future income tax asset	-	-

17. Subsequent events

In January of 2008, the Company entered into a five year lease agreement for new premises. Occupancy commences April 1, 2008. The terms of the lease include the payment of three months rent in advance. Monthly rent payments are \$19,531 plus applicable taxes.

18. Restatements of Stock Based Compensation and Share Purchase Warrants

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

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2007 and December 31, 2006

18. Restatements of Stock Based Compensation and Share Purchase Warrants (continued)

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

(a) Balance sheet

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

(b) Statement of income (loss) and deficit

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

(c) Statement of cash flow

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

19. Comparative figures

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