

CEMATRIX CORPORATION
Consolidated Financial Statements
September 30, 2007
(Unaudited)

**Notice of No Auditor Review of Interim Financial Statements
Third Quarter Report for the Nine Months Ended September 30, 2007**

To the Shareholders:

CEMATRIX CORPORATION

The accompanying unaudited consolidated financial statements for the third quarter ended September 30, 2007 of CEMATRIX CORPORATION have been prepared by and are the responsibility of the Company's management.

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

November 22, 2007

" Jeff Kendrick " Chief Financial Officer
Jeff Kendrick, CA
November 22, 2007

CEMATRIX CORPORATION
Consolidated Balance Sheets

As at

| | <i>September 30, 2007</i> | <i>December 31,</i> |
|---|---------------------------|---------------------|
| | <i>(unaudited)</i> | <i>2006</i> |
| Assets | | |
| Current | | |
| Cash | 85,040 | 400,218 |
| Accounts receivable <i>(Note 5)</i> | 3,034,216 | 477,734 |
| Inventory | 366,586 | 339,853 |
| Prepaid expenses and deposits | 33,963 | 28,967 |
| | 3,519,805 | 1,246,772 |
| Property, plant and equipment <i>(Note 6)</i> | 1,168,495 | 1,232,317 |
| Patents, trademarks and technology <i>(Note 7)</i> | 512,128 | 518,878 |
| Product development costs <i>(Note 8)</i> | 216,680 | 367,108 |
| | 5,417,108 | 3,365,075 |
| Liabilities | | |
| Current | | |
| Bank operating line <i>(Note 9)</i> | 655,000 | - |
| Accounts payable and accrued liabilities <i>(Note 5)</i> | 766,464 | 269,923 |
| Notes payable <i>(Note 10)</i> | 39,075 | 156,300 |
| Current portion of Agriculture Financial Services Corporation loan payable <i>(Note 11)</i> | 50,166 | 47,606 |
| Current portion of capital lease obligations <i>(Note 12)</i> | 24,003 | 23,555 |
| | 1,534,708 | 497,384 |
| Agriculture Financial Services Corporation loan payable <i>(Note 11)</i> | 155,154 | 180,078 |
| Capital lease obligations <i>(Note 12)</i> | 37,206 | 42,943 |
| | 1,727,068 | 720,405 |
| Shareholders' Equity | | |
| Share capital <i>(Note 13)</i> | 7,029,622 | 6,940,767 |
| Share purchase warrants <i>(Note 13)</i> | 81,483 | 72,264 |
| Contributed surplus <i>(Note 13)</i> | 353,024 | 254,860 |
| Deficit | (3,774,089) | (4,623,221) |
| | 3,690,040 | 2,644,670 |
| | 5,417,108 | 3,365,075 |
| Going Concern <i>(Note 3)</i> | | |
| Commitments <i>(Note 17)</i> | | |

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

CEMATRIX CORPORATION
Consolidated Statements of Income and Deficit
For the third quarter ended September 30
(Unaudited)

| | Three-months ended | | Nine-months ended | |
|---|--------------------|-------------|--------------------|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenue | 3,116,866 | 438,779 | 6,267,440 | 1,275,954 |
| Cost of sales | 1,832,685 | 304,022 | 3,893,929 | 886,691 |
| Gross Margin | 1,284,181 | 134,757 | 2,373,511 | 389,263 |
| Expenses | | | | |
| Finance | 22,661 | 46,772 | 51,628 | 189,930 |
| General and administrative | 219,765 | 132,142 | 671,088 | 394,736 |
| Sales, marketing and engineering | 143,702 | 87,240 | 419,822 | 270,366 |
| Stock based compensation | 29,117 | - | 98,164 | 84,206 |
| Amortization of property, plant and equipment | 104,914 | 90,915 | 283,679 | 272,425 |
| | 520,159 | 357,069 | 1,524,381 | 1,211,663 |
| Net operating income (loss) for the period | 764,022 | (222,312) | 849,130 | (822,400) |
| Other non-operating income (expenses) | - | 7,444 | - | 9,516 |
| Net income (loss) before income taxes | 764,022 | (214,868) | 849,130 | (812,884) |
| Income tax expense (Note 15) | - | - | - | - |
| Net income (loss) for the period | 764,022 | (214,868) | 849,130 | (812,884) |
| Deficit, beginning of period | (4,538,111) | (4,434,258) | (4,623,219) | (4,197,394) |
| Deficit due to Amalgamation (Note 2) | - | - | - | 549,500 |
| Costs of Amalgamation (Note 2) | - | - | - | (188,348) |
| Deficit, end of quarter | (3,774,089) | (4,649,126) | (3,774,089) | (4,649,126) |
| Loss per share | | | | |
| Basic | 0.02 | (0.01) | 0.03 | (0.03) |
| Fully-diluted | 0.02 | (0.01) | 0.02 | (0.03) |
| Weighted average number of common shares | | | | |
| Basic | 33,014,203 | 26,904,859 | 33,014,203 | 26,904,859 |
| Fully-diluted | 39,325,376 | 31,474,842 | 39,325,376 | 31,474,842 |

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

CEMATRIX CORPORATION
Consolidated Statements of Cash Flows

For the third quarter ended September 30
(Unaudited)

| | Three-months ended | | Nine-months ended | |
|---|--------------------|------------------|--------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Cash provided by (used in): | | | | |
| Operating activities | | | | |
| Net income (loss) for the period | 764,022 | (214,868) | 849,130 | (812,884) |
| Items not affecting cash | | | | |
| Amortization of patents, trademarks and technology | 2,250 | 2,250 | 6,750 | 6,750 |
| Amortization of product development costs | 50,143 | 59,400 | 150,428 | 175,523 |
| Amortization of property, plant and equipment | 52,521 | 29,265 | 126,501 | 90,152 |
| Stock-based compensation expense | 29,117 | - | 98,164 | 84,206 |
| | 898,053 | (123,953) | 1,230,973 | (456,253) |
| Net change in non-cash working capital items | (666,173) | (588,046) | (2,205,885) | (357,888) |
| | 231,880 | (711,999) | (974,912) | (814,141) |
| Investing activities | | | | |
| Purchase of property, plant and equipment | (19,141) | (36,714) | (62,679) | (96,223) |
| Investment in affiliate | - | (150) | - | (3,206) |
| Product development costs incurred net of Investment Tax Credit adjustments | - | (89,141) | - | (171,662) |
| | (19,141) | (126,005) | (62,679) | (271,091) |
| Financing activities | | | | |
| Repayment of capital lease obligations | 3,548 | (8,146) | (5,737) | (17,063) |
| Issuance of common stock | 98,074 | 899,625 | 98,074 | 2,038,456 |
| Conversion of convertible debt | - | - | - | (1,138,830) |
| Increase in convertible debt | - | - | - | 10,000 |
| Financing additions to contributed surplus | - | 84,206 | - | 137,905 |
| Change in Agricultural Financial Services Corporation loan | (24,924) | (54,203) | (24,924) | (57,033) |
| Charge to Retained Earnings due to Qualifying Transaction (Note 2) | - | - | - | (188,348) |
| | 76,698 | 921,482 | 67,413 | 785,087 |
| Increase (decrease) in cash | 289,437 | 83,478 | (970,178) | (300,145) |
| Cash acquired upon Amalgamation (Note 1) | - | - | - | 443,059 |
| Cash, beginning of period | (859,397) | 60,959 | 400,218 | 1,523 |
| Cash, end of period | (569,960) | 144,437 | (569,960) | 144,437 |
| Cash | | | | |
| Cash balance | 85,040 | 144,437 | 85,040 | 144,437 |
| Operating line | (655,000) | - | (655,000) | - |
| Cash at end of period | (569,960) | 144,437 | (569,960) | 144,437 |
| Supplementary cash flow information: | | | | |
| Interest paid | 22,661 | 46,772 | 51,628 | 189,930 |

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the third quarters ended September 30, 2007 and September 30, 2006 (Unaudited)

1. Incorporation and operations

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

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

Reverse Takeover and Amalgamation

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

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

1. Effective April 11, 2006, Old CEMATRIX and Subco amalgamated (the “Amalgamation”) to form “CEMATRIX (Canada) Inc.” (“New CEMATRIX”).
2. Each issued and outstanding Old CEMATRIX common share was cancelled and exchanged for one common share of the Company at a deemed price of \$0.30 per share, resulting in the issuance of an aggregate of 23,281,162 CEMATRIX common shares to the former holders of common shares of Old CEMATRIX.
3. As consideration for the issuance by the Company of common shares to effect the Amalgamation, New CEMATRIX issued to the Company one common share for each common share issued by the Company.
4. The Company cancelled previously issued options in exchange for new options to purchase a total of 840,000 common shares to the directors, officers, employees and contractors of the Company. (See note 13 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 \$188,348 have been charged to Retained Earnings in accordance with Guidance provided from EIC 10.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the third quarters ended September 30, 2007 and September 30, 2006 (Unaudited)

2. Basis of consolidation (continued)

These financial statements and the amounts reported for prior periods reflect the assets, liabilities and results of operations of Old CEMATRIX, the legal subsidiary, prior to reverse takeover and the consolidated assets, liabilities and results of operations of the Company and Old CEMATRIX subsequent to the reverse takeover. The consolidated financial statements are issued under the name of the legal parent but are deemed to be a continuation of the legal subsidiary (Old CEMATRIX). Since the acquisition was effective April 11, 2006, the comparative results of operations and cash flows for the third quarter ended September 30, 2007 are now those of the Company and Old CEMATRIX.

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

3. Going concern

As the Company is in its development stage, it has incurred recurring operating losses for every year since inception except for the current nine months ended September 30, 2007. These net losses have resulted in an accumulated deficit of (\$3,744,972) (December 31, 2006 – (\$4,623,221)). Working capital has generally been in a deficit position since the Company's inception, however it is currently \$1,985,097 (December 31, 2006 – \$749,388). To remain a going concern, the Company must continue to be profitable or be able to rely on the continued ability to raise necessary capital through issuance of shares or debt. It cannot be determined at this time whether these objectives will be maintained. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

4. Significant accounting policies

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

Inventory

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

Property, plant and equipment

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

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the third quarter ended September 30, 2007 and September 30, 2006 (Unaudited)

4. Significant accounting policies (continued)

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

Leases

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

Patents, trademarks and technology

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

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

Product development costs

Costs incurred under the Company's initial product development program which met specified criteria related to technological, market and financial feasibility were deferred and amortized over a period of three years, commencing with the year following the year in which the costs are incurred. No development costs were capitalized during the three quarters ended September 30, 2007.

Long-lived assets

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

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

Revenue recognition

The Company's revenue is generated from the sale of cellular concrete and is recognized as the Company processes and places the cellular concrete on site, based on the number of cubic metres processed and placed.

Segmented information

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

4. Significant accounting policies (continued)

Investment tax credits

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

Stock-based compensation

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

Future income taxes

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

Foreign currency translation

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

Measurement uncertainty

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

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the third quarter ended September 30, 2007 and September 30, 2006
(Unaudited)

4. Significant accounting policies (continued)

Financial Instruments and Comprehensive Income

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

Comprehensive Income

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

Financial Instruments – Recognition and Measurement

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

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

The Company has applied the new standards for classification of financial assets and liabilities effective January 1, 2007 in accordance with GAAP. No adjustments to the September 30, 2007 or December 31, 2006 carrying amounts were required.

5. Accounts receivable and accounts receivable factoring

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the third quarter ended September 30, 2007 and September 30, 2006 (Unaudited)

5. Accounts receivable and accounts receivable factoring (continued)

At September 30, 2007, the tax credits recoverable were estimated at \$80,233 (December 31, 2006 - \$80,233) of which \$22,779 relates to expenditures made in 2006 and \$57,444 relates to expenditures in 2005. During the year-ended December 31, 2006, a total of \$120,476 in tax credits were received by the Company; \$102,716 in tax credits were from fiscal 2004 and \$17,760 were from 2002.

During 2006, the Company had a credit facility agreement with a shareholder for specific receivables to fund working capital requirements. The facility enabled the Company to sell to the shareholder a specific receivable on a with-recourse basis. The facility was repaid upon collection of the related receivable. As the Company retained significant risks relating to the accounts receivable being sold, the accounts receivable remained in the Company's financial statements and the amounts advanced by the purchaser were recognized as an account payable. Funds advanced under this facility were equal to up to 80% of the gross amount of the invoice including GST having a carrying value of \$Nil (December 31, 2006 - \$Nil). The outstanding amount bore interest at 2 – 2.5% per month and was secured by the specific receivable. At September 30, 2007, accounts payable and accrued liabilities includes \$Nil (December 31, 2006 – \$Nil) relating to this credit facility. This facility was replaced in 2006 with the RBC Operating Loan Facility (Note 9).

6. Property, plant and equipment

| | <i>Cost</i> | <i>Accumulated Amortization</i> | <i>September 30, 2007 Net Book Value</i> |
|--|------------------|-------------------------------------|--|
| Automobiles | 79,244 | 57,169 | 22,075 |
| Buildings and leasehold improvements | 40,583 | 38,099 | 2,484 |
| Computer equipment and software | 115,273 | 80,438 | 34,835 |
| Equipment and cellular material processors | 983,329 | 596,840 | 386,489 |
| Equipment – dry mix processors | 766,670 | 53,113 | 713,557 |
| Furniture and fixtures | 25,131 | 16,076 | 9,055 |
| | 2,010,230 | 841,735 | 1,168,495 |

| | <i>Cost</i> | <i>Accumulated Amortization</i> | <i>December, 31 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 the third quarter of 2007, additions to property, plant and equipment totalled \$19,141 (December 31, 2006 - \$94,620) of which \$8,448 (December 31, 2006 - \$4,177) were acquired by means of capital leases, \$10,693 (December 31, 2006 - \$90,443) were acquired by means of cash and \$Nil (December 31, 2006 - \$Nil) were acquired by means of financing. Property, plant and equipment includes equipment and automobiles under capital lease with a gross cost of \$305,146 (December 31, 2006 - \$292,186) and accumulated amortization of \$192,216 (December 31, 2006 - \$177,430). Amortization of property, plant and equipment for the third quarter-ended September 30, 2007 was \$52,521 (September 30, 2006 - \$29,265).

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the third quarter ended September 30, 2007 and September 30, 2006 (Unaudited)

7. Patents, trademarks and technology

| | <i>Cost</i> | <i>Accumulated Amortization</i> | <i>September 30, 2007 Net Book Value</i> |
|------------|----------------|-------------------------------------|--|
| Patents | 90,000 | 69,750 | 20,250 |
| Trademarks | 12,863 | 3,858 | 9,005 |
| Technology | 537,872 | 54,999 | 482,873 |
| | 640,735 | 128,607 | 512,128 |

| | <i>Cost</i> | <i>Accumulated Amortization</i> | <i>December 31, 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 third quarter ended September 30, 2007 was \$2,250 (September 30, 2006: \$2,250).

8. Product development costs

| | <i>Cost</i> | <i>Accumulated Amortization</i> | <i>September 30, 2007 Net Book Value</i> |
|---------------------------|-------------|-------------------------------------|--|
| Product development costs | 1,629,063 | 1,412,383 | 216,680 |

| | <i>Cost</i> | <i>Accumulated Amortization</i> | <i>December 31, 2006 Net Book Value</i> |
|---------------------------|-------------|-------------------------------------|---|
| Product development costs | 1,629,063 | 1,261,955 | 367,108 |

Product development costs capitalized during the quarter year-ended September 30, 2007 amounted to \$Nil (December 31, 2006 - \$196,062). Research and development tax credits in the amount of \$Nil (December 31, 2006 - (\$13,500) net of prior year investment tax credit adjustments of \$Nil (December 31, 2006 - \$39,233) were applied to adjust this balance. Amortization of product development cost of \$50,143 (September 30, 2006 - \$59,400) was charged during the third quarter.

9. Bank operating line

In 2006, the Company opened a \$750,000 Demand Operating Facility with the Royal Bank of Canada and a Royal Bank VISA credit facility of \$50,000. During the second quarter ended June 30, 2007 these facilities were increased to \$1,500,000 and \$75,000 respectively. The operating line was increased to \$2,500,000 for a three month period ending November 2, 2007 to facilitate the completion of a significant project. Under the operating 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 operating loan balance at September 30, 2007 was \$655,000 (December 31, 2006 - \$Nil). The Company is in compliance with the terms of the loan agreement. Finance expenses for the quarter include interest on operating loans in the amount of \$14,135 (September 30, 2006 - \$Nil).

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the third quarter ended September 30, 2007 and September 30, 2006 (Unaudited)

10. Notes payable

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

The notes payable are due to related parties as described in Note 14. Finance expenses for the quarter ended September 30, 2007 include interest on the notes payable of \$2,056 (September 30, 2006 - \$4,298).

11. Agriculture Financial Services Corporation loan payable

During 2005, the Company borrowed \$300,000 from the Agricultural Financial Services Corporation ("AFSC") to be used to complete the acquisition of equipment with a cost of \$571,500. The AFSC loan is repayable over five years with monthly payments of \$11,137 (including interest) commencing October 1, 2005. The interest rate for the initial three year period is 7.85%. The monthly payments run from July to December each year. The loan is secured by equipment and a General Security Agreement. Two of the executive managers and a former executive manager of CEMATRIX have each provided personal guarantees in the amount of \$300,000 and are covered by life insurance. At September 30, 2007, \$205,320 (December 31, 2006 - \$227,684) of this loan is outstanding.

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

Finance expenses for the quarter ended September 30, 2007 include interest on AFSC loans in the amount of \$4,157 (September 30, 2006 - \$6,195).

12. 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 totalling \$2,888 and mature from June 2008 to November 2010. The annual future commitments under the leases are as follows:

| | |
|-----------------------|--------|
| 2007/8 | 29,409 |
| 2008/9 | 19,827 |
| 2009/10 | 17,388 |
| 2010/11 | 3,294 |
| | <hr/> |
| | 69,918 |
| Less imputed interest | 8,709 |
| | <hr/> |
| | 61,209 |
| Current portion | 24,003 |
| | <hr/> |
| | 37,206 |
| | <hr/> |

Finance expenses for the quarter ended September 30, 2007 include interest on capital lease obligations in the amount of \$2,264 (September 30, 2006 - \$2,314).

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the third quarter ended September 30, 2007 and September 30, 2006 (Unaudited)

13. Share capital

Authorized

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

Issued

| | <i>Number Of Shares</i> | <i>2007 \$ Amount</i> | <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) |
| | | | - | \$ - |
| New CEMATRIX | | | | |
| Beginning of year – New CEMATRIX (see Note 2) | 32,976,047 | \$6,940,767 | 3,095,000 | \$ - |
| Shares issued on exercise of Agent's Warrants | 326,912 | 98,074 | | |
| Shares of New CEMATRIX issued upon amalgamation | - | - | 23,281,162 | 5,363,702 |
| Shares issued as part of Offering | - | - | 6,599,885 | 1,979,966 |
| Share issue costs | - | - | - | (330,637) |
| Issuance of Warrants pursuant to Offering | - | (9,219) | - | (72,264) |
| Common shares – end of period | 33,302,959 | \$7,029,622 | 32,976,047 | \$6,940,767 |

Common shares

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

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

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

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the third quarter ended September 30, 2007 and September 30, 2006 (Unaudited)

13. Share capital (continued)

Common share options

The Company has an option plan for the issue of up to 10% of the common shares of the Company. The Company accounts for its grants under the plan in accordance with the fair value based method of accounting for stock-based compensation. All options that are outstanding will expire 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. At September 30, 2007 a total of 2,817,012 in Stock options to purchase common shares (December 31, 2006: 2,324,500) at \$0.30 and \$0.35 per share were issued and are outstanding to directors, consultants and managers of the Company. All options issued to date vest at the date of grant, with the exception of those issued on 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 issued on November 1, 2006 (1/3 vest immediately, 1/3 vest six months from the effective date and the balance vest one year from the effective date).

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

| | | |
|---|-------------|-----------|
| | 2007 | 2006 |
| Estimated per share fair value per option | 0.228-0.289 | 0.16-0.17 |
| Risk-free interest rate | 4.9% | 5.0% |
| Expected life | 5 years | 5 years |
| Expected volatility in stock price | 116% | 50 – 75% |
| Expected annual dividend yield | 0% | 0% |

Stock based compensation of \$29,117 has been recognized as an expense and an increase to contributed surplus for the third quarter ended September 30, 2007 (September 30, 2006 - \$Nil). This amount together with the June 30, 2007 consolidated balance of \$323,907 (\$69,047 being the increase to stock based compensation in the second quarter of 2007; \$144,558 being the increase to stock based compensation in 2006; together with the December 31, 2005 consolidated balance of \$110,302 (\$56,603 from CEMATRIX (Canada) Inc. in stock-based compensation and \$53,699 from CEMATRIX Corporation Inc., (\$35,665 of which was due to stock-based compensation and \$18,034 due to share issuance costs)), resulted in a balance in contributed surplus of \$353,024 at September 30, 2007 (December 31, 2006 - \$254,860).

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

The following table summaries the options to acquire common shares outstanding as at September 30, 2007:

| Number of Shares under Option | Exercise Price | Expiry Date |
|----------------------------------|-------------------|------------------|
| 147,012 | \$0.30 | August 5, 2010 |
| 1,520,000 | \$0.30 | April 11, 2011 |
| 150,000 | \$0.35 | May 31, 2011 |
| 150,000 | \$0.30 | November 1, 2011 |
| 700,000 | \$0.30 | June 1, 2012 |
| 150,000 | \$0.35 | July 27, 2012 |
| <u>2,817,012</u> | | |

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the third quarter ended September 30, 2007 and September 30, 2006 (Unaudited)

13. Share capital (continued)

For the nine months ended September 30, 2007, 357,488 in stock options held by former directors, management and contract management expired (December 31, 2006 - 50,000). There are 350,000 options that have not vested as at September 30, 2007 (December 31, 2006 - 100,000 options).

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

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

Warrants

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

At December 31, 2006, a total of 6,599,885 Units were sold pursuant to the Offering. This resulted in a total number of 3,299,942 Share Purchase Warrants. The warrants will expire between August 18, 2008, September 21, 2008 and October 6, 2008. During the quarter ended September 30, 2007 an additional 163,456 Share Purchase Warrants were issued upon the exercise of 326,912 Agent's Warrants to purchase Units. All of the Share Purchase Warrants are exercisable into common shares in the Company at an exercise price of \$0.40.

The following table sets out Share Purchase Warrants to acquire common shares outstanding as at September 30, 2007:

| Number of Warrants | Number of Shares on Exercise of Warrants | Exercise Price | Expiry Date |
|--------------------|--|----------------|--------------------|
| 1,788,714 | 1,788,714 | \$0.40 | August 18, 2008 |
| 152,325 | 152,325 | \$0.40 | September 21, 2008 |
| 1,522,360 | 1,522,360 | \$0.40 | October 6, 2008 |
| 3,463,399 | 3,463,399 | | |

The fair value of the warrants issued during the year has been determined using the Black-Scholes valuation model. The value attributed to Share Purchase Warrants at September 30, 2007 and December 31, 2006 based on management's best estimate is \$66,692. At the closing date, the per share fair value of the warrants issued and other assumptions, using the Black-Scholes pricing model are as follows:

| | 2007 | 2006 |
|--|-------------|---------|
| Estimated per share fair value per warrant | 0.149-0.195 | 0.062 |
| Risk-free interest rate | 4.9% | 4.2% |
| Expected life | 1 year | 2 years |
| Expected volatility in stock price | 116% | 50 % |
| Expected annual dividend yield | 0% | 0% |

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the third quarter ended September 30, 2007 and September 30, 2006 (Unaudited)

13. Share capital (continued)

Agent's Warrants

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

The following table sets out the Agent's Warrants to acquire Units as at September 30, 2007 and December 31, 2006:

| Agent's Warrants | Number of Units on Exercise of Agent's Warrants | Exercise Price | Expiry Date |
|------------------|---|----------------|-----------------|
| 230,591 | 230,591 | \$0.30 | October 6, 2007 |

The value attributed to Agent's Warrants at September 30, 2007 and December 31, 2006 based on management's best estimates is \$5,572.

All of the warrants were granted as a result of the Offering completed during the year ended December 31, 2006. There were no other Agent's Warrants granted during the quarter, however 326,912 Agent's Warrants were exercised during this period at a price of \$0.30 per share, resulting in the issue of 326,912 shares and 163,456 Warrants for total proceeds of \$98,074. The warrants issued to the Agent's during the period were one year warrants expiring on the dates set out under the Share Purchase Warrants table above. During the period 3,488 Agent's Warrants expired. Subsequent to the end of the period, 163,035 Agent's Warrants were exercised at a price of \$0.30 per share, resulting in the issue of 163,035 shares and 81,518 Share Purchase Warrants for total proceeds of \$48,910.50 (see Subsequent Events Note 18)

Share acquisition loans

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

14. Related party transactions

During the third quarter, the Company incurred legal fees from a firm which employs two of the directors of the Company in the amount of \$4,700 (September 30, 2006 - \$33,702). The amounts are in the normal course of operations and are recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties. Included in accounts payable at September 30, 2007 is \$Nil (December 31, 2006 - \$18,023) payable to the same legal firm.

Included in accounts payable at September 30, 2007 are wages and other amounts payable or reimbursable to employees and contractors who are shareholders of \$2,869 (December 31, 2006 - \$9,688).

Included in current portion of notes payable at September 30, 2007 is an amount due to a shareholder/director of \$20,233 (December 31, 2006 - \$80,933) and also includes a balance due to an immediate family member of a shareholder of \$18,842 (December 31, 2006 - \$75,367), both of which are due and payable by December 31, 2007 (See Note 10). Interest paid on these loans in the third quarter totalled \$2,056 (September 30, 2006 - \$4,298).

During 2006, the Company transacted business with a company whose owner and director was a director and shareholder of the Company. This business involved the factoring of receivables as required by the Company. The total receivable amount factored by this related party during the period amounted to \$Nil (December 31, 2006 - \$1,011,765), of which \$Nil is due to the related party at June 30, 2007 (December 31, 2006 - \$Nil).

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the third quarter ended September 30, 2007 and September 30, 2006 (Unaudited)

14. Related party transactions (continued)

During the quarter, the Company paid or accrued interest in the amount of \$Nil (September 30, 2006 - \$20,417) to this related party, of which, \$Nil (December 31, 2006 - \$Nil) is included in accounts payable and accrued liabilities at September 30, 2007. During the last quarter of 2006 all factoring amounts together with accrued interest were repaid as the facility was replaced with a bank operating line (See Note 9).

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

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

15. Income taxes

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

| | <i>2007</i> | <i>2006</i> |
|---|------------------|-------------|
| Expected tax recovery at 32.12% (2005 – 15.12%) | 282,093 | (246,385) |
| Decrease (increase) resulting from: | | |
| Stock based compensation | 22,178 | 46,433 |
| Effect of income tax rate adjustments | (3,823) | (536,735) |
| Change in valuation allowance | (300,448) | 736,687 |
| Income tax expense | - | - |

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

| | <i>2007</i> | <i>2006</i> |
|------------------------------------|--------------------|-------------|
| Non-capital losses carried forward | 1,333,889 | 1,626,274 |
| Share issuance costs | - | 3,476 |
| Capital and other assets | (252,914) | (261,295) |
| | 1,080,975 | 1,368,455 |
| Valuation allowance | (1,080,975) | (1,368,455) |
| Future income tax asset | - | - |

16. Financial instruments

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the third quarter ended September 30, 2007 and September 30, 2006 (Unaudited)

16. Financial instruments (Continued)

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. At September 30, 2007, four customers accounted for 92.6% of accounts receivable (December 31, 2006 - five customers - 77%). For the quarter ended September 30, 2007, four customers comprise 92.5% of sales (September 30, 2006 - five customers comprised 72% of sales).

17. Commitments

At September 30, 2007, the Company had operating lease commitments for vehicles for the twelve month periods as follows:

| | |
|---------|--------|
| 2007/8 | 35,140 |
| 2008/9 | 30,848 |
| 2009/10 | 30,848 |
| 2010/11 | 8,135 |

18. Subsequent events

During October 2007, 163,035 Agent's Warrants were exercised at a price of \$0.30 per share, resulting in the issue of 163,035 shares and 81,518 Share Purchase Warrants for total proceeds of \$48,910.50. In addition 67,556 Agent's Warrants expired.

19. Comparative figures

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