

CEMATRIX CORPORATION
Consolidated Financial Statements
December 31, 2008

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.

The external auditors of the Company 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.

March 26, 2009

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

To the Shareholders of CEMATRIX CORPORATION:

We have audited the consolidated balance sheets of CEMATRIX CORPORATION as at December 31, 2008 and 2007 and the consolidated statements of comprehensive income, loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta

March 19, 2009

Meyers Norris Penny LLP

Chartered Accountants

CEMATRIX CORPORATION**Consolidated Balance Sheets***As at December 31*

	2008	2007
Assets		
Current		
Cash	\$ 481,802	\$ 522,855
Accounts receivable <i>(Note 4)</i>	1,059,049	1,641,957
Inventory	279,323	336,737
Prepaid expenses and deposits	228,401	40,401
	2,048,575	2,541,950
Property, plant and equipment <i>(Note 5)</i>	1,267,119	1,151,597
Patents, trademarks and technology <i>(Note 6)</i>	501,834	509,878
Product development costs <i>(Note 7)</i>	68,048	165,222
	\$3,885,576	\$4,368,647
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 257,670	\$414,142
Current portion of Agriculture Financial Services Corporation loan payable <i>(Note 10)</i>	59,001	176,571
Current portion of capital lease obligations <i>(Note 11)</i>	42,727	47,610
	359,398	638,323
Agriculture Financial Services Corporation loan payable <i>(Note 10)</i>	62,408	-
Capital lease obligations <i>(Note 11)</i>	117,167	12,770
	538,973	651,093
Commitments <i>(Note 13)</i>		
Shareholders' Equity		
Share capital <i>(Note 12)</i>	7,160,015	6,928,753
Warrants <i>(Note 12(g))</i>	-	231,262
Contributed surplus <i>(Note 12(f))</i>	564,019	514,992
Deficit	(4,377,431)	(3,957,453)
	3,346,603	3,717,554
	\$3,885,576	\$4,368,647

Approved on behalf of the Board

"Steve Bjornson"

Director "Jeff Kendrick"

Director

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

CEMATRIX CORPORATION
Consolidated Statements of Comprehensive Income, Loss and Deficit

For the years ending December 31

	2008	2007
Revenue	\$ 5,293,247	\$ 7,495,029
Cost of sales	3,737,774	4,824,063
Gross Margin	1,555,473	2,670,966
Expenses		
Finance	35,010	62,578
General and administrative	697,499	738,083
Sales, marketing and engineering	934,056	580,131
Stock based compensation <i>(Note 12(e))</i>	49,027	116,218
Amortization	263,431	366,340
	1,979,023	1,863,350
Net operating income (loss) for the year	(423,550)	807,616
Other non-operating income	3,572	2,066
Net income (loss) before income taxes	(419,978)	809,682
Income taxes <i>(Note 17)</i>	-	-
Net income (loss) and comprehensive income (loss) for the year	(419,978)	809,682
Deficit, beginning of year	(3,957,453)	(4,767,135)
Deficit, end of year	\$(4,377,431)	\$(3,957,453)
Earnings (loss) per share		
Basic	\$ (0.01)	\$ 0.02
Diluted	\$ (0.01)	\$ 0.02
Weighted average number of common shares		
Basic <i>(Note 12 (i))</i>	33,465,994	33,142,211
Diluted <i>(Note 12 (i))</i>	33,465,994	39,097,920

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

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

	2008	2007
Cash provided by (used in):		
Operating activities		
Net income (loss) for the year	\$ (419,978)	\$ 809,682
Add (deduct) non cash items		
Amortization of patents, trademarks and technology	9,000	9,000
Amortization of product development costs	121,936	199,913
Amortization of property, plant and equipment	132,495	157,427
Stock-based compensation	49,027	116,218
Gain on sale of property, plant and equipment	(658)	(996)
	(108,178)	1,291,244
Net change in non-cash working capital items	261,700	(1,028,321)
	153,522	262,923
Investing activities		
Purchase of property, plant and equipment <i>(Note 5)</i>	(66,839)	(59,462)
Proceeds from sale of property, plant and equipment	50,000	2,500
Product development costs incurred net of investment tax credits received	-	1,973
	(16,839)	(54,989)
Financing activities		
Repayment of capital lease obligations	(122,574)	(24,868)
Issuance of common stock	-	146,984
Repayment of notes payable	-	(156,300)
Repayment of Agricultural Financial Services Corporation Loan	(55,162)	(51,113)
	(177,736)	(85,297)
Increase (decrease) in cash	(41,053)	122,637
Cash, beginning of year	522,855	400,218
Cash, end of year	\$ 481,802	\$ 522,855
 Supplementary cash flow information:		
Interest paid	\$ 35,010	\$ 62,578

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, 2008 and 2007

1. Incorporation and operations

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

2. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CEMATRIX (Canada) Inc. and the inactive subsidiaries of it’s subsidiary: CEMATRIX (Calgary) Ltd. (100% owned) and CEMATRIX (USA) 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 net of any operating bank debt.

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	20%-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 under which lease costs 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.

3. Significant accounting policies (continued)

Patents, trademarks and technology

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

Long-lived assets

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

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. An impairment is recognized when the undiscounted future cash flows from its use and disposal are less than the asset's carrying value. If there is an impairment, the impairment amount is measured as the amount by which the carrying value of the asset exceeds its fair value, determined using the discounted cash flows when quoted market prices are not available

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. 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.

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.

3. Significant accounting policies (continued)

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 year.

Measurement uncertainty

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

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization of property, plant and equipment, product development costs and patents is based on the estimated useful lives of these assets. Product development costs are deferred based on expected future benefits from these expenditures.

Estimated recoverable amounts for investment tax credits are accrued when management is reasonably assured that the related expenditures will be deemed eligible by the taxation authorities. Actual recoverable amounts could differ materially from these estimates. The impairment test for intangible assets is based on assumptions regarding future business volumes, sales prices, costs, cash flows, discount rates and other relevant assumptions. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in income in the periods in which they become known.

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

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

Financial Instruments

Section 3855 of the CICA Handbook requires the initial measurement of all financial instruments at fair value with classification into one of five categories; loans and receivables; assets held to maturity; assets available for sale; other financial liabilities; and held for trading.

Financial instruments that are classified as held-for-trading or available-for-sale are re-measured each reporting period at fair value with the resulting gain or loss recognized immediately in net income and other comprehensive income, respectively. All other financial instruments are initially accounted for at fair value and subsequently at amortized cost using the effective interest rate method with foreign exchange gain and losses recognized immediately in net income.

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

3. Significant accounting policies (continued)

Transaction costs

The Company has a choice of recognizing transaction costs in net income when incurred versus adding transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability to the financial instrument's carrying cost. This guidance allows companies to choose different accounting policies for transaction costs of financial instruments that are not similar. It is the Company's policy to add transaction costs that are directly attributable to the acquisition or issuance of a financial asset and or liability to its fair value. These transaction costs are taken into income using the effective interest rate method over the life of the related instrument. There were no transaction costs incurred by the Company during the year ended December 31, 2008 or the year ended December 31, 2007.

Comprehensive income

The components of other comprehensive income include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income upon transition or for the years ended December 31, 2008 and 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.

Investment tax credits

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.

Changes in Accounting Policies

The CICA has issued several new accounting standards, Section 1400 General Standards of Financial Statement Presentation, Section 1535 Capital Disclosure, Section 3031 Inventories, Section 3862 Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation. These standards became effective January 1, 2008.

Section 1400 General Standards of Financial Statement Presentation was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of this standard did not have an impact on the Company's financial statements.

Section 1535 Capital Disclosures requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new disclosures are provided in Note 16.

Section 3031 Inventories harmonized 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 adoption of this section did not have an impact on the Company's financial statements.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the years ended December 31, 2008 and 2007

3. Significant accounting policies (continued)

Sections 3862 and 3863 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 disclosures are provided in Note 15.

Future Accounting Policies

- (a) The CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, which will be adopted by the Company, effective January 1, 2009. The new Section replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450, Research and Development Costs”. Section 1000, “Financial statement Concepts” was also amended according to Section 3064. This new Section establishes standards for recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. The Company is presently assessing the impact of this new accounting standard on its consolidated financial statements;
- (b) In April 2008, the CICA published the exposure draft “Adopting IFRSs in Canada”. The exposure draft proposes to incorporate IFRSs into the CICA Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. On this date, the Company will be required to prepare financial statements in accordance with IFRSs. The Company is currently reviewing the standards to determine the potential impact on its consolidated financial statements.

4. Accounts receivable

Included in accounts receivable are income tax credits recoverable for eligible scientific research and experimental development expenditures (SR&ED). At December 31, 2008, there were no outstanding tax credits recoverable (December 31, 2007 - \$82,206). The 2005 tax credits in the amount of \$57,444 outstanding at December 31, 2007 were received by the Company during the year. The 2006 tax credits in the amount of \$24,762 were disallowed by Canada Revenue Agency (see Note 7).

5. Property, plant and equipment

The components of property, plant and equipment are outlined below:

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2008 Net Book Value</i>
Automobiles	\$ 59,105	\$ 45,688	\$ 13,417
Buildings and leasehold improvements	55,884	40,127	15,757
Computer equipment and software	132,909	97,896	35,013
Equipment and cellular material processors	1,184,573	711,892	472,681
Equipment – dry mix processors	793,443	71,538	721,905
Furniture and fixtures	26,873	18,527	8,346
	\$ 2,252,787	\$ 985,668	\$ 1,267,119

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the years ended December 31, 2008 and 2007

5. Property, plant and equipment (continued)

	<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

During 2008, additions to property, plant and equipment totalled \$299,476 (December 31, 2007 - \$78,212) of which \$232,637 (December 31, 2007 - \$18,750) were acquired by means of capital leases and \$66,839 (December 31, 2007 - \$59,462) were acquired by means of cash. Property, plant and equipment includes equipment and automobiles under capital lease with a gross cost of \$299,404 (December 31, 2007 - \$116,109) and accumulated amortization of \$82,181 (December 31, 2007 - \$59,520). Amortization of property, plant and equipment for the year ended December 31, 2008 was \$132,495 (December 31, 2007 - \$157,427).

6. Patents, trademarks and technology

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2008 Net Book Value</i>
Patents	\$ 90,000	\$ 81,000	\$ 9,000
Trademarks	12,863	3,858	9,005
Technology	538,828	54,999	483,829
	\$ 641,691	\$ 139,857	\$ 501,834

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

Amortization charged for the year ended December 31, 2008 was \$9,000 (December 31, 2007 - \$9,000).

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the years ended December 31, 2008 and 2007

7. Product development costs

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2008 Net Book Value</i>
Product development costs	\$1,651,852	\$1,583,804	\$ 68,048
<hr/>			
	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2007 Net Book Value</i>
Product development costs	\$1,627,090	\$1,461,868	\$ 165,222
<hr/>			

During 2008, \$24,762 of previously recorded ITC's receivable were disallowed by Canada Revenue Agency. This amount was added to the gross cost of Product development costs and was fully amortized in 2008. Amortization of product development costs of \$121,936 (December 31, 2007 - \$199,913) was charged during the year.

8. Bank operating line

The Company has a demand operating facility of \$1,500,000. Under the facility, the bank will advance up to a maximum of 75% of total receivables less than ninety days outstanding at the end of each month, net of any priority claims plus 50% of inventories up to a maximum of \$250,000. Interest on the facility is at prime plus 2.25%. The security provided includes a General Security Agreement over all of the assets of the Company. Under the facility, the Company is required to maintain a debt to tangible net worth ratio of less than 1.75:1. The loan balance at December 31, 2008 is \$Nil (December 31, 2007 - \$Nil) and the Company is in compliance with the terms of the covenants. Finance expenses include interest on operating loans during the year in the amount of \$1,122 (December 31, 2007 - \$22,273).

9. Notes payable

The unsecured notes payable to related parties were repaid as of December 31, 2007. Finance expenses for 2007 were \$10,540. 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 an original cost of \$571,500. The Company renewed this loan in December of 2008 for an additional two year period. The renewal term includes monthly principal and interest payments of \$10,974 commencing July 1, 2009 and an interest rate of 6.54% through to December 1, 2010. The interest rate for the initial three year period ending December 31, 2008 was 7.85%. The monthly payments run from July to December each year. The loan is secured by equipment having a net book value of \$1,049,896 (December 31, 2007 - \$1,040,180) and a General Security Agreement. Certain of the executive managers of CEMATRIX have provided personal guarantees, which are covered by life insurance, toward the balance of the loan outstanding. Finance expense during the year includes interest on AFSC loans in the amount of \$12,294 (December 31, 2007 - \$15,709).

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements
For the years ended December 31, 2008 and 2007

11. Capital lease obligations

Capital leases, which relate to the purchase of equipment, bear interest at 5.75% to 24.8%, are repayable in blended monthly payments and mature from May 2009 to June 2013. The annual future commitments under the leases are as follows:

2009	\$ 54,162
2010	51,143
2011	36,287
2012	31,353
2013	11,313
	184,258
Less imputed interest	24,364
	159,894
Current portion	42,727
	\$ 117,167

Finance expense for the year includes interest on capital lease obligations in the amount of \$17,128 (December 31, 2007 - \$10,548).

12. Share Capital

(a) Authorized

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

(b) Issued

	<i>Number Of Shares</i>	<i>2008 \$ Amount</i>	<i>Number Of Shares</i>	<i>2007 \$ Amount</i>
Beginning of year	33,465,994	\$6,928,753	32,976,047	\$6,772,151
Shares issued on exercise of Agent's Warrants	-	-	489,947	177,362
Expiry of share purchase warrants (Note 12(g))	-	231,262	-	4,406
Issuance of warrants pursuant to Offering, net of cancellations and expired warrants	-	-	-	(25,166)
Common shares, end of period	33,465,994	\$7,160,015	33,465,994	\$6,928,753

(c) Common shares

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

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the years ended December 31, 2008 and 2007

12. Share Capital (continued)

(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. On August 13, 2008, a total of 600,000 options were issued to four new directors and on December 1, 2008 a total of 300,000 options were issued to the new chief financial officer. On September 15, 2008, 638,687 options held by former directors expired, on October 2, 2008 107,500 options held by former employee expired and on November 30, 2008 200,000 options held by the former president expired. On June 17, 2008 200,000 options held by the former President were forfeited. At December 31, 2008 a total of 2,570,825 stock options to purchase common shares (December 31, 2007: 2,817,012) are outstanding to directors, consultants and managers of the Company.

All options issued to date vested at the date of grant or have vested, with the exception of the 400,000 options granted to directors on August 13, 2008 (200,000 of these options vested at the date of grant, 200,000 vest at the end of the first anniversary and 200,000 on the second anniversary) and the 200,000 options granted to the chief financial officer on December 1, 2008 (100,000 of these vested at the date of grant, 100,000 vest at the end of the first anniversary and 100,000 on the second anniversary).

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

<i>Grant Date</i>	<i>Number Options</i>	<i>Exercise Price</i> \$	<i>Weighted average remaining</i> <i>life (years)</i>	<i>Expiry Date</i>
August 5, 2005	108,325	0.30	1.59	August 5, 2010
April 11, 2006	1,300,000	0.30	2.28	April 11, 2011
June 1, 2007	150,000	0.30	3.42	June 1, 2012
July 27, 2007	112,500	0.35	3.53	July 27, 2012
August 13, 2008	600,000	0.30	4.62	August 13, 2013
December 1, 2008	300,000	0.10	4.92	December 1, 2013
2,570,825				

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the years ended December 31, 2008 and 2007

12. Share capital (continued)

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

	<i>2008</i>		<i>2007</i>	
	<i>Number of Options</i>	<i>Weighted average price</i>	<i>Number of Options</i>	<i>Weighted average price</i>
Outstanding at beginning of year	2,817,012	\$0.30	2,324,500	\$0.30
Granted	900,000	0.23	850,000	0.31
Forfeited	(200,000)	0.30	-	-
Expired	(946,187)	0.30	(357,488)	0.30
Outstanding at end of period	2,570,825	0.28	2,817,012	0.30
Exercisable at end of year	1,970,825	\$0.29	2,517,012	\$0.30

There are 600,000 options that have not vested as at December 31, 2008 (December 31, 2007 - 300,000 options).

(e) Stock-based compensation

During the year ended December 31, 2008, the Company granted 900,000 (December 31, 2007 – 850,000) options to directors and management. Stock based compensation of \$49,027 (December 31, 2007 - \$116,218) was calculated using the Black-Scholes option pricing model and recognized as an expense during the year ended December 31, 2008. 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:

	<i>2008</i>	<i>2007</i>
Estimated per share fair value per option	\$0.10-0.15	\$0.16-0.20
Risk-free interest rate	1.7-4.6%	4.5% - 4.6%
Expected life	5 years	5 years
Expected volatility in stock price	198-242%	50 - 65%
Expected annual dividend yield	0%	0%
Estimated forfeiture rate	10-25%	10%

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12. Share capital (continued)

(f) Contributed surplus

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

	<i>2008</i>	<i>2007</i>
Balance, beginning of year	\$ 514,992	\$ 398,774
Stock-based compensation expense	49,027	116,218
Balance, end of year	\$ 564,019	\$ 514,992

(g) Warrants - Share Purchase

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 share purchase warrants had a fair value of \$206,096.

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. The share purchase warrants were exercisable into common shares in the Company at an exercise price of \$0.40 per share.

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

	<i>2008</i>	<i>2007</i>
Estimated per share fair value per warrant	n/a	\$0.07-0.12
Risk-free interest rate	n/a	4.2-4.7%
Expected life	n/a	1 year
Expected volatility in stock price	n/a	65%
Expected annual dividend yield	n/a	0%

During the year ended December 31, 2008 3,544,915 Share Purchase Warrants expired. An amount of \$231,262 was credited to share capital.

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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, 2008 and the year ended December 31, 2007:

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

(h) Warrants - Agent's

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

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

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

	<i>2008</i>		<i>2007</i>	
	Number	Fair Value (\$)	Number	Fair Value (\$)
Balance, beginning of year	-	-	560,990	34,784
Issued on exercise of Agent's Warrants	-	-	(489,947)	(30,378)
Expired	-	-	(71,043)	(4,406)
Balance, end of year	-	-	-	-

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

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For the years ended December 31, 2008 and 2007

12. Share capital (continued)

(i) Per share amounts

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

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

The stock options and share purchase warrants for the year ended December 31, 2008 have no dilutive effect as the Company realized a net loss during the year.

(j) Share acquisition loans

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

13. Commitments

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

2009	\$274,699
2010	\$267,978
2011	\$241,369
2012	\$234,372
2013	\$ 58,593

14. Related Party Transactions

During the year, the Company incurred legal fees from a firm which employs two of the former directors of the Company. The amount incurred while these individuals were directors of the Company was \$20,527 in 2008. (December 31, 2007 - \$31,019). Included in accounts payable at December 31, 2008 is \$nil (December 31, 2007 - \$5,300) relating to these transactions. The two directors resigned on June 17, 2008 and transactions with this firm subsequent to that date have been at arms length.

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.

CEMATRIX CORPORATION
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For the years ended December 31, 2008 and 2007

14. Related Party Transactions (continued)

In 2007, notes payable due to a shareholder/director in the amount of \$80,933 and due to an immediate family member of a shareholder in the amount of \$75,367 were repaid (see Note 9). Interest paid on these loans during 2007 was \$10,540.

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 has classified its financial instruments as follows:

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

The 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 was renewed on December 1, 2008 and accordingly its fair value and its carrying value are equivalent.

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

(a) 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, 2008 and December 31, 2007 and is not significantly exposed to interest rate risk at this time.

(b) Credit Risk

Financial instruments that subject the company to credit risk consist primarily of trade accounts receivable. The Company manages credit risk using credit approval and monitoring practices. At December 31, 2008 and 2007, 5 customers accounted for approximately 90.0% of accounts receivable.

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the years ended December 31, 2008 and December 31, 2007

15. Financial Instruments (continued)
(b) Credit Risk (continued)

The credit period on sales is generally 30 days, subject to standard ten percent construction holdbacks on most of its sales over \$100,000. The Company has historically experienced minimal customer defaults on its trade receivables including holdbacks. Holdbacks are generally collectible forty-five days after completion of the work performed by the Company, however holdbacks can be outstanding much longer, if the holdback release is tied to the completion of the entire project by the general contractor. The Company is normally a subcontractor to the general contractor and only completes a portion of the total work to be completed by the general contractor and accordingly certain holdbacks can be outstanding for up to a year or more. The aging of the receivables was as follows as of December 31, 2008 and December 31, 2007:

	<i>2008</i>	<i>2007</i>
1-30 days	\$ 90,833	\$ 294,645
30-60 days	202,254	200,435
61-90 days	472,604	329,848
Greater than 90 days (generally holdbacks)	293,358	817,029
	\$1,059,049	\$1,641,957

Of total accounts receivable at December 31, 2008, \$16,385 (December 31, 2007 - \$109,179) relates to non-trade receivables, of which \$Nil (December 31, 2007 - \$82,206) represents amounts receivable from Canada Revenue Agency for Investment Tax Credits claimed in previous years. The Company had minimal impaired accounts receivable at December 31, 2008 or December 31, 2007. The Company's allowance for doubtful accounts at December 31, 2008 amounted to \$348 (December 31, 2007 - \$348).

(c) Liquidity Risk

Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines. Due to the nature of the business, the Company aims to maintain flexibility in funding by keeping committed credit lines available and limiting the investment of available cash to short term risk free interest bearing deposits. At December 31, 2008 and December 31, 2007 the Company had access to \$1,500,000 in bank operating line financing subject to advance restrictions on the level of receivables and inventories (see Note 8), of which \$Nil has been drawn on these dates. Based on those restrictions the actual operating line availability at December 31, 2008 was \$662,000 (December 31, 2007 - \$581,000).

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For the years ended December 31, 2008 and December 31, 2007

16. Capital management

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

Management defines capital as the Agricultural Financial Services loan payable, the capital lease obligations and the Company's total shareholders' equity. The board of directors does not establish a quantitative return on capital for management, but rather promotes year over year sustainable profitable growth. The consolidated capital structure of the Company is as follows:

	<i>2008</i>	<i>2007</i>
Agricultural Financial Services loan (<i>See Note 10</i>)	\$ 121,409	\$ 176,571
Capital lease obligations (<i>See Note 11</i>)	159,944	60,380
Total debt	281,303	236,951
Shareholders' Equity	3,346,603	3,717,554
Company's Managed Capital	\$3,627,906	\$3,954,505

The Company and its subsidiaries must maintain a total liability to tangible net worth ratio of less than 1.75:1 as part of its debt covenants with its bank operating financing facility (see Note 8) and it is in compliance with this covenant.

17. Income Taxes

The income tax expense differs from the amount computed by applying the statutory provincial and federal income tax rates to the respective year's income (loss) before income taxes. The differences for the year ended December 31, 2008 and the year ended December 31, 2007 result from the following items:

	<i>2008</i>	<i>2007</i>
Net income (loss) before income taxes	\$ (419,978)	\$ 809,682
Expected income tax rate	30.5%	32.12%
Expected income tax expense (recovery)	(128,093)	260,070
Differences resulting from:		
Stock-based compensation	14,953	37,329
Tax effect of rate change and other	55,116	(24,332)
Tax effect of loss expiry	4,826	86,489
Change in valuation allowance	53,198	(359,556)
Provision for income taxes	\$ -	\$ -

CEMATRIX CORPORATION
Notes to the Consolidated Financial Statements

For the years ended December 31, 2008 and December 31, 2007

17. Income Taxes (continued)

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 and liabilities are as follows:

	2008	2007
Future tax assets		
Non-capital loss carry forwards	\$ 1,140,538	\$1,057,518
Cumulative eligible capital	82,195	91,325
Capital lease obligations	41,572	16,222
Other	29,041	25,405
	1,293,346	1,190,470
Future tax liabilities		
Difference between accounting and tax basis of:		
Property, plant and equipment	83,088	200
Patents, trademarks and technology	130,477	136,989
Product development costs	17,692	44,390
	231,257	181,579
	1,062,089	1,008,891
Valuation allowance	(1,062,089)	(1,008,891)
Future income tax asset (liability)	\$ -	\$ -

The Company had non-capital loss carry forwards which expire as outlined below:

2009	\$ 9,197
2010	\$ 945,512
2014	\$ 1,354,326
2015	\$ 550,392
2026	\$ 1,020,252
2027	\$ 27,851
2028	\$ 479,061

18. Comparative figures

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