

**CEMATRIX CORPORATION**  
**Consolidated Financial Statements**  
*June 30, 2009*  
*(unaudited)*

**Management's Responsibility for Financial Reporting and Notice of No Auditor  
Review of the Interim Financial Statements for the Quarter Ended June 30, 2009**

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To the Shareholders:

**CEMATRIX CORPORATION**

Management has responsibility for preparing the accompanying unaudited 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 Company's independent auditor, Meyers Norris Penny LLP, has not performed a review of these financial statements.

August 13, 2009

**"Bruce McNaught"** \_\_\_\_\_ Chief Financial Officer  
**Bruce McNaught, CA**

**CEMATRIX CORPORATION****Consolidated Balance Sheets***As at June 30, 2009 and December 31, 2008*

	<i>2009</i>	<i>2008</i>
	<b>Unaudited</b>	<i>Audited</i>
<b>Assets</b>		
<b>Current</b>		
Cash	192,437	481,802
Accounts receivable <i>(Note 4)</i>	1,002,426	1,059,049
Inventory	322,853	279,323
Prepaid expenses and deposits	182,493	228,401
	<b>1,700,209</b>	2,048,575
<b>Property, plant and equipment <i>(Note 5)</i></b>	<b>1,411,277</b>	1,267,119
<b>Patents, trademarks and technology <i>(Note 6)</i></b>	<b>469,616</b>	501,834
<b>Product development costs <i>(Note 7)</i></b>	<b>34,028</b>	68,048
	<b>3,615,130</b>	3,885,576
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	465,464	257,670
Current portion of Agriculture Financial Services Corporation loans payable <i>(Note 9)</i>	97,784	59,001
Current portion of capital lease obligations <i>(Note 10)</i>	39,788	42,727
	<b>603,036</b>	359,398
<b>Agriculture Financial Services Corporation loans payable <i>(Note 9)</i></b>	<b>223,625</b>	62,408
<b>Capital lease obligations <i>(Note 10)</i></b>	<b>83,278</b>	117,167
	<b>909,939</b>	538,973
Commitments <i>(Note 12)</i>		
<b>Shareholders' Equity</b>		
<b>Share capital <i>(Note 11)</i></b>	<b>7,160,015</b>	7,160,015
<b>Contributed surplus <i>(Note 11(f))</i></b>	<b>580,099</b>	564,019
<b>Deficit</b>	<b>(5,034,923)</b>	(4,377,431)
	<b>2,705,191</b>	3,346,603
	<b>3,615,130</b>	3,885,576

Approved on behalf of the Board

"Jeff Kendrick" \_\_\_\_\_ Director

"Steve Bjornson" \_\_\_\_\_ Director

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

**CEMATRIX CORPORATION**  
**Consolidated Statements of Loss, Comprehensive Income and Deficit**

*For the second quarter ended June 30  
(Unaudited)*

	Three-months ended June		Six-months ended June	
	2009	2008	2009	2008
<b>Revenue</b>	<b>1,183,667</b>	1,249,434	<b>1,529,629</b>	1,474,103
<b>Cost of sales</b>	<b>758,700</b>	907,140	<b>1,175,187</b>	1,262,158
<b>Gross Margin</b>	<b>424,967</b>	342,294	<b>354,442</b>	211,945
<b>Expenses</b>				
Finance	7,288	7,871	12,687	15,126
General and administrative	171,279	187,617	369,363	345,721
Sales, marketing and engineering	220,630	232,105	504,144	422,425
Stock based compensation	8,040	11,173	16,080	11,173
Amortization of property, plant and equipment	52,055	61,655	100,218	120,319
	<b>459,292</b>	500,421	<b>1,002,492</b>	914,764
<b>Net operating loss for the period</b>	<b>(34,325)</b>	(158,127)	<b>(648,050)</b>	(702,819)
Other non-operating income and (expenses)	(7,773)	2,381	(9,442)	6,818
<b>Net loss before income taxes for the period</b>	<b>(42,098)</b>	(155,746)	<b>(657,492)</b>	(696,002)
<b>Income taxes</b>	-	-	-	-
<b>Net loss and comprehensive income for the period</b>	<b>(42,098)</b>	(155,746)	<b>(657,492)</b>	(696,002)
<b>Deficit, beginning of period</b>	<b>(4,992,825)</b>	(4,497,710)	<b>(4,377,431)</b>	(3,957,454)
<b>Deficit, end of period</b>	<b>(5,034,923)</b>	(4,653,456)	<b>(5,034,923)</b>	(4,653,456)
Loss per share				
Basic	<b>0.001</b>	0.005	<b>0.020</b>	0.021
Fully-diluted	<b>0.001</b>	0.005	<b>0.020</b>	0.021
Weighted average number of common shares				
Basic	<b>33,465,994</b>	33,465,994	<b>33,465,994</b>	33,465,994
Fully-diluted	<b>33,465,994</b>	33,465,994	<b>33,465,994</b>	33,465,994

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

**CEMATRIX CORPORATION**  
**Consolidated Statements of Cash Flows**  
*For the second quarter ended June 30*  
*(Unaudited)*

	Three-months ended		Six-months ended	
	2009	2008	2009	2008
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Net loss for the period	(42,098)	(155,746)	(657,492)	(696,002)
Items not affecting cash				
Amortization of patents, trademarks and technology	2,250	2,250	4,500	4,500
Amortization of product development costs	17,010	24,294	34,020	48,588
Amortization of property, plant and equipment	32,795	35,111	61,698	67,231
Stock-based compensation expense	8,040	11,173	16,080	11,173
	17,997	(82,918)	(541,194)	(564,510)
Net change in non-cash working capital items	(295,215)	338,287	294,512	498,219
	(277,218)	255,369	(246,682)	(66,291)
<b>Investing activities</b>				
Purchase of property, plant and equipment	(190,143)	(11,798)	(195,054)	(43,887)
	(190,143)	(11,798)	(195,054)	(43,887)
<b>Financing activities</b>				
Repayment of capital lease obligations	(36,921)	(25,903)	(47,629)	(35,116)
New AFSC Loan	200,000	-	200,000	-
	163,079	(25,903)	152,371	(35,116)
Increase (decrease) in cash	(304,282)	217,668	(289,365)	(145,294)
Cash, beginning of period	496,719	159,893	481,802	522,855
Cash, end of period	192,437	377,561	192,437	377,561
<b>Supplementary cash flow information:</b>				
Interest paid	3,170	4,406	6,559	8,195

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

# CEMATRIX CORPORATION

## Notes to the Consolidated Financial Statements

For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)

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### 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 its 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. See Note 16 – Subsequent Events.

### 3. Significant accounting policies

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

#### **Cash**

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

#### **Inventory**

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

#### **Property, plant and equipment**

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

Automobiles	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 and rental payments are expensed as incurred.

#### **Product development costs**

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

**CEMATRIX CORPORATION**  
**Notes to the Consolidated Financial Statements**

*For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited) )*

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**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 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.

**CEMATRIX CORPORATION**  
**Notes to the Consolidated Financial Statements**

*For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)*

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**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 period.

***Measurement uncertainty***

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

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 five categories; loans and receivables; assets held to maturity; assets available for sale; other financial liabilities; and assets and liabilities 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 June 30, 2009 or December 31, 2008.

***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 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

# CEMATRIX CORPORATION

## Notes to the Consolidated Financial Statements

For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)

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### 3. Significant accounting policies (continued)

Company during the quarter or six months ended June 30, 2009 or the year ended December 31, 2008.

#### *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 six months ended June 30, 2009 and June 30, 2008. 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 Estimate*

During second quarter of 2009 the Company reviewed the estimated useful life of its Dry Mix Processor Equipment. As a result of this review, the rate per cubic metre of production was increased, which will have the effect of doubling the annual amortization in future years. The impact in the quarter ending June 30, 2009 was to increase the amortization expense by \$2,892. This change in accounting estimate has been accounted for on a prospective basis. It is impracticable to estimate the impact on future periods as this will depend on the production levels for this equipment in that particular period.

#### *Changes in Accounting Policies*

The changes in accounting policies during the six months ended June 30, 2009 are as follows:

The CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which was 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 adoption has had no effect on the Company's current or prior years' financial statements.

#### **Future Accounting Policies**

In January 2006, the CICA adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada are to converge with International Financial Reporting Standards ("IFRS") by 2011. On April 7, 2008, the Accounting Standards Board issued its exposure draft proposing to incorporate IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with earlier adoption permitted. The Company is presently assessing the impact of this new accounting standard on its consolidated financial statements;

### 4. Accounts receivable

Accounts receivable consist principally of trade receivables (\$994,622 at June 30, 2009 and \$1,043,012 at December 31, 2008). The allowance for doubtful accounts was \$348 at June 30, 2009 and December 31, 2008.

**CEMATRIX CORPORATION**  
**Notes to the Consolidated Financial Statements**

*For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)*

**5. Property, plant and equipment**

The following table summarizes property, plant and equipment as at June 30, 2009 and December 31, 2008.

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2009 Net Book Value</i>
Automobiles	60,569	47,700	12,869
Buildings and leasehold improvements	17,773	2,874	14,899
Computer equipment and software	132,909	103,147	29,762
Equipment and cellular material processors	1,388,963	760,209	628,754
Equipment – dry mix processors	793,443	75,962	717,481
Furniture and fixtures	26,873	19,361	7,512
	<b>2,420,530</b>	<b>1,009,253</b>	<b>1,411,277</b>

  

	<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
	<b>2,252,787</b>	<b>985,668</b>	<b>1,267,119</b>

During the second quarter of 2009, additions to property, plant and equipment totalled \$190,143 (June 30, 2008 - \$190,815) of which \$nil (June 30, 2008 - \$179,017) were acquired by means of capital leases and \$190,143 (June 30, 2008 - \$11,798) were acquired by means of cash. Property, plant and equipment includes equipment and automobiles under capital lease with a gross cost of \$177,771 (December 31, 2008 - \$206,224) and accumulated amortization of \$36,408 (December 31, 2008 - \$28,334). Amortization of property, plant and equipment for the quarter and six months ended June 30, 2009 was \$32,795 and \$61,698 respectively (June 30, 2008 - \$35,111 and \$65,231 respectively).

In the second quarter of 2009, the Company adjusted leasehold improvements to remove the costs related to expired leases with an accumulated cost of \$38,111 and accumulated amortization of \$38,111.

Included in equipment and cellular material processors cost at June 30, 2009 is the cost of \$150,630 related to a piece of equipment that is under construction. The asset went into service in July.

During the second quarter of 2009, the Company reviewed the estimated life of its dry mix processors and increased the rate of amortization. This change in accounting estimate has been accounted for on a prospective basis. See Note 3 - Significant Accounting Policies – Change in Accounting Estimates.

**CEMATRIX CORPORATION**  
**Notes to the Consolidated Financial Statements**

*For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)*

**6. Patents, trademarks and technology**

The following table summarizes patents, trademarks and technology as at June 30, 2009 and December 31, 2008.

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2009 Net Book Value</i>
Patents	90,000	85,500	4,500
Trademarks	12,863	3,858	9,005
Technology	511,110	54,999	456,111
	613,973	144,357	469,616
	<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

Amortization of patents for the quarter and six months ended June 30, 2009 was \$2,250 and \$4,500 respectively (June 30, 2008 - \$2,250 and \$4,500 respectively).

In the second quarter of 2009 the Company expensed licenses classified as technology with a book value of \$27,718 that no longer had value.

**7. Product development costs**

The following table summarizes product development costs as at June 30, 2009 and December 31, 2008.

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2009 Net Book Value</i>
Product development costs	1,651,852	1,617,824	34,028
	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2008 Net Book Value</i>
Product development costs	1,651,852	1,583,804	68,048

Amortization of product development costs for the quarter and six months ended June 30, 2009 was \$17,010 and \$34,020 respectively (June 30, 2008 - \$24,294 and \$48,588).

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

# CEMATRIX CORPORATION

## Notes to the Consolidated Financial Statements

For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)

### 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 trade receivables less than ninety days outstanding at the end of each month, net of any priority claims plus 50% of inventory 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 quarter-end is \$Nil (December 31, 2008 - \$Nil) and the Company is in compliance with the terms of the covenants. Finance expenses include interest on operating loans in the amount of \$nil for the quarter and six months ended June 30, 2009 (June 30, 2008 - \$466 and \$574 respectively).

### 9. Agriculture Financial Services Corporation loans payable

The following table summarizes the outstanding balances of the Agricultural Financial Services loans payable as at June 30, 2009 and December 31, 2008.

	<i>2009</i>	<i>2008</i>
Loan 1	<b>\$121,409</b>	\$121,409
Loan 2	<b>200,000</b>	-
	<b>321,409</b>	121,409
Less current portion	<b>97,784</b>	59,001
	<b>\$223,625</b>	\$ 62,408

During 2005, the Company borrowed \$300,000 from the Agricultural Financial Services Corporation (“AFSC”) (“AFSC Loan 1”) to be used to complete the acquisition of equipment with an original cost of \$571,500. 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. Certain of the executive managers together with a consultant/shareholder of the Company have each provided personal guarantees, which are covered by life insurance.

In the second quarter of 2009, the Company borrowed \$200,000 from the AFSC (“AFSC Loan 2”) to be used to complete the acquisition and construction of equipment at a cost of \$200,000. The term includes monthly principal and interest payments of \$7,565 commencing July 1, 2009 and an interest rate of 5.82% through to December 1, 2013. The monthly payments run from July to December each year.

The loans are secured by equipment and a General Security Agreement. The net book value of the equipment used as security at June 30, 2009 is \$1,269,914 (December 31, 2008 - \$1,089,229).

Finance expenses include interest on the AFSC loans of \$4,118 and \$6,128 for the quarter and six months ended June 30, 2009 respectively (June 30, 2008 - \$3,465 and \$6,930 respectively).

**CEMATRIX CORPORATION**  
**Notes to the Consolidated Financial Statements**

*For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)*

**10. Capital lease obligations**

Capital leases, which relate to the purchase of equipment, bear interest at 7.8% to 24.8%, are repayable in blended monthly payments and mature from October 2008 to May 2013. The annual future commitments under the leases are as follows:

<b>2009/10</b>	<b>49,338</b>
2010/11	41,992
2011/12	27,833
2012/13	22,517
2013/14	-
	141,680
Less imputed interest	18,614
	123,066
Current portion	39,788
	83,278

Finance expenses for the second quarter and six months ended June 30, 2009 included interest on capital lease obligations in the amount of \$3,170 and \$6,559 respectively (June 30, 2008 - \$3,658 and \$7,338 respectively).

**11. Share Capital**

*(a) Authorized*

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

*(b) Issued*

The following table summarizes the changes in issued share capital for the six months ended June 30, 2009 and the year ended December 31, 2008

	<i>Number Of Shares</i>	<i>2009 \$ Amount</i>	<i>Number Of Shares</i>	<i>2008 \$ Amount</i>
Beginning of period	<b>33,465,994</b>	<b>\$7,160,015</b>	33,465,994	\$6,928,753
Expiry of share purchase warrants	-	-	-	231,262
	<b>33,465,994</b>	<b>\$7,160,015</b>	33,465,994	\$7,160,015
Common shares – end of period	<b>33,465,994</b>	<b>\$7,160,015</b>	33,465,994	\$7,160,015

*(c) Common shares*

No common shares were issued during the six months ended June 30, 2009 or for the year ended December 31, 2008

**CEMATRIX CORPORATION**  
**Notes to the Consolidated Financial Statements**

*For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)*

**11. 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. At June 30, 2009 a total of 2,570,825 stock options to purchase common shares (December 31, 2008 - 2,570,825) were issued and are outstanding to directors, consultants and managers of the Company.

All options issued to date have vested at the date of grant or have vested, with the exception of 600,000 options granted 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 300,000 options granted to the Chief Financial Officer on December 1, 2008 (100,000 of these vested at the date of the 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 June 30, 2009:

<i>Grant Date</i>	<i>Number Options</i>	<i>Exercise Price</i>	<i>Weighted average remaining life (years)</i>	<i>Expiry Date</i>
August 5, 2005	108,325	\$0.30	1.10	August 5, 2010
April 11, 2006	1,300,000	\$0.30	1.78	April 11, 2011
June 1, 2007	150,000	\$0.30	2.65	June 1, 2012
July 27, 2007	112,500	\$0.35	3.04	July 27, 2012
August 13, 2008	600,000	\$0.30	4.12	August 13, 2013
December 1, 2008	300,000	\$0.10	4.42	December 1, 2013
	<b>2,570,825</b>			

The following table summarizes the changes in options during the six months ended June 30, 2009 and the year ended December 31, 2008:

	<i>2009</i>		<i>2008</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 period	<b>2,570,825</b>	<b>\$0.28</b>	2,817,012	\$0.30
Granted	-	-	900,000	0.23
Forfeited	-	-	(200,000)	0.30
Expired	-	-	(946,187)	0.30
Outstanding at end of period	<b>2,570,825</b>	<b>0.28</b>	2,570,825	0.28
Exercisable at end of period	<b>1,970,825</b>	<b>\$0.29</b>	1,970,825	\$0.29

There are 600,000 options that have not vested as at June 30, 2009 (December 31, 2008 - 600,000 options).

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

**CEMATRIX CORPORATION**  
**Notes to the Consolidated Financial Statements**

*For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)*

**11. Share capital (continued)**

*(e) Stock-based compensation*

During the six months ended June 30, 2009, the Company granted Nil (year ending December 31, 2008 – 900,000) options to directors and management. Stock based compensation for the quarter and six months ended June 30, 2009 of \$8,040 and \$16,080 respectively (June 30, 2008 - \$11,173 and \$11,173 respectively) was calculated using the Black-Scholes option pricing model and recognized as an expense during the period. 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:

	2009	2008
Estimated per share fair value per option	n/a	\$0.10-0.15
Risk-free interest rate	n/a	1.7 - 4.6%
Expected life	n/a	5 years
Expected volatility in stock price	n/a	198 - 242%
Expected annual dividend yield	n/a	0%
Estimated forfeiture rate (options not immediately vesting)	n/a	10 - 25%

*(f) Contributed surplus*

The following table summarizes the changes in contributed surplus during the six months ended June 30, 2009 and the year ended December 31, 2008:

	2009	2008
Balance, beginning of period	\$ 564,019	\$ 514,992
Stock-based compensation expense	16,080	49,027
Balance, end of period	\$580,099	\$564,019

*(g) Per share amounts*

The number of shares includes in the computation of diluted earnings per share at June 30, 2009 and 2008 are as follows:

	2009	2008
Weighted average shares outstanding - basic	33,465,994	33,465,994
Effect of stock options	-	-
Effect of share purchase warrants	-	-
Weighted average shares outstanding – fully diluted	33,465,994	33,465,994

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

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*For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)*

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**11. Share capital (continued)**

The stock options and share purchase warrants for the six months ended June 30, 2009 and 2008 have no dilutive effect as the Company realized a net loss during all periods.

**(h) 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.

**12. Commitments**

At June 30, 2009, the Company had operating lease commitments for vehicles and premises lease commitments (see Note 16 – Subsequent Events) for the twelve month periods from June 30, 2009 as follows:

<b>2009/10</b>	\$274,699
2010/11	253,062
2011/12	236,121
2012/13	175,779

**13. Related Party Transactions**

During the six months ended June 30, 2008, the Company incurred legal fees from a firm which employs two of the former directors of the Company. The amount incurred, while these directors were directors of the Company was \$7,676. Included in accounts payable at June 30, 2008 is \$4,428 relating to these transactions. The two directors resigned on June 17, 2008 and transactions with this firm from this date have been at arms' length.

**14. Financial Instruments**

The Company has classified its financial instruments under the following classifications

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

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 AFSC Loan 1 was renewed on December 1, 2008 and accordingly its fair value and its carrying value are equivalent. The AFSC Loan 2 was incurred in the second quarter of 2009 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.

**CEMATRIX CORPORATION**  
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*For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)*

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**14. Financial Instruments** (continued)

(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 June 30, 2009 and December 31, 2008 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 June 30, 2009 two customers and at December 31, 2008, five customers accounted for approximately 90 % of accounts receivable.

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 that were past due but not impaired was as follows as at June 30, 2009 and December 31, 2008:

	<i>2009</i>	<i>2008</i>
1-30 days	\$ 518,273	\$ 90,833
30-60 days	368,305	202,254
61-90 days	23,565	472,604
Greater than 90 days (generally holdbacks)	92,283	293,358
	<b>\$1,002,426</b>	<b>\$1,059,049</b>

Of total accounts receivable at June 30, 2009, \$8,152 (December 31, 2008 - \$16,385) relates to non-trade receivables. The Company had minimal impaired accounts receivable at June 30, 2009 and December 31, 2008. The Company's allowance for doubtful accounts at June 30, 2009 and December 31, 2008 amounted to \$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 June 30, 2009 and December 31, 2008 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 – Bank operating line), of which \$Nil has been drawn on these dates. Based on those restrictions the actual operating line availability at June 30, 2009 was \$766,000 (December 31, 2008 \$662,000).

# CEMATRIX CORPORATION

## Notes to the Consolidated Financial Statements

For the quarter ended June 30, 2009 (unaudited) and year ended December 31, 2008 (audited)

### 15. 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 Corporation's assets.

Management defines capital as the Agricultural Financial Services Corporation 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 as at June 30, 2009 and December 31, 2008 is as follows:

	2009	2008
Agricultural Financial Services Corporation loans payable ( <i>See Note 9</i> )	\$ 321,409	\$ 121,409
Capital lease obligations ( <i>See Note 10</i> )	123,066	159,894
Total Debt	444,475	281,303
Shareholders' Equity	2,705,191	3,346,603
<b>Company's Managed Capital</b>	<b>\$3,149,666</b>	<b>\$ 3,627,906</b>

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 – Bank operating line) and it is in compliance with this covenant.

### 16. Subsequent events

In late July 2009, the Company accepted an offer in principal with its existing landlord to relocate to smaller premises effective January 1, 2010. This five year lease has annual rental of approximately \$140,625.

In early August 2009, the Company's wholly owned subsidiary CEMATRIX (Canada) Inc. subscribed for 1,500,000 common shares in CEMATRIX (USA) Inc. for at total cost of \$75,000 U.S. This increases the ownership in this subsidiary to 99.99%. The proceeds from the share issue were used by CEMATRIX (USA) Inc. to repay advances made to it by CEMATRIX (Canada) Inc.

### 17. Seasonality

The Company's sales of cellular concrete can be seasonal. Typically, the Company's sales follow the construction season in Canada, which generally peaks during mid-second quarter of a calendar year and continues through to mid-fourth quarter.

### 18. Comparative figures

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