

CEMATRIX CORPORATION
Consolidated Financial Statements
(in Canadian dollars)
March 31, 2016

**Management's Responsibility for Financial Reporting and Notice of No Auditor
Review of the Interim Consolidated Financial Statements for the Three Months
Ended March 31, 2016**

To the Shareholders:

CEMATRIX CORPORATION

Management has responsibility for preparing the accompanying consolidated financial statements. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has developed and maintains appropriate accounting and systems of internal control designed to provide reasonable assurance that reliable and relevant financial information is produced. In addition, programs of proper business conduct and risk management have been implemented to protect the Company's assets and operations. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable financial information for the preparation of the consolidated financial statements.

The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out these responsibilities principally through the Audit Committee (the "Committee"), which includes two independent directors.

The Committee has the responsibility of meeting with management to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the interim consolidated financial statements and reports its findings to the Board for approval.

The Company's external auditor MNP LLP, an independent firm of Chartered Accountants, has not performed a review of these interim consolidated financial statements.

May 4, 2016

Signed "Bruce McNaught"
Bruce McNaught, CA

Chief Financial Officer

CEMATRIX CORPORATION
Consolidated Statements of Financial Position
As at March 31, 2016 (unaudited) and December 31, 2015 (audited)
(in Canadian Dollars)

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 778,451	\$ 1,450,785
Term deposit	70,000	70,000
Trade and other receivables (note 5)	3,677,623	4,580,868
Inventory (note 6)	424,274	587,970
Prepaid expenses and deposits	105,337	75,642
Current portion of share acquisition loans (note 7)	19,937	19,045
	5,075,622	6,784,310
Non Current Assets		
Share acquisition loans (note 7)	50,472	48,202
Property and equipment	3,420,011	3,477,068
Intangibles	465,116	465,116
Deferred taxes	437,704	485,927
	4,373,303	4,476,313
Total Assets	\$ 9,448,925	\$ 11,260,623
LIABILITIES and EQUITY		
Current Liabilities		
Trade and other payables (note 8)	\$ 1,218,204	\$ 2,104,234
Factoring liability (note 9)	-	703,462
Mezzanine loan (note 10)	500,000	750,000
Current portion of long term debt (note 11)	286,662	286,662
Current portion of finance lease obligations (note 12)	47,147	56,247
	2,052,013	3,900,605
Non Current Liabilities		
Long term debt (note 11)	1,736,494	1,736,494
Finance lease obligations (note 12)	131,265	140,963
	1,867,759	1,877,457
Total Liabilities	3,919,772	5,778,062
SHAREHOLDERS' EQUITY		
Share capital (note 13)	7,495,530	7,434,530
Contributed surplus	791,713	799,430
Accumulated other comprehensive loss	(45,000)	(25,462)
Deficit	(2,713,090)	(2,725,937)
Total Shareholders' Equity	5,529,153	5,482,561
Total Liabilities and Shareholders' Equity	\$ 9,448,925	\$ 11,260,623

Subsequent events (note 24)

Approved on behalf of the Board

Signed "Jeffrey Kendrick" Director

Signed "Steve Bjornson" Director

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

CEMATRIX CORPORATION
Consolidated Statements of Income (Loss) and Comprehensive Loss
For the three months ended March 31 (unaudited)
(in Canadian Dollars)

	2016	2015
Revenue (note 23)	\$ 3,170,689	\$ 2,819,022
Cost of sales (note 14)	2,440,543	2,180,310
Gross margin	730,146	638,712
Operating expenses		
General and administrative	276,389	255,205
Sales, marketing and engineering	321,144	277,190
Total operating expenses	597,533	532,395
Operating income	132,613	106,317
Non-cash stock based compensation (note 18)	(24,079)	(57,382)
Finance costs (note 15)	(72,396)	(56,844)
Other income (note 16)	9,136	15,365
Income before taxes	45,274	7,456
Provision of deferred taxes	(48,223)	(2,745)
Net income (loss) attributable to the common shareholders	(2,949)	4,711
Other comprehensive loss		
Items that may be reclassified subsequent to profit or loss:		
Unrealized foreign exchange loss on translation of foreign subsidiary	(19,538)	(7,132)
Total comprehensive loss for the period	\$ (22,487)	\$ (2,421)
Income (loss per common share for the period (note 17)		
Basic	\$ -	\$ -
Fully Diluted	\$ -	\$ -
Weighted average number of common shares for the period (note 17)		
Basic	34,255,115	34,025,994
Fully Diluted	34,255,115	34,360,609

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

CEMATRIX CORPORATION
Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31 (unaudited)
(in Canadian Dollars)

	Share Capital	Contributed Surplus	Accumulated other Comprehensive income (loss)	Deficit	Total Shareholders' Equity
Balance at December 31, 2015	\$ 7,434,530	\$ 799,430	(25,462)	\$ (2,725,937)	\$ 5,482,561
Issue of shares (note 13)	45,000	-	-	-	45,000
Reclassification of contributed surplus to share capital (note 18)	16,000	(16,000)	-	-	-
Non-cash stock based compensation (note 18)	-	24,079	-	-	24,079
Reclassification of contributed surplus to deficit (note 18)	-	(15,796)	-	15,796	-
Net loss attributable to common shareholders	-	-	-	(2,949)	(2,949)
Unrealized foreign exchange loss on translation of foreign subsidiary	-	-	(19,538)	-	(19,538)
Balance at March 31, 2016	\$ 7,495,530	\$ 791,713	(45,000)	\$ (2,713,090)	\$ 5,529,153
Balance at December 31, 2014	\$ 7,396,309	\$ 600,805	(2,190)	\$ (4,325,307)	\$ 3,669,617
Non-cash stock based compensation (note 18)	-	57,382	-	-	57,382
Net income attributable to common shareholders	-	-	-	4,711	4,711
Unrealized foreign exchange loss on translation of foreign subsidiary	-	-	(7,132)	-	(7,132)
Balance at March 31, 2015	\$ 7,396,309	\$ 658,187	(9,322)	\$ (4,320,596)	\$ 3,724,578

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

CEMATRIX CORPORATION
Consolidated Statements of Cash Flows
For the three months ended March 31 (unaudited)
(in Canadian Dollars)

	2016	2015
Cash generated from (used in):		
Operating activities		
Net income (loss) attributable to common shareholders	\$ (2,949)	\$ 4,711
Add (deduct) non-cash items		
Provision of deferred taxes	48,223	2,745
Depreciation	116,539	86,514
Non-cash stock based compensation (note 18)	24,079	57,382
Accretion of non-cash fair market value adjustment on share acquisition loans	(3,162)	(467)
Unrealized foreign exchange gain on translation of foreign subsidiary	(19,538)	(7,132)
	163,192	143,753
Net change in non-cash working capital items (note 19)	151,216	489,504
Cash generated from operations	314,408	633,257
Investing activities		
Purchase of property and equipment	(59,482)	(38,017)
Cash used in investing activities	(59,482)	(38,017)
Financing activities		
Repayments of bank operating loan	-	(435,000)
Collection of factored receivables	(703,462)	-
Repayments of mezzanine loan	(250,000)	
Repayments of finance lease obligations	(18,798)	(13,376)
Issue of common shares (note 13)	45,000	-
Cash used in financing activities	(927,260)	(448,376)
Increase (decrease) in cash	(672,334)	146,864
Cash (cash deficiency), beginning of period	1,450,785	(144,135)
Cash, end of period	\$ 778,451	\$ 2,729
Cash		
Cash and cash equivalents	\$ 778,451	\$ 20,684
Bank overdraft	-	(17,955)
Cash, end of period	\$ 778,451	\$ 2,729
Finance costs paid during the period	\$ 68,695	\$ 56,414

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

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2016 (unaudited) and for the year ended December 31, 2015 (audited)
(in Canadian dollars)

1. Corporate information

CEMATRIX Corporation ("CEMATRIX" or the "Company") is a limited company incorporated in the province of Alberta, Canada whose common shares are publicly traded on the TSX venture exchange under the symbol "cvx.v". It is domiciled in Canada with its registered office at 5440 - 53rd Street S.E., Calgary, Alberta, Canada.

Through its wholly-owned subsidiary, CEMATRIX (Canada) Inc. and its subsidiary CEMATRIX (USA) Inc., the Company is a manufacturer and supplier of cellular concrete products with applications in a variety of markets. The current market focus is in the construction market for infrastructure in Western Canada and Ontario and on a selective basis in Quebec, the Northwest Territories and the United States of America (U.S.) and oil and gas construction projects in Western Canada.

The consolidated financial statements of the Company for the three months ended March 31, 2016 were authorized for issue in accordance with a resolution of the Board of Directors on May 4, 2016.

2. Basis of preparation

Statement of compliance

These consolidated financial statements for the three months ended March 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretation Committee ("IFRIC") in effect at the closing date of March 31, 2016.

Basis of measurement

These consolidated financial statements were prepared under the historical cost convention except for share-based payment transactions and financial instruments which are measured at fair value.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of Cematrix (USA) Inc. is US dollars.

3. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Judgements, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

3. Significant accounting judgements, estimates and assumptions (continued)

The key sources of these uncertainties that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended December 31, 2015. There has been no changes since that date.

4. Significant accounting policies

The significant accounting policies of the Company are outlined in Note 4 of the audited consolidated financial statements for the year ended December 31, 2015. There have been no changes since that date.

Future accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after April 1, 2016 or later periods. The standards impacted that are applicable to the Company are as follows:

IFRS 9 Financial Instruments – In July 2014, the IASB issued the final version of IFRS 9, “Financial Instruments” (“IFRS 9”) to replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity’s own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS39. The new model will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period.

IFRS 15 Revenue from Contracts With Customers – In May 2014, the IASB issued IFRS 15, “Revenue From Contracts With Customers” (“IFRS 15”) replacing International Accounting Standard 11, “Construction Contracts” (“IAS 11”), IAS 18, “Revenue” (“IAS 18”), and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. IFRS 15 is effective for years beginning on or after January 1, 2018.

IFRS 16 Leases – In January 2016, the IASB issued IFRS 16, “Leases” (“IFRS 16”) replacing International Accounting Standard 17, “Leases” (“IAS 17”). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (“lessee”) and the supplier (“lessor”). The standard provides revised guidance on identifying a lease and separating lease and non-lease components of a contract. It introduces a single accounting model for all leases and requires a lessee to recognize right-of-use assets and lease liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the income statement. Lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for years beginning on or after January 1, 2019.

The Company has not determined the impact on its consolidated financial statements from the adoption of these future accounting pronouncements.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

5. Trade and other receivables

Trade and other receivables consist of the following components as at March 31, 2016 and December 31, 2015:

	2016	2015
Trade receivables	\$ 2,640,140	\$ 3,823,433
Holdbacks	909,920	693,854
Other receivables	127,563	63,581
	\$ 3,677,623	\$ 4,580,868

Trade receivables and holdbacks are unsecured and non-interest bearing and are generally on 30 day terms subject to standard ten percent construction holdbacks on most of its sales over \$100,000. 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.

In May 2015, CEMATRIX (CANADA) INC., entered into a receivable purchase agreement with Tallinn Capital Partners Corp ("Tallinn Capital"), as part of a working capital financing agreement (see notes 9 and 10). As at March 31, 2016 there are \$nil trade receivables factored accounts (December 31, 2015 trade receivables include \$879,328 related to factored accounts).

The aging of the trade receivables were as follows as at March 31, 2016 and December 31, 2015:

	2016	2015
1-30 days	\$ 1,475,818	\$ 1,206,728
30-60 days	942,785	928,495
61-90 days	49,100	306,786
Greater than 90 days	172,437	1,381,424
	\$ 2,640,140	\$ 3,823,433

In determining the recoverable amount of a trade, holdbacks and other receivables, the Company performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparties. Based on account balances greater than 90 days, the Company believes that no impairment allowance is necessary in respect of trade receivables.

6. Inventory

Inventory consists of the following components as at March 31, 2016 and December 31, 2015:

	2016	2015
Raw materials (principally foaming agent)	\$ 415,162	\$ 585,332
Marketing material	9,112	2,638
	\$ 424,274	\$ 587,970

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

6. Inventory (continued)

Inventory expensed as part of cost of sales was \$230,095 and \$74,189, respectively, for the three months ended March 31, 2016 and 2015. There were no inventory write-downs in either 2016 or 2015.

7. Share acquisition loans

Share acquisition loans consist of the following components as at March 31, 2016 and December 31, 2015:

	2016	2015
Share acquisition loans, beginning of period	\$ 90,500	\$ 113,125
Repayments	-	(22,625)
Share acquisition loans, end of period	90,500	90,500
Non-cash fair value adjustment, beginning of period	(23,253)	(25,121)
Accretion of non-cash fair value adjustment	3,162	1,868
Non-cash fair value adjustment, end of period	(20,091)	(23,253)
	70,409	67,247
Less current portion	(19,937)	(19,045)
	\$ 50,472	\$ 48,202

Share acquisition loans of \$113,125 were issued to management in previous years to purchase shares of the Company. In October 2014, the terms of the share acquisition loans were changed to introduce equal annual repayment terms beginning 2015 such that the loans will be fully repaid by December 31, 2019. Prior to this change the share acquisition loans were included as a reduction in share capital. The loans bear no interest unless the loans are not repaid in accordance with the repayment terms, then the interest is payable annually on the amount then outstanding at Bank of Canada prime rate, then in effect, plus two percent and at the option of the Company the loans become immediately due and payable. For accounting purposes, because the loans bear no interest, the loans were fair valued using the effective interest rate method. An effective interest rate used was 9%. The fair value adjustment of \$25,121, recorded in 2014, was a non cash and was recorded as a finance cost in the statement of income (loss) and comprehensive income (loss). This fair value adjustment is being accreted to income over the life of the loans.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

8. Trade and other payables

Trade and other payables consist of the following components as at March 31, 2016 and December 31, 2015:

	2016	2015
Trade payables	\$ 959,794	\$ 1,477,157
Accrued interest	12,574	26,222
Other accruals	127,877	489,460
Payroll remittance and goods & services tax	117,959	111,395
	\$ 1,218,204	\$ 2,104,234

9. Factoring Liability

The factoring liability as at March 31, 2016 and December 31, 2015 is outlined below:

	2016	2015
Factoring liability	\$ -	\$ 703,462

In May 2015, CEMATRIX (Canada) Inc., entered into a receivable purchase agreement with Tallinn Capital Partners Corp ("Tallinn Capital"), as part of a working capital financing agreement, which is available for the purchase by Tallinn Capital of up to \$1,250,000 of specific trade receivable invoices. For qualifying sales invoices ("Factored Receivables"), which are purchased under the receivable purchase agreement, CEMATRIX (Canada) Inc. receives 80% of the value of the specific sales invoice at the time of purchase and 20% when the sales invoice is collected by Tallinn Capital. A discount rate of 2% (reduced from 2.25% in September 2015) is charged for the first 30 days that the sales invoice is outstanding, with a further daily discount rate of 0.067% (reduced from 0.075% in September 2015) until the sales invoice is collected. Tallinn Capital may, at its sole discretion, require that CEMATRIX (Canada) Inc. repurchase any Factored Receivables that are not collected within 90 days of the sales invoice date at a price equal to the outstanding amount thereof. CEMATRIX (Canada) Inc. retains the responsibility for collection and any foreign exchange fluctuation of the Factored Receivables.

For accounting purposes, the Factored Receivable continues to be recorded in trade receivables and the financing fees in finance costs.

10. Mezzanine Loan

On May 22, 2015, CEMATRIX (Canada) Inc., entered into a new financing agreement with Tallinn Capital Mezzanine Limited Partnership through its general partner Tallinn Capital for up to \$2,000,000 of working capital financing to replace a credit facility with the Royal Bank of Canada ("Former Credit Facility").

The agreement with Tallinn Capital consists of a mezzanine loan of \$750,000 (the "Mezzanine Loan") and a receivable purchasing agreement for the sale of up to \$1,250,000 of trade receivables (collectively, the "Tallinn Financing").

The proceeds from the Mezzanine Loan were used to repay the Former Credit Facility and to provide working capital financing.

The Mezzanine Loan, bears interest at 16.5%, payable monthly in arrears, and matures on April 30, 2016. This loan is secured by \$1,000,000 in current quality receivables (accounts that have been outstanding for less than 90 days) of the Corporation. The Company has the option to make prepayments at any time after October 31, 2015 and prior to maturity in multiples of \$250,000. In February 2016 the Company repaid \$250,000.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

10. Mezzanine Loan (continued)

As part of this financing the Corporation must maintain a working capital ratio at a minimum of 1.2 and a minimum working capital level of \$1,000,000. As at March 31, 2016, the Company was in compliance with each of these covenants.

The Receivable Purchase Agreement, which is available on the purchase of specific trade receivable invoices, is for up to \$1,250,000 and is used for working capital financing.

The Tallinn Financing is secured by corporate guarantees by the Company and CEMATRIX (USA) Inc. and general security agreements providing a floating first charge over all present and after acquired personal property of the Company, CEMATRIX (Canada) INC. and CEMATRIX (USA) Inc.

* See Note 24 Subsequent events

11. Long term debt

Long term debt consists of the following components as at March 31, 2016 and December 31, 2015:

	Maturity	Interest rate	2016	2015
BDC Financing				
Loan 1	December 1, 2016	Floating	\$ 85,800	\$ 85,800
Loan 3	October 1, 2020	Floating	937,356	937,356
			1,023,156	1,023,156
Secured Debenture	February 11, 2018*	Fixed	1,000,000	1,000,000
			2,023,156	2,023,156
Less current portion			(286,662)	(286,662)
			\$ 1,736,494	\$ 1,736,494

* See Note 24 Subsequent events

BDC Financing:

In May 2012, the Company's wholly owned subsidiary, CEMATRIX (Canada) Inc., entered into an agreement with the Business Development Bank of Canada ("BDC") which provided working capital and capital expenditure financing ("BDC Financing").

Loan 1 - This loan of \$430,000 was fully drawn down in 2012. The proceeds were used in 2012 to repay certain loans and to support working capital. The interest rate on the loan is variable and based on the BDC floating base rate, currently set at 4.7% plus 1.71%. The loan is repayable over four years, commencing on July 1, 2012, with payments of principal of \$14,300 required from July to December of each year. Interest is payable monthly.

Loan 3 - This loan of \$1,406,000 (the "BDC Capital Financing") was fully drawn down in 2015. The proceeds from the loan were used to support equipment additions and has been drawn down as these expenditures were incurred. The interest rate is variable and is based on the BDC floating base rate, currently at 4.7%, plus 1.75%. The loan is repayable over seven years, commencing with payments of principal on November 1, 2013 of \$33,443 and on December 31, 2013 of \$33,477 and payments of principal of \$33,477 required from July to December of each year thereafter. Interest is payable monthly.

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

11. Long term debt (continued)

The BDC Financing loans may be prepaid, on each anniversary date, up to 15% of the then outstanding principal amount but if not used the prepayment privilege for that anniversary date ceases. In addition to the annual privilege the Company may prepay all or part of the principal outstanding plus any interest owing up to the time of prepayment plus an indemnity equal to three months interest on the prepaid principal at the floating rate then applicable if the loan is at floating rates, or if the loan is at a fixed rate, the sum of three months interest on the prepaid principal at the fixed interest rate then applicable and an interest differential relative to current fixed rate loans of the BDC.

The BDC Financing is secured with a General Security Agreement providing a first security interest in the Company's current owned equipment and new equipment acquired pursuant to the capital loan and a security interest in all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Company's line of credit and future charges on specific equipment to a creditor for financing the purchase or lease thereof.

Secured Debenture:

In February 2014 the Company issued a secured debenture for \$1,000,000 ("Secured Debenture"). The Secured Debenture bears interest of 9%, payable monthly, and is repayable in full in 3 years. The Company can prepay the full amount of the Secured Debenture. Any prepayment in the first year includes an additional interest payment equal to 9% of the principal amount prepaid less any interest paid to the date of prepayment; any prepayment made in the second year will include an additional interest payment equal to 18% of the prepayment amount less 1.5% of the interest paid to the date of the prepayment; any prepayment after the second year is without any additional interest payment. Management assessed whether this prepayment option was an embedded derivative that should be accounted for separately from the host contract. Management determined that the economic characteristics and risks of the prepayment feature were closely related to those of the host debt contract and, therefore, no embedded derivative was identified.

The Secured Debenture is secured by the Company's currently owned equipment and new equipment acquired, subject to the priority of the BDC Financing. The Secured Debenture is further secured by all present and after acquired personal property of the Company subject only to lender charges on receivables and inventory in support of the Tallinn Financing and any charges on specific equipment financed or leased.

12. Finance lease obligations

Finance leases, which relate to the purchase of equipment, bear interest at 6.5% to 16.1% and are repayable in blended monthly payments and mature from April 2016 to May 2021. The leases are secured by the leased assets which have a carrying value of \$255,176 at March 31, 2016 (December 31, 2015 - \$267,541). The annual future commitments under the leases are as follows:

2016/17	\$	58,861
2017/18		65,006
2018/19		31,254
2019/20		46,093
2020/21 & beyond		5,791
		<u>207,005</u>
Less imputed interest		(28,593)
		178,412
Current portion		<u>(47,147)</u>
	\$	<u>131,265</u>

Finance lease obligations of \$nil were made during the three months ended March 31, 2016 (\$nil during the three months ended March 31, 2015)

CEMATRIX CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

13. Share capital

(a) Authorized

Unlimited number of no par value voting common shares

Preferred shares – to be issued in series as authorized by the Board of Directors

(b) Issued

The following table summarizes the changes in the issued common shares of the Company for the three months ended March 31, 2016 and the year ended December 31, 2015:

	2016		2015	
	Number Of Shares	\$ Amount	Number Of Shares	\$ Amount
Common shares, beginning of year	34,175,994	\$7,434,530	34,025,994	\$7,396,309
Common shares issued (i)	300,000	45,000	150,000	22,500
Reclassification of contributed surplus (i)	-	16,000	-	15,721
Common shares, end of year	34,475,994	\$7,495,530	34,175,994	\$7,434,530

(i) Common shares issued

During the three months ended March 31, 2016, 300,000 common shares were issued on the exercise of stock options by The Howard Group, the Company's investor relations firm, proceeds of \$45,000 were received by the Company and the related non-cash stock based compensation previously charged to contributed surplus was reclassified to share capital.

During the year ended December 31, 2015, 150,000 common shares were issued on the exercise of employee stock options, proceeds of \$22,500 were received by the Company and the related non-cash stock based compensation previously charged to contributed surplus was reclassified to share capital.

14. Cost of sales

Cost of sales consists of the following components for the three months ended March 31, 2016 and 2015:

	2016		2015	
Manufacture of cellular concrete				
Materials	\$	1,498,721	\$	1,458,365
Direct labour		449,830		324,129
Variable expenses		316,996		253,424
Fixed overhead		63,855		61,609
Depreciation		111,141		82,783
	\$	2,440,543	\$	2,180,310

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Notes to the Consolidated Financial Statements

For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

15. Finance costs

The finance costs incurred for the three months ended March 31, 2016 and 2015 are as follows:

	2016	2015
Interest		
BDC Financing	\$ 16,399	\$ 20,257
Secured Debenture	22,500	22,500
Finance lease obligations	3,898	2,952
Mezzanine loan	27,275	-
Factoring Discount	4,013	-
Bank operating loan	-	8,633
Other	1,473	2,969
	75,558	57,311
Accretion of fair value adjustment on share acquisition loans (note 7)	(3,162)	(467)
	\$ 72,396	56,844

16. Other income

Other income for the three months ended March 31, 2016 and 2015 consists of the following:

	2016	2015
Foreign exchange income	\$ 9,136	\$ 15,365

17. Income (loss) per common share

The number of common shares included in the computation of basic and diluted loss per common share for the three months years ended March 31, 2016 and 2015 is as follows:

	2016	2015
Weighted average common shares outstanding - basic	34,255,115	34,025,994
Effect of stock options	-	334,615
Weighted average common shares outstanding – diluted	34,255,115	34,360,609

The stock options for the three months ended March 31, 2016 have no dilutive effect as the Company incurred a loss in this period.

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18. Non-cash stock based compensation

The Company has an option plan for the issue of up to 10% of the issued and outstanding common shares of the Company. All options that are outstanding will expire upon maturity, or earlier, if the optionee ceases to be a director, officer, employee or consultant or there is a merger, amalgamation or change in control of the Company. The purpose of the option plan is to reward and retain directors, management and consultants important to the continued operation and growth of the Company.

At March 31, 2016, the Company had 3,075,000 shares reserved for the issuance of stock options (December 31, 2015 – 3,141,667).

Options issued to employees and directors generally vest as to one third immediately on grant and one third on each of next two anniversary dates.

The following table summarizes the changes in options for the three months ended March 31, 2016 and the year ended December 31, 2015:

	2016		2015	
	Number of Options	Weighted average price	Number of Options	Weighted average price
Outstanding, beginning of year	3,141,667	\$0.20	3,090,000	\$0.20
Granted	300,000	\$0.40	250,000	\$0.19
Exercised	(300,000)	\$0.15	(150,000)	\$0.15
Expired	(66,667)	\$0.24	(10,000)	\$0.24
Forfeited	-	-	(38,333)	\$0.24
Outstanding, end of period	3,075,000	\$0.22	3,141,667	\$0.20
Exercisable, end of period	2,066,667	\$0.22	2,400,000	\$0.19

During the three months ended March 31, 2016, 300,000 options were issued to The Howard Group, the Company's investor relations firm, with an exercise price of \$0.40, for a three year term and vesting as to 50 percent, twelve months after the option grant date, 25 percent, eighteen months after the option grant date and 25 percent, twenty four months after the option grant date. In March 2016, The Howard Group exercised 300,000 of previously held options.

During the year ended December 31, 2015, 100,000 options were issued to a new employee with an exercise price of \$0.20, for a five year term and vesting as to one third on each of the first three anniversaries of the option grant date; and 150,000 options were issued to a director with an exercise price of \$0.19, for a five year term and vesting as to one third immediately and one third on each of the next two anniversaries of the option grant date.

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For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

18. Non-cash stock based compensation (continued)

There are 1,008,333 options that have not vested as at March 31, 2016 (December 31, 2015 – 741,667 options).

The following table summarizes the options to acquire common shares outstanding as at March 31, 2016:

Grant Date	Number Options	Exercise Price \$	Weighted average remaining life (years)	Expiry Date
March 26, 2014	900,000	0.145	2.99	March 26, 2019
October 22, 2014	1,625,000	0.240	3.56	October 22, 2019
March 5, 2015	100,000	0.200	3.93	March 5, 2020
April 15, 2015	150,000	0.190	4.04	April 15, 2020
March 18, 2016	300,000	0.400	2.96	March 18, 2019
3,075,000*				

* See Note 24 Subsequent events

Non-cash stock based compensation for the three months ended March 31, 2016 and 2015 of \$24,079 and \$57,382, respectively, were recognized in the consolidated statement of income (loss) and comprehensive income (loss) with an offsetting amount charged to contributed surplus. Non-cash stock based compensation 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:

	2016 *	2015
Estimated per share fair value per option		\$0.18
Risk-free interest rate		0.92%
Expected life		5 years
Expected volatility in stock price		165%
Expected annual dividend yield		nil
Estimated forfeiture rate		nil

*The options issued to The Howard Group in 2016 pursuant their investor relations agreement have been valued at the fair value of the services provided.

For the three months ended March 31, 2016 the Company reclassified \$15,796 (\$9,703 for the year ended December 31, 2015) from contributed surplus to deficit related to non-cash stock based compensation for option grants that had expired or were forfeited without being exercised. In addition, for the three months ended March 31, 2016 the Company reclassified \$16,000 (\$15,721 for the year ended December 31, 2015) from contributed surplus to share capital related to non-cash stock based compensation for option grants that were exercised in the three months ended March 31, 2016 and for the year ended December 31, 2015.

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19. Change in non-cash working capital

The changes in non-cash working capital items - asset (increase) decrease and liability increase (decrease) - are outlined below for the three months ended March 31, 2016 and 2015.

	2016		2015
Trade and other receivables	\$ 903,245	\$	541,442
Inventory	163,696		76,022
Prepaid expenses and deposits	(29,695)		12,011
Trade and other payables	(886,030)		(139,971)
	\$ 151,216	\$	489,504

20. Related party transactions

During the three months ended March 31, 2016, the Company incurred legal fees from a firm which employs one of the directors of the Company in the amount of \$3,550 (\$nil for the three months ended March 31, 2015) of which \$3,550 is in trade and other payables as at March 31, 2016 (December 31, 2015 - \$nil).

21. Financial instruments and risk management

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company financial instruments that are carried in the consolidated financial statements and how the fair value of financial instruments are measured.

Fair values

The fair values of cash and cash equivalents, term deposits, trade and other receivables, bank overdraft, bank operating loan, trade and other payables, factored liability and mezzanine loan approximate their carrying values due to the relatively short periods to maturity of these instruments. The fair value of the BDC Financing loans approximate its carrying value as the debt rate floats with prime. The fair value of the share acquisition loans has been determined using the effective interest rate method. The fair value of the secured debenture approximates its carrying value as the interest rate is a market rate for similar instruments.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the assets or liabilities that are not based on observable market date.

The Company's cash and cash equivalent and term deposit are measured based on level 1. There were no transfers between level 1, 2 and 3 inputs during the year.

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For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

21. Financial instruments and risk management (continued)

Risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign exchange 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 BDC Financing loans, which had a balance of \$1,023,156 outstanding at March 31, 2016, are subject to floating market rates. Based on the floating rate debt outstanding as at March 31, 2016, a 1% increase/decrease in interest rates would result in a decrease/increase in net loss attributable to common shareholders of approximately \$7,570.

(b) Credit Risk

Financial instruments that subject the Company to credit risk consist primarily of cash, trade receivables and the share acquisition loans. The Company manages credit risk using credit approval and monitoring practices. At March 31, 2016, 9 customers accounted for approximately 92% of trade receivables (at December 31, 2015, 5 customers accounted for approximately 90% of trade receivables). (See Note 5 for details of credit policy and aging of outstanding trade receivables at March 31, 2016 and December 31, 2015). At March 31, 2016, the Company had \$778,451 of cash and cash equivalents, a \$70,000 term deposit and \$70,409 of fair valued share acquisition loans that are outstanding with two officers, and a former officer, of the Company.

(c) Liquidity Risk

Liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of working capital financing.

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2016 and December 31, 2015 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 5 years	Total
As at March 31, 2016				
Trade and other payables	\$ 1,218,204	\$ -	\$ -	\$ 1,218,204
Mezzanine Loan	500,000	-	-	500,000
Long-term debt	286,662	1,200,862	535,632	2,023,156
Finance lease obligations	47,147	55,070	76,195	178,412
	\$ 2,052,013	\$ 1,255,932	\$ 611,827	\$ 3,919,772
As at December 31, 2015				
Trade and other payables	\$ 2,104,234	\$ -	\$ -	\$ 2,104,234
Factored liability	703,462	-	-	703,462
Mezzanine Loan	750,000	-	-	750,000
Long-term debt	286,662	1,200,862	535,632	2,023,156
Finance lease obligations	56,247	58,540	82,423	197,210
	\$ 3,900,605	\$ 1,259,402	\$ 618,055	\$ 5,778,062

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For the three months ended March 31, 2016 (unaudited) and the year ended December 31, 2015 (audited)

21. Financial instruments and risk management (continued)

(d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to trade receivables, and the collection thereof, denominated in \$US dollars ("USD") and the operations of its US subsidiary which are predominantly in USD. The Company does not hedge these items as the timing of related transactions is not certain.

As at March 31, 2016 and December 31, 2015, the following balances are denominated in USD:

	2016	2015
Cash and cash equivalents	\$ 23,908	213,748
Trade and other receivables	\$ 55,842	55,842
Inventory	\$ 1,906	1,906
Prepaid expenses and deposits	\$ 9,690	9,805
Trade and other payables	\$ 23,194	22,937

The Company's primary foreign exchange sensitivity is in relation to movements of the USD against the Canadian dollar. Based on USD balances as at March 31, 2016 a 5% increase/decrease of the USD against the Canadian dollar would result in an increase/decrease in total comprehensive loss of approximately \$4,425.

22. Capital management

Management defines capital as the Company's total shareholders' equity, its long term debt and finance lease obligations. The Board of Directors does not establish a quantitative return on capital for management, but rather promotes year over year sustainable profitable growth. The 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 reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the three months ended March 31, 2016. The Company is subject to externally imposed capital requirements on its factoring and financing arrangements with Tallinn Capital. As at March 31, 2016, the Company is in compliance with its debt covenants (see Note 10).

The total capitalization as at March 31, 2016 and December 31, 2015 is outlined below:

	2016	2015
Long term debt (Note 11)	\$ 2,023,156	\$ 2,023,156
Finance lease obligations (Note 12)	178,412	197,210
Total debt	2,201,568	2,220,366
Shareholders' equity	5,529,153	5,482,561
	\$ 7,730,721	\$ 7,702,927

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23. Geographical segmented information

The Company's primary business is the supply and placement of cellular concrete. It currently markets its services in Canada and the U.S. The tables below, present the sales to external customers for the three months ended March 31 2016 and 2015 and the total non-current assets attributable to the Company's geographical segments as at March 31, 2016 and December 31, 2015:

	2016		2015	
Sales to external customers*				
Canada	\$	3,170,689	\$	2,023,747
U.S.		-		795,275
	\$	3,170,689	\$	2,819,022
		2016		2015
Total non-current assets				
Canada	\$	4,367,689	\$	4,469,432
U.S.		5,614		6,881
	\$	4,373,303	\$	4,476,313

* Includes sales to one customer of \$1,057,871 in the three months ending March 31, 2016

24. Subsequent events

(a) In April 2016, CEMATRIX's wholly owned subsidiary, CEMATRIX (Canada) Inc. entered into a new financing arrangement with the Canadian Western Bank (the "Bank") to provide a \$2,000,000 demand operating loan. The demand operating loan (the "Loan") bears interest at an amount equal to the greater of 4.70% or 2% above the Bank's prime lending rate, as may occur from time to time, and is secured by a general security agreement providing a first secured interest in the receivables and inventory of CEMATRIX (Canada) Inc. The Loan is further guaranteed by the Company with the Company granting a general security agreement providing a first secured interest in all present and after acquired property of the Company.

The Loan was used to repay the outstanding Mezzanine Loan with Tallinn Capital Mezzanine Limited Partnership, for which Cematrix (Canada) Inc. paid an interest rate of 16.5%, and will be used to finance day-to-day operations of CEMATRIX (Canada) Inc.

(b) In April 2016, CEMATRIX's wholly owned subsidiary, CEMATRIX (Canada) Inc. negotiated a one year extension of the principal repayment on the \$1,000,000 Secured Debenture to February 2018.

(c) On May 4, 2016, 350,000 options were issued to three employees with an exercise price of \$0.43. The options vest as to one third on each of the three subsequent anniversary dates of the option issue date and are exercisable four years from the option issue date.