

**CEMATRIX CORPORATION**  
**(Formerly Moonshoot Capital Corp.)**

**Form 51-102F1 - Management's Discussion & Analysis**  
**For the Second Quarter Ended June 30, 2006**

**Date: August 29, 2006**

*The following is the management's discussion and analysis ("MD&A") of CEMATRIX Corporation ("CEMATRIX" or the "Company") for the second quarter ended June 30, 2006. This MD&A should be read in conjunction with the unaudited financial statements of the Company for the second quarter ended June 30, 2006 (the "Reporting Period") and related notes thereto, the audited financial statements and MD&A for the year ended December 31, 2005 and the first quarter ended March 31, 2006 interim financial statements and MD&A. The financial statements have been prepared in accordance with Canadian generally accepted accounting principals ("GAAP"). All dollar figures included therein and in this MD&A are in Canadian dollars.*

*Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com). CEMATRIX is listed on the TSX Venture Exchange under the trading symbol "CVX".*

The Board of Directors of CEMATRIX have reviewed and approved the June 30, 2006 financial statements and related MD&A.

**Advisory Regarding Forward Looking Statements**

This MD&A contains forward-looking statements. Forward-looking statements are based on current expectations and assumptions that involve a number of risks and uncertainties, certain of which are beyond the Company's control and could cause actual events or results to differ materially from those reflected in the MD&A. Forward-looking statements are based on the estimates and opinions of the Company's management at the time the statements were made. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates change. In addition, the reader is cautioned that historical results are not necessarily indicative of future performance.

**Corporate Overview**

**Incorporation**

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

**Reverse Takeover and Amalgamation**

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

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

1. Effective April 11, 2006, Old CEMATRIX and Subco amalgamated (the "Amalgamation") to form the "CEMATRIX (Canada) Inc." ("New CEMATRIX").

2. Each issued and outstanding Old CEMATRIX common share was cancelled and exchanged for one common share of the Company at a deemed price of \$0.30 per share, resulting in the issuance of an aggregate of 23,281,162 CEMATRIX common shares to the former holders of common shares of Old CEMATRIX.
3. As consideration for the issuance by the Company of common shares to effect the Amalgamation, New CEMATRIX issued to the Company one common share for each common share issued by the Company.
4. The Company cancelled previously issued options in exchange for new options to purchase a total of 840,000 common shares to the directors, officers and employees of the Company. (See note 15 Share Capital).

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

#### **Operations and Overall Performance**

Through its subsidiary, CEMATRIX is a manufacturer and supplier of technologically advanced cellular concrete products with applications in a variety of markets, currently focusing on the oil and gas construction and infrastructure construction markets. These applications include the insulating of tank bases, roads, shallow utilities, fire waterlines, facilities and piles at refinery and tar sands construction and expansion projects in Fort McMurray and Fort Saskatchewan, together with road, bridge and shallow utility infrastructure projects throughout the western region of Canada.

The acquisition of the shares of Old CEMATRIX has been accounted for as a reverse takeover transaction in accordance with guidance provided in Emerging Issues Committee Abstract No. 10 and has therefore been accounted for as a capital transaction. The issuance of treasury shares by CEMATRIX has been recorded by eliminating CEMATRIX's share capital resulting in an increase to retained earnings by \$773,963, less the retained earnings which existed in CEMATRIX, prior to amalgamation of \$224,463, resulting in a net increase to opening retained earnings of \$549,500. Costs associated with completing the qualifying transaction and removing the condition of the Company as a CPC totaling \$188,348 have been charged to Retained Earnings in accordance with Guidance provided from EIC 10.

The financial statements and the amounts reported for prior periods reflect the assets, liabilities and results of operations of New CEMATRIX, the legal subsidiary, prior to reverse takeover and the consolidated assets, liabilities and results of operations of the Company and Old CEMATRIX subsequent to the reverse takeover. The consolidated financial statements are issued under the name of the legal parent but are deemed to be a continuation of the legal subsidiary (Old CEMATRIX). The comparative balance sheet as at December 31, 2005 and the comparative results of operations and cash flows for the six month period ended June 30, 2005 are those of Old CEMATRIX. Likewise, the earnings per share for comparative periods has been computed by dividing the total earnings by the number of shares issued in the reverse takeover transaction.

#### **Selected Financial Information and Summary of Quarterly Results**

As a result of the Acquisition, which occurred on April 11, 2006, the financial statements prior to amalgamation reflect those of CEMATRIX (Canada) Inc. ("Old CEMATRIX"). Since Old CEMATRIX was not a reporting issuer prior to this time it had not prepared quarterly financial statements previously. The table below sets out a summary of quarterly results for those quarters where financial statements have been prepared:

Selected Financial Information and Summary of Quarterly Results (continued)

	Second Quarter Ended June 30		First Quarter Ended March 31		Year Ended December 31	
	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)	2005 (Audited)	2004 (Audited)
Total Revenues	\$233,779	\$633,944	\$603,396	\$118,317	\$2,657,619	\$1,627,162
Net Income (Loss)						
Total	(\$385,362)	(\$192,049)	(\$214,654)	(\$292,097)	(\$530,175)	(\$1,275,620)
Per share (Basic)	(0.02)	(0.03)	(0.01)	(0.01)	(0.02)	(0.05)
Per share (Fully-diluted)	(0.02)	(0.03)	(0.01)	(0.01)	(0.02)	(0.05)

For the second quarter ended June 30, 2006, the Company reported no discontinued operations, no changes in accounting policy and declared no cash dividends.

**Results of Operations:**

**Quarter ended June 30, 2006**

Total revenues for the quarter ended June 30, 2006 were \$233,779 (2005 - \$633,944) as compared to \$603,396 for the quarter ended March 31, 2006. Sales during the second quarter were slower than anticipated. Tar sands projects that were scheduled to be commenced during the quarter were delayed by the customers to the second half of the year. Despite the slower than expected results for the period ended June 30, 2006, the Company still anticipates that 2006 will be a very good year, with much of the projects commencing in the autumn of 2006.

The lower sales volume combined with an increase in expenses to result in an increase in the Net Loss for the quarter ended June 30, 2006 to (\$385,362), (2005 (\$192,049)). Total expenses of \$415,195 (2005 - \$385,813) were incurred during the quarter ended June 30, 2006, representing a total increase of \$29,382 or 7.6%. Total expenses before capitalization to product development actually increased by \$51,769 to \$466,217 (2005 - \$414,448) or 12.5% and this increase is largely due to costs associated with being a public company, which included a stock-based compensation expense incurred during the period in the amount of \$84,206 (2005 - \$Nil) due to the issuance of 1,075,000, five year stock options with an exercise price of \$0.30 per share.

During the second quarter of fiscal 2006 the Company successfully completed the amalgamation and completion of the Company's qualifying transaction, resulting in the removal of the Company as a CPC. The Company is now classified by the Exchange as a Tier II Industrial Issuer and is based in Calgary, Alberta.

**Six months ended June 30, 2006**

Total revenues for the six months ended June 30, 2006 were \$837,175 (2005 - \$752,261), which is an increase of \$84,914 or 11.3% over that of the same period in the prior year. The increase in total revenues is due to the increase realized in the first quarter of 2006. The increased revenue is due to an increase in sales volume combined with an increased average sales price. Increased demand for Cellular Concrete from new and repeat business combined with milder than average weather conditions contributed to result in the increased sales volumes.

The net loss for the six months ended June 30, 2006 was (\$598,016) (2005 - (484,146)), which represents a increase in the loss of \$113,870 from the same period in the prior year. This increase in the loss to date is for the most part explained by the stock based compensation of \$84,206.

### Liquidity and Capital Resources

As at June 30, 2006, the Company had working a capital deficiency of (\$431,008) (June 30, 2005: (\$1,183,698). This decrease in the working capital deficiency from that of the prior year is due to the reduction in current liabilities and replacement of current debt with equity and long-term debt. The working capital deficiency at March 31, 2006 was (\$569,419).

The working capital deficiency will be eliminated in the third quarter of 2006 due to completion of the financing referred to under Subsequent Events and the completion of projects slated for the second half of the year.

### Transactions with Related Parties

During the first quarter of 2006, the Company transacted business with a company whose owner and director was a director and shareholder of the Company. This business involved the factoring of receivables as required by the Company. Receivables factored by this related party during the period amounted to \$1,066,015 (December 31, 2005 - \$2,011,772), of which \$403,404 is due to the related party at June 30, 2006 (December 31, 2005 - \$693,698). The Company paid or accrued interest in the amount of \$53,621 (June 30, 2005 - \$11,943) to this related party, of which, \$14,129 is included in accounts payable and accrued liabilities at June 30, 2006 (December 31, 2005 - \$22,469).

During the quarter ended June 30, 2006 the Company expensed legal fees from a firm which employs two of the directors of the Company in the amount of \$33,702. The amounts are in the normal course of operations and are recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties. Included in accounts payable at June 30, 2006 is \$92,460 payable to the same legal firm, which includes amounts charged directly to Retained Earnings.

Included in accounts payable are wages and other amounts payable to employees who are shareholders of \$4,103 (December 31, 2005 - \$29,947).

Included in notes payable is an amount due to a shareholder of \$80,933 (December 31, 2005 - \$80,933) and a balance due to an immediate family member of a shareholder of \$75,367 (December 31, 2005 - \$75,367).

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

### Changes in Accounting Policies including Initial Adoption

There have been no changes to the Company's accounting policies.

### Financial Instruments

The Company's financial instruments consist of cash and savings/term deposits accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximate their carrying values.

### Disclosure of Outstanding Share Data

As at June 30, 2006, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding as at June 30, 2006	Outstanding as at August 29, 2006
Voting or equity securities issued and outstanding	Unlimited Common Shares	26,376,162 Common Shares	26,376,162 Common Shares
Securities convertible or exercisable into voting or equity	Stock options to acquire up to 10% of outstanding	Stock options to acquire 2,224,500	Stock options to acquire 2,224,500

securities - stock options	Common Shares	Common Shares	Common Shares
Securities convertible or exercisable into voting or equity securities - agent's option	Agent's options to acquire up to 10% of the common shares issued during the Initial Public Offering	Agent's option to acquire up to 250,500 common shares	Agent's option to acquire up to 250,500 common shares

### Subsequent Events

On July 18, 2006 the Company announced its intention to raise up to \$2,000,000 by way of a TSX Venture Exchange short form offering document dated July 18, 2006 (the "Offering Document"). A total of up to 6,666,666 units (the "Units") will be offered for sale at a price of \$0.30 per Unit. Each Unit will consist of one common share in the capital of the Company ("Common Share") and one-half of one transferable Common Share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at a price of \$0.40 per share for a period of 24 months from the date of the closing of the Offering (the "Closing"), subject to earlier expiry in certain circumstances where the Common Shares trade at \$0.70 or higher on the Exchange for 20 consecutive trading days. The Offering is subject to the approval of the Exchange.

Integral Wealth Securities Limited (the "Agent"), agreed to act as agent for the Offering on a commercially reasonable best efforts basis and will receive a cash commission equal to 8.5% of the gross proceeds received by the Company. The Agent will also receive an option to purchase that number of Units equal to 8.5% of the Units sold exercisable at a price of \$0.30 per Unit for a period of 12 months from the Closing.

On August 18, 2006, the Company completed the initial closing of Units pursuant to the Offering Document. A total of 3,297,167 Units were issued at a price of \$0.30 per Unit for total gross proceeds of \$989,150. The net proceeds to the Company after the Agent's commission and the Agent's legal costs is \$879,525.

The Company will use the proceeds of the Offering for capital expenditures, the retirement of debt, to meet the Company's bonding requirements and for general working capital purposes.

### Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed is gathered and reported to senior management. As at June 30, 2006, the President and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that such controls and procedures are adequate and effective.

### Outlook

Through its wholly owned subsidiary, the CEMATRIX vision is to be the leading supplier of cellular concrete and cellular concrete technologies throughout Canada and the Pacific Northwest, including Alaska, within five years.