JEMTEC INC.

MANAGEMENT DISCUSSION & ANALYSIS

FORM 51-102F1

For the Period Ending
<u>April 30, 2005</u>

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's Management's Discussion and Analysis of Operating Results, the unaudited interim financial statements and the accompanying notes for the nine month period ended April 30, 2005 and the audited financial statements for the year ended July 31, 2004.

The following discussion and analysis should be read in conjunction with the selected financial and operating information and the audited and unaudited consolidated financial statements and the accompanying notes appearing elsewhere in this document. Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected.

<u>DATE OF REPORT</u>: JUNE 23, 2005

<u>OVERALL PERFORMANCE</u>

Jemtec Inc. ("the Company") is incorporated under the laws of Ontario, Canada. The Company is the leading provider of integrated technology systems for community-based corrections in Canada. The Company's core business is the sales and leasing of electronic monitoring equipment to Canadian provincial and federal government correctional departments.

The common shares of Jemtec Inc. trade through the facilities of the TSX Venture Exchange under the symbol JTC.

JEMTEC's Mission is to lead the Canadian criminal justice market by providing our customers integrated state-of-the-art technology systems. Our vital essence as a company is to make society a better and safer place. Each of our technologies and programs is designed with this corporate mission in mind and we believe that working together with criminal justice professionals, we can help ensure public protection and the delivery of effective and accountable correctional services.

The management approach in offering different levels of technology allows Corrections, Courts and Police to select from a variety of options ensuring the correct level of offender control at the lowest overall cost. Offender Location detection/verification technologies include: Offender Reporting Kiosks with integrated database, GPS Active and Passive tracking, Voice Verification, Electronic Monitoring house arrest systems, Remote Alcohol in-home monitoring and Private monitoring services.

Also, the Company is the exclusive Canadian distributor of Pro-Tech Monitoring, Inc's ("Pro-Tech") and BI Inc.'s offender monitoring and tracking devices, the sales and leasing of which account for substantially all of the Company's 2005 and 2004 revenues, capital asset additions and replacement parts purchased. The Company is economically dependent on Pro-Tech and BI Inc. for the continued supply of monitoring equipment, replacement parts, and maintenance services provided by Pro-Tech and BI Inc. for resale or rental by the Company.

Revenue

Revenue is generated primarily from leasing, monitoring and activation services. The Company generates the remainder of its revenues from parts, sales and other.

The Company obtains all of its revenue from two customers of which one customer contributed approximately 92% of revenue for the nine months ended April 30, 2005. These contracts are reviewed periodically and the non-renewal of these contracts could have a material adverse impact on the Company.

Revenue Recognition

Rental and monitoring income is recognized pursuant to various lease agreements which specify the terms and conditions of rental and the services to be performed and electronic surveillance. Rental income is recognized on a straight-line basis over the terms of the leases. Revenue from the sale of parts which are required to repair and maintain the monitoring equipment is recognized upon delivery to the lessee. Maintenance and monitoring service income is recognized when the services are performed.

The Company recognizes sales and leasing revenue over the term of the applicable operating services agreements. Generally, the lessees have the option to renew or cancel the lease and service agreements upon the expiration of each lease term or, in certain circumstances, the agreements may be cancelled upon specific notice provided to the Company. In situations where leases are terminated, the leased monitoring equipment would be returned to the Company or the Company's lessors with no further obligation on behalf of the lessee.

Expenses

Expenses are comprised primarily of monitoring and activation fees, equipment rent and installation and repairs and maintenance fee. Repair and maintenance expenses are comprised of repairs and maintenance of monitoring equipment, freight and delivery of monitoring parts and monitoring, activation and installation expenses. Monitoring equipment requires the replacement of batteries and parts such as: clamps, straps, transformers and latches. Monitoring units needing servicing are sent to our facilities in Vancouver and/or to our monitoring support partners in the USA for repair and replacement parts. Monitoring and activation expenses are services offered to our clients across Canada, which are supported by our network of sub-contractors who provide data input, installation, monitoring and event response support.

Also, included in expenses are personnel and related costs associated with the Company's administrative and finance functions, salaries, consulting, professional fees, office rent and other corporate related expenses.

<u>SELECTED ANNUAL INFOMATION</u>

The following financial data, which has been prepared in accordance with Canadian generally accepted accounting principles, is derived from the Company's audited financial statements for the year ended July 31, 2004, 2003 and 2002.

	2004 $	2003 $	2002 $
Total Revenues	1,624,545	451,444	778,745
Net earnings (loss) for the period	414,117	(193,095)	164,798
Basic and diluted per shares	0.019	(0.09)	0.08
Total Assets	1,056,096	437,555	683,070
Total long term liabilities	9,735	39,721	-
Cash dividend	Nil	Nil	Nil

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. In the preparation of these financial statements, management has made estimates and assumption that affect the recorded amounts of certain of the Company's assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. While it is the opinion of management that the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below, actual results could differ from the estimates made.

RESULTS OF OPERATIONS

Revenue

For the quarter ended April 30, 2005, revenue increased to $647,895 from $435,104 for the same period last year, an increase of $212,791 or 49%. Revenue from leasing, monitoring and activation for the quarter ended April 30, 2005 increased to $641,232 from $435,032 in 2004. The increase in revenue in leasing, monitoring and activation services for the quarter is attributable to increased monitoring services marketed to our customers across Canada and private bail start up. Revenue from parts, sales and other in the quarter ended April 30, 2005, increased to $6,663 from $72 in 2004.

For the nine months period, ended April 30, 2005, revenue increased to $1,915,264 from $787,996 for the same period last year, an increase of $1,127,268 or 143%. Revenue from leasing, monitoring and activation for the nine months ended April 30, 2005 increased to $1,906,868 from $786,770 in 2004. The increase in revenue in leasing, monitoring and activation services for the first nine months is attributable to increased monitoring services marketed to customers across Canada. Revenue from parts, sales and other in the nine months ended April 30, 2005, increased to $8,396 from $1,226 in 2004.

Net Earning

For the quarter ended April 30, 2005 net earnings were $178,551 compared to earnings of $213,538 in April 2004. Therefore while net earnings decreased, net earnings before tax increased as the Company provided for taxes of $100,451 in the quarter ended April 30, 2005 compared to nil in the quarter ended April 30, 2004 due to the elimination of the companies tax losses. This improvement is attributable primarily to the Company moving out of development phase and into main phase of select projects. As well, the Company began taking revenue on its start up "Private Bail Project" in which clients pay to be electronically monitored in order to win bail release while awaiting trial.

For the first nine months of fiscal 2005 net earnings were $616,791 compared to earnings of $109,097, an increase of $507,694. This improvement is attributable primarily to the Company moving out of development phase and into main phase of select projects and the revenue from Private Bail. The private bail project has also helped the Company diversify its customer base somewhat reducing the risk of having a small number of customers.

Expenses

For the nine months period ended April 30, 2005, expenses increased by 40% to $951,512 from $678,899. Salaries and benefits of $191,339 (2004-$117,500) increased by $73,839 due increases in salary and bonus for performance by an officer and director of the Company. Monitoring and activation fees increased to $271,476 (2004-$243,017), and equipment rent and installation increased to $93,674 (2004-$48,323). These increases are due to a greater number of clients being monitored. Repairs and maintenance costs increased to $34,451 (2004-$9,239) due to the 5 year renewal of a contract which required a replacement of equipment, training, spares plus freight and delivery of monitoring parts and monitoring activation and installation expenses. Monitoring equipment requires the replacement of batteries and parts such as: clamps, straps, transformers and latches. Monitoring units needing servicing are sent to our facilities in Vancouver and/or to our monitoring support partners in the USA for repair and replacement parts. Monitoring and activation expenses are services offered to our clients across Canada, which are supported by our network of sub-contractors who provide data input, installation, monitoring and event response support.

Office expenses increased to $74,042 for the first nine months of 2005 (2004-$52,070) due to the increase of telecommunications services needed to service our growing client base. Travel expenses of $23,539 (2004-$20,486) increased for the nine months period ended April 30, 2005 as a result of the Company renewing a contract and expanding marketing efforts.

During the period ended April 30, 2005, the Company incurred similar levels of expenses for salaries of professional fees of $11,262 (2004-$11,632), consulting fees of $98,212 (2004-$85,135), interest on capital leases of $14,721 (2004-$3,074) amortization $47,072 (2004-$48,885) and shareholder communications of $22,833 (2004-$16,670). The Company also paid a private Company of $16,000 (2004-$19,300) for accounting and general administrative services. In late 2004, the Company began paying an annual fee of $5,000 to it's Directors as well as a $500 per meeting fee, which results in an expense of $32,750 in the first nine months of 2005 (2004-nil).

SUMMARY OF QUARTERLY REPORTS

Results for the eight most recent quarters ending with the last quarter for the three months period ended April 30**:**

	Three Months Ended			
	April 30, 2005 $	January 31, 2005 $	October 31, 2004 $	July 31, 2004 $
Revenue	647,895	636,722	630,647	836,549
Net earnings (loss)	178,551	77,611	360,629	305,020
Basic earnings per share	0.08	0.04	0.17	0.15

	Three Months Ended			
	April 30, 2004 $	January 31, 2004 $	October 31, 2003 $	July 31, 2003 $
Revenue	435,104	216,122	136,770	110,801
Net earnings (loss)	213,538	(19,380)	(85,061)	55,065
Basic earnings per share	0.11	(0.01)	(0.01)	0.03

Changes in key financial data can be attributed to the development of monitoring services in Canada.

LIQUIDITY AND CAPITAL RESOURCES

During the nine month period ended April 30, 2005, the Company had cash and cash equivalents of $1,385,596 compared to $697,998 as of July 31, 2004, an increase of $687,598. The Company has a working capital of $1,201,272 as of April 30, 2005 compared to working capital of $574,695 at July 31, 2004. During the nine months ended April 30, 2005, the Company experienced an operating cash inflow of $695,605, compared to the nine month period ended April 30, 2004 where the Company had an operating cash inflow of $287,081. Cash provided by operating activities during the nine months ended April 30, 2005 included a net earnings of $616,791 combined with non-cash charges to amortization of $47,072. Operating activities that provided cash were an increase in accounts receivable of $224,915, a decrease in prepaid expense of $2,828, a decrease in deferred revenue of $500, a reduction in accounts payable and accrued liabilities of $27,978, an increase in income taxes payable of $238,491 and a decrease in amounts due to related parties of $35,500. Higher operating cash inflow for the nine month period ended April 30, 2005 is a result of higher revenue generated during the period.

Financing Activities

The Company's financing activities during the quarter ended April 30, 2005 included payment on capital lease obligation of $64,007 (2004-$19,117).

During the nine months ended April 30, 2005, the Company issued 250,000 common shares for net proceeds of $56,000 pursuant to the exercise of stock options (2004-nil).

Capital Lease Obligation

Payment due in less that 1 year		80,405
Payment due in 1-3 years		193,950
Payment due in 4-5 years		108,168
Total capital lease obligation	$	382,523

Management is not aware of any trends or expected fluctuations in its liquidity that would create any deficiencies. In addition, Management believes that cash flow from continuing operations will be sufficient to meet the Company's short-term and long-term requirements for ongoing operations and planned growth. The Company however derives a significant portion of its revenue from one customer who contributed approximately 92% of revenue for the nine months ended April 30, 2005. See Note 8 to the Company's year end audited consolidated financial statements. A decision by this customer to discontinue, in whole or in part, use of the Company's services in the future may adversely affect the Company's capital resources and operating results.

Bank credit facility and loan agreement

The Company has arranged an uncommitted term operating loan which is available to a maximum amount of $75,000. The loan, if drawn, is due on demand and bears interest at bank prime plus 1.3% per annum. The loan is secured by a general security agreement over all of the assets of the Company. No balance is outstanding at April 30, 2005.

Risk Factor

The reader should consider each of the following factors as well as the other information contained in this report in evaluating the company's business and future prospects. The risks and uncertainties described below are not the only ones the Company's is faced with. Additional risks and uncertainties not presently known may also impair the Company's business operations. If any of the following risks occur, the Company's business and financial results could be harmed. The reader should also refer to the other information set forth in this report, including the Company's interim financial statements and the accompanying notes.

- Intense competition from other vendors
- Ability to raise capital
- Management of distribution channels and marketing agreements
- Dependence on strategic relationships with manufactures
- Companies customers such as: Government Agencies, Courts are slow to make purchasing decisions

CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements for the nine months ended April 30, 2005 have been prepared according to Canadian generally accepted accounting principles. Reference should be made to Note 3 Significant Accounting Policies in the notes to the Company's annual financial statements for the year ended July 31, 2004 for more information concerning the accounting principles used in the preparation of the Company's financial statements.

Management is required to make estimates and assumptions when accounting for and reporting assets, liabilities, revenues and expenses and disclosing contingent assets and liabilities in the financial statements. Given the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

CHANGES IN ACCOUNTING POLICY

Effective August 1, 2003, the Company adopted, the fair value based method of accounting for stock based compensation for all grants of option to employees, non-employees and directors in accordance with the prospective application provision of amended Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870. All options granted beginning

August 1, 2003 are accounted for using the fair value based method, and stock based compensation expense is calculated using the Black-Scholes pricing method (“Black-Scholes”).

FINANCIAL INSTRUMENTS

The Company's financial instruments recognized in the balance sheet consist of cash and cash equivalents, accounts receivable, prepaid expense, accounts payable and accrued liabilities, due to related parties, deferred revenue, income taxes payable, and capital lease obligations. The fair values of these instruments approximates their carrying value due to their short-term maturity or, in the case of the capital lease obligation, the rate implicit in the lease arrangements.

INVESTOR RELATIONS

No investor relations activities were undertaken by or on behalf of the Company during the period.

OUSTANDING SHARES

As at April 30, 2005, the Company had the following securities issued and outstanding:

Common shares	2,321,659	Stock options	100,000
Fully Diluted	2,421,659		

DIRECTORS AND OFFICERS

Eric Caton, *Director, President & Chief Executive Officer*
Leslie Markow, *Director, Corporate Secretary*
Gordon Baker, *Director*
Jeremy Kendall, *Director, Chairman of the Board*
Cyril Ing, *Director*
Morris Zbar, *Director*

OTHER REQUIREMENTS

Additional disclosure of the Company’s technical reports, material change reports, news release and other information can be obtained on SEDAR.

On Behalf of the Board,

JEMTEC INC.

“Eric Caton”

Eric Caton
President & CEO