

JEMTEC^{INC.}



Security
solutions
for a safer
community

2006 Annual Report

Financial Highlights

Selected annual information from the Company's financial statements, prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

	Years Ended July 31,		
	2006	2005	2004
Revenue	\$ 2,701,497	\$ 2,600,312	\$ 1,624,545
Expenses	1,833,223	1,465,699	1,002,887
Net income before income taxes	868,274	1,134,613	621,658
Income tax expense	375,076	420,088	207,541
Net income for the period	\$ 493,198	\$ 714,525	\$ 414,117
Earnings per share			
Basic	\$ 0.21	\$ 0.33	\$ 0.20
Diluted	\$ 0.20	\$ 0.32	\$ 0.19

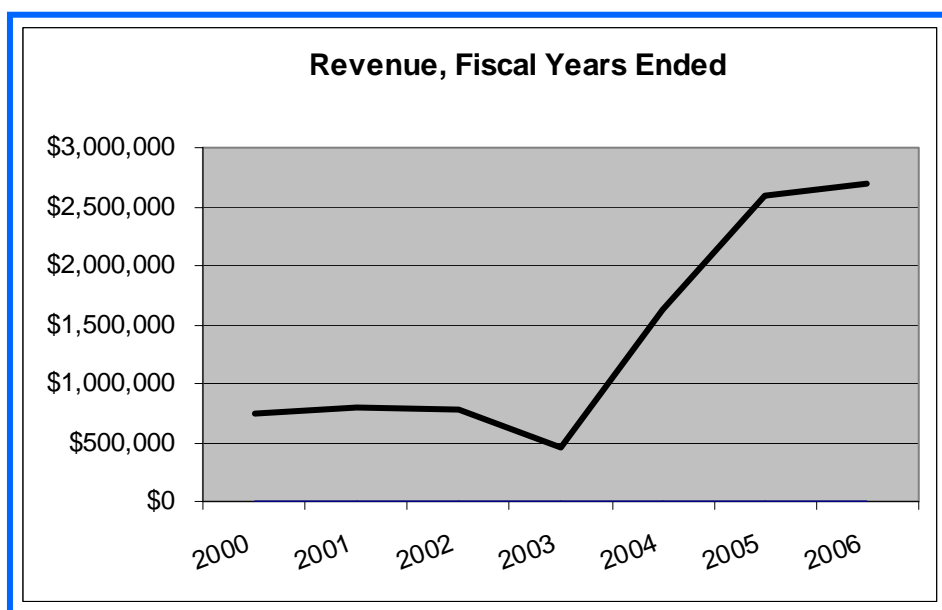


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Business Description

JEMTEC Inc. (“the Company” or “JEMTEC”) owns and operates security related businesses. The Company has three business units, the largest being the Offender P3 Monitoring Unit, accounting for approximately 90% of revenues. This flexible unit is well positioned in the rapidly growing offender monitoring market and operates throughout Ontario in partnership with the Salvation Army. In addition to the Offender P3 Monitoring Unit, the Company’s leasing unit distributes Electronic Monitoring technology to corrections agencies in Canada. The third unit is a 24/7 Bail Client Monitoring Centre (shared with the P3 Unit) in Ontario, which enables bail monitoring enforcement operations throughout Canada, and will facilitate the Company entering US markets.

Investment Highlights

- **Increased Revenues** - During the fiscal year ended July 31, 2006, the Company continued to earn revenue on its main contracts, but also on its private bail project. Overall revenues have increased by 4%, with leasing and monitoring revenues accounting for 41% of this increase, interest income accounting for another 41% and bail revenues accounting for the remaining 18% of the overall increase in revenues.
- **Net Earnings** - For the year, ended July 31, 2006 net earnings were \$493,198 or \$0.21 per common share versus \$714,525 or \$0.32 as of July 31, 2005. This change in net earning is attributable to one time incremental professional costs incurred in relation to the consolidation and stock based compensation expenses, neither of which should have an impact on net earnings in the coming year, as well the Company experienced some increased direct operating costs.
- **Liquidity** - The Company had cash and cash equivalents of \$2,109,097 as of July 31, 2006 compared to \$1,699,756 as of July 31, 2005, an increase of \$409,341. The Company has a working capital of \$1,973,388 as of July 31, 2006 compared to working capital of \$1,381,493 at July 31, 2005.
- **Dominant Supplier** - The Company has become the dominant provider of offender monitoring services and technology in Canada by recognizing that its customers needed differently designed solutions to their unique problems. The Company does not try to force each customer to fit its products but rather designs a different solution for each customer using a variety of common building blocks. Further the Company has very little overhead to cover and using only the required contract workers for a given solution can control its costs and use this pricing as a key competitive advantage.
- **Public Private Partnerships** - The Company is the first Canadian provider of these security products to share risk with a government agency in a Public Private Partnership (P3). These unique relationships entail risks which are rewarded down stream as can be seen in our financial results. In order to meet the exacting needs of a P3 the Company partners with established, “best of breed”, equipment and service providers to bring a proven solution to the table. Being a successful P3 provider is another competitive advantage.
- **24/7 Monitoring Centre** - Located in the Greater Toronto Area, JEMTEC has built an “Event Monitoring Centre” (ERC) able to respond to alerts and alarms generated by Offenders anywhere in North America. This asset gives the Company an important competitive advantage clearly differentiating JEMTEC from a simple “supplier of units” and allows the Company to increase revenue by offering additional services through the ERC with little or no added cost.

Steady Growth & History

JEMTEC Inc. has been in business for 25 years. JEMTEC has been leasing monitoring services to Canadian correctional agencies to supervise offenders continuously for 19 years. All Canadian Electronic Monitoring programs operational today were started by the Company. JEMTEC was incorporated in 1981 as a federal corporation named 113396 Canada Limited operating as "Peregrine Controls". The first product was an electronic control for lumber drying kilns. In 1984, the Company began development of remote monitoring systems. In June 1987, a subsidiary Company was incorporated with the name Justice Electronic Monitoring Systems Limited. This Company, controlled by Peregrine, acquired exclusive manufacturing and marketing rights to the home incarceration products manufactured by BI Inc. of Boulder, Colorado. On February 5, 1989, JEMTEC, Peregrine and Tritex Petroleum Corporation amalgamated, emerging as Peregrine Instruments and Monitoring Inc. under the provisions of the Business Corporations Act, 1982 (Ontario). Tritex was a Natural resources Company with approximately 1,900 shareholders trading in Toronto. On September 15, 1989, Peregrine sold off its other businesses of lumber drying kilns, and remote current monitoring along with the rights to the name Peregrine to concentrate solely on the home incarceration market. The Name of the Company changed back to Justice Electronic Monitoring Systems Inc and shortened to JEMTEC.

JEMTEC won the first ever contract for home incarceration products in Canada, installing a BI system for the B.C. Ministry of the Attorney General in September 1987. On December 20, 1989, JEMTEC won the Saskatchewan contract for the six month Pilot Program. On February 1, 1990, JEMTEC won the expanded B.C. contract for 75 units and on March 1, 1991 this was increased to 95 units. On November 1, 1991, JEMTEC won the B.C. contract to supply equipment to the Interior Regions of B.C. On September 3, 1993, JEMTEC was awarded a 200 unit contract by B.C. for a period of 2.5 years; In November 1995, JEMTEC won the contract to provide Ontario with 200 units over five years; In October 1996, JEMTEC won a contract for 400 units over five years; In October 1997, JEMTEC was awarded a 30 unit contract by N.F. for a period of 5 years; On February 1, 1998, JEMTEC won a 150 unit contract with Saskatchewan for 5 years. On September 24, 2002, JEMTEC won a P3 with Ontario for minimum 650 offenders per day over five years. In April 2004, JEMTEC began its Private Bail Monitoring program. In January 2005, JEMTEC began its Canada wide bail marketing program by moving into Quebec and British Columbia.

Business Strategy

JEMTEC will continue to build on the experience and trust it has earned in the Canadian Corrections market, however the Company sees the need to expand beyond it's present markets and the borders of Canada. JEMTEC is actively looking to target suitable complementary acquisitions in the security market to support of its stated goal of becoming a dominant player in security market and the offender monitoring sector. As such the Company is looking for collaborative relationships for product expansion that would focus on the development of new opportunities, to leverage off the Company's existing products, services, relationships and that would include a broader array of products and services in allied fields.

These activities are being pursued concurrently with the exploration of geographically dispersed collaborative relationships. JEMTEC's goal is expanding operations, through strategic alliance and agency relationships, in jurisdictions beyond Canada. Once new commercial relationships and alliances solidify, we believe it would be appropriate to undertake a number of activities to improve share capital liquidity and increase the shareholder base.

JEMTEC Success Formula



Experience

JEMTEC pioneered electronically monitored house arrest in Canada and has been diversifying system and service offerings ever since. JEMTEC installed the first house arrest system in Canada in 1987 and every province or territory since has asked JEMTEC to provide our expertise when designing their first house arrest system. To date, criminal justice agencies throughout Canada have supervised more than forty thousand offenders and pretrial defendants with the help of JEMTEC's products and services.



Partnerships

JEMTEC seeks out Best of Breed partners on a project by project basis to ensure we deliver on time, on target and on budget. We use Service Level Agreements to ensure our partners keep their commitments and meet their timelines. Dealing with the best is always a competitive advantage.



Value

JEMTEC is continually improving and expanding its suite of products and services, based on evolving agency needs and emerging technology using a variety of building blocks. JEMTEC offers immediate, round-the-clock support and rapid resolution of monitoring and equipment issues, single point of contact for program support and customized officer training, responsive customer service, and an absolute commitment to each agency's program.



Technology

JEMTEC's customer-centered product development process is backed by best of breed manufacturers using advanced technical capabilities. JEMTEC involves the selected manufacturer engineers, manufactures, tests, markets, and supports all of its electronic monitoring products and services for the life of the contract offsetting JEMTEC's risk and ensuring customer satisfaction.



Support

Best of breed support personnel and systems deliver the industry's highest level of customer service and program support. Technical Support Specialists meet customer needs with in-depth knowledge of each monitoring environment used on the selected equipment and systems.



Reliability

Every product and service is designed and operated with mission-critical reliability, ease-of-use, and accuracy in mind, reducing officer risk, enhancing public safety, saving agencies time and effort, and enabling officers to focus on offender supervision. ISO certified processes, forward-thinking design, comprehensive testing, and technical expertise.

JEMTEC INC.

Financial Statements July 31, 2006 and 2005



AUDITORS' REPORT

To the Shareholders of JEMTEC Inc.

We have audited the balance sheets of JEMTEC Inc. as at July 31, 2006 and 2005, and the statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

"Morgan & Company"

October 25, 2006

Chartered Accountants

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JEMTEC INC.

Balance Sheets

	July 31, 2006	July 31, 2005
ASSETS		
Current		
Cash and cash equivalents	\$ 2,109,097	\$ 1,699,756
Accounts receivable	473,150	473,293
Prepaid expenses and deposits	21,525	1,500
Total current assets	2,603,772	2,174,549
Property and equipment (note 4)	281,322	365,122
Future income taxes	34,258	41,947
Total assets	\$ 2,919,352	\$ 2,581,618
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 7(b))	\$ 367,952	\$ 279,105
Deferred revenue	27,923	23,115
Current portion of capital lease obligation (note 5)	75,788	81,093
Income taxes payable	158,721	409,743
Total current liabilities	630,384	793,056
Capital lease obligation (note 5)	163,815	238,922
Total liabilities	794,199	1,031,978
SHAREHOLDERS' EQUITY		
Share capital (note 7)	1,215,250	1,247,160
Contributed surplus (note 7 (c))	194,830	24,612
Retained earnings (note 7 (b))	715,073	277,868
Total shareholders' equity	2,125,153	1,549,640
Total liabilities and shareholders' equity	\$ 2,919,352	\$ 2,581,618

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

Approved by the Board of Directors:

"Eric Caton"
Director

"Leslie Markow"
Director

JEMTEC INC.

Statements of Operations and Retained Earnings

	For the year ended July 31,	
	2006	2005
Revenue		
Leasing, monitoring and activation (note 8)	\$ 2,645,686	\$ 2,582,349
Parts, sales and other	-	3,728
Interest income	55,811	14,235
	<u>2,701,497</u>	<u>2,600,312</u>
Expenses		
Salaries and benefits	222,851	252,836
Amortization	92,219	67,063
Repairs and maintenance	26,727	48,568
Monitoring and activation fees	538,272	400,258
Equipment rent and installation	234,591	159,411
Consulting fees	155,041	137,598
Travel	33,571	32,086
Shareholder communications	65,355	26,609
Professional fees	61,316	16,462
Office	117,081	98,215
Interest on capital leases	20,123	22,174
Other interest expenses	5,523	1,784
Stock-based compensation (note 7 (c))	170,218	65,067
Directors' fees	53,500	117,068
Accounting and administrative fees	36,835	20,500
	<u>1,833,223</u>	<u>1,465,699</u>
Income before income taxes	<u>868,274</u>	<u>1,134,613</u>
Income tax expense		
Current	367,387	409,744
Future	7,689	10,344
	<u>375,076</u>	<u>420,088</u>
Net income for the period	<u>493,198</u>	<u>714,525</u>
Retained earnings (deficit) - Beginning of period	<u>277,868</u>	<u>(436,657)</u>
Effect of share consolidation (note 7 (b))	<u>(55,993)</u>	<u>-</u>
Retained earnings - End of period	<u>\$ 715,073</u>	<u>\$ 277,868</u>
Earnings per share:		
Basic	\$ 0.21	\$ 0.33
Diluted	\$ 0.20	\$ 0.32
Weighted average number of shares outstanding:		
Basic	2,340,768	2,187,077
Diluted	2,412,213	2,240,114

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

JEMTEC INC.

Statements of Cash Flows

For the year ended July 31,
2006 2005

	2006	2005
Cash flows from (used in) operating activities		
Net income for the year	\$ 493,198	\$ 714,525
Adjustments to reconcile net income to net cash used in operating activities:		
- amortization	92,219	67,063
- stock-based compensation	170,218	65,067
- future income taxes	7,689	10,344
Changes in non-cash working capital:		
- accounts receivable	143	(230,899)
- prepaid expenses	(20,025)	2,828
- accounts payable and accrued liabilities	8,067	105,079
- deferred revenue	4,808	12,615
- due to related parties	1,600	(54,250)
- income taxes payable	(251,022)	306,260
Cash flows - operating activities	506,895	998,632
Cash flows from (used in) investing activities		
Payment to shareholders (note 7 (b))	(8,723)	-
Purchase of property and equipment	(8,419)	-
Cash flows - investing activities	(17,142)	-
Cash flows from (used in) financing activities		
Shares issued for cash	-	93,712
Payment on capital lease obligation	(80,412)	(90,586)
Cash flows - financing activities	(80,412)	3,126
Net increase in cash	409,341	1,001,758
Cash and cash equivalents, beginning of year	1,699,756	697,998
Cash and cash equivalents, end of year	\$ 2,109,097	\$ 1,699,756

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

Supplemental cash disclosures

Cash paid for:

Income taxes	\$ 618,409	\$ 103,483
Interest	\$ 25,646	\$ 23,958

Notes to Financial Statements

July 31, 2006 and 2005

1. Nature of Operations

The Company's core business is the provision of services and technology for offender monitoring in Canadian federal and provincial correctional departments.

2. Significant Accounting Policies

a) General

These financial statements have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

b) Use of estimates

The preparation of these financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the revenues and expenses during the reporting periods, in addition to the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates.

c) Currency and foreign exchange

The functional currency of the Company is the Canadian dollar. Monetary assets and liabilities denominated in another currency are translated at exchange rates in effect at the balance sheet dates. Other non-monetary balance sheet items denominated in another currency are translated at the rates of exchange in effect at the time the items arose. Revenue and expenses are translated at the exchange rates in effect at the time of the transaction. Gains and losses arising from fluctuations in exchange rates are included in operations for the periods in which they occur.

d) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and short term, highly liquid money market instruments with original maturities of three months or less.

e) Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is charged to earnings over the estimated useful lives of the respective assets at the following rates:

Furniture & fixtures	20% declining balance
Monitoring equipment	straight-line over 5 years or contract period

Expenditures for maintenance and repairs that do not improve or extend the life of the assets are expensed as operations, while major repairs are capitalized.

f) Asset impairment

On an annual basis, or when impairment arises, the Company evaluates the future recoverability of its property and equipment. Impairment losses or write-downs are recorded in the event the net book value of such assets exceeds the estimated future cash flows attributable to such assets.

2. Significant Accounting Policies (continued)

g) 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 for 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. The term of existing service agreements is between three and five years. 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.

h) Stock-based compensation

The Company follows the recommendations of CICA Handbook Section 3870 "*Stock-based Compensation and Other Stock-based Payments*" which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These recommendation require that compensation for all awards made, including stock appreciation rights, direct awards of stock and awards that call for settlement in cash or other assets, be measured and recorded in the financial statements at fair value. For the purpose of this Section, employees include directors who receive stock compensation for services provided as director. This Section also sets out fair value based methods of accounting for stock options issued to employees.

The Company uses the fair value based method of accounting for stock based compensation for all grants of options to employees, non-employees and directors. All option grants are accounted for by using the fair value based method, and stock based compensation expense is computed using the Black-Scholes option pricing model. Accordingly, the fair value of the stock options at the date of grant is charged to operations on a straight-line basis over the vesting period. Any consideration paid on exercise of stock options together with the related portion previously recognized as stock based compensation is credited to share capital.

i) Earnings per share

Basic earnings per share is computed by dividing earnings (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share has been calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of warrants and options and that the assumed proceeds from the exercise of warrants and options are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive.

2. Significant Accounting Policies (continued)

j) Income taxes

The Company uses the asset and liability method of accounting for income taxes whereby future income tax assets are recognized for deductible temporary differences and operating loss carry-forwards, and future income tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the amounts of assets and liabilities recorded for income tax and financial reporting purposes. Future income tax assets are recognized only to the extent that management determines that it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment. The income tax expense or benefit is the income tax payable or refundable for the period plus or minus the change in future income tax assets and liabilities during the period.

3. Financial Instruments

The Company's financial instruments recognized in the balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, 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.

a) Credit risk

The Company's principal business activities are located in Canada. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the company routinely assesses the financial strength of its customers, and based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts and, as a consequence, believes that its account receivable credit risk beyond such allowances is limited.

The Company's principal business activities are located in Canada. The Company had net sales to two major customers during the year ended July 31, 2006.

The Company maintains cash deposits with financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash. At July 31, 2006, the Company had cash balances on deposit that exceeded federally insured limits by \$2,007,513. All of these funds are on deposit with a Schedule A bank in Canada.

b) Fair value

Unless otherwise noted, cash, accounts receivable, accounts payable, income tax payable and capital lease obligation are stated at amounts that approximate fair value.

c) Foreign exchange risk

The Company is subject to currency risk due to the fluctuations of exchange rates between the Canadian and U.S. dollars. The Company pays for replacement parts and rental and monitoring services from suppliers in U.S. dollars. All of the Company's sales are received in Canada dollars.

d) Liquidity risk

The Company is exposed to liquidity risk as its continued operations are dependent upon the Company realizing its account receivable to satisfy its liabilities as they become due.

4. Property and Equipment

	July 31, 2006			July 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 40,351	\$ 35,170	\$ 5,181	\$ 35,676	\$ 34,074	\$ 1,602
Monitoring equipment	457,178	181,037	276,141	453,434	89,914	363,520
	<u>\$ 497,529</u>	<u>\$ 216,207</u>	<u>\$ 281,322</u>	<u>\$ 489,110</u>	<u>\$ 123,988</u>	<u>\$ 365,122</u>

Included in monitoring equipment are assets under capital lease at a cost of \$373,100 (2005 - \$453,434) and a net book value of \$248,733 (July 31, 2005 - \$363,520).

The Company amortizes its monitoring equipment over its estimated useful life as described in note 2. Such estimates are based on management's experience and expectations of the continued renewal of the contracts for which equipment is acquired or the use of existing equipment in new contracts. Advances in technology and other considerations could result in significant changes to the estimated lives of these assets or otherwise impact the ability of the Company to realize on existing monitoring equipment. In these circumstances, additional provisions could be required.

5. Capital Lease Obligation

Future minimum lease payments on capital leases are payable as follows:

	Principal	Imputed Interest	Total
Year ending July 31, 2007	75,788	14,857	90,645
2008	81,300	9,344	90,644
2009	82,515	2,955	85,470
2010	-	-	-
	<u>239,603</u>	<u>27,156</u>	<u>\$266,759</u>
Less: amounts representing interest (8%)			<u>(27,156)</u>
Present value of minimum lease payments			<u>239,603</u>
Less: current portion			<u>(75,788)</u>
			<u>\$163,815</u>

A general security agreement over all of the assets of the Company has been pledged as security for the capital lease obligation.

6. Bank Credit Facility and Loan Agreement

The Company has arranged an unutilized term operating loan which is available to a maximum amount of \$75,000. The loan, if utilized, would be due on demand, would bear interest at bank prime plus 1.3% per annum and would be secured by a general security agreement over all of the assets of the Company.

7. Share Capital

a) Authorized

Common shares:	Unlimited, no par value
First preference shares:	Unlimited, no par value, issuable in series
Second preference shares:	25,000 Series A, no par value, redeemable, \$0.60 non-cumulative dividend

b) Issued and allotted

	Number of Common Shares	Amount
Balance July 31, 2004	2,071,659	\$ 1,112,993
Shares issued for exercise of stock options	<u>284,284</u>	<u>134,167</u>
Balance July 31, 2005	2,355,943	1,247,160
Effect of share consolidation	<u>(60,207)</u>	<u>(31,910)</u>
Balance July 31, 2006	<u><u>2,295,736</u></u>	<u><u>\$ 1,215,250</u></u>

Pursuant to a special resolution passed by shareholders on April 21, 2006, the Company consolidated its common shares on a 100 old shares for 1 new share basis effective April 30, 2006, subsequently followed by a 1 for 100 share split effective May 1, 2006. Shareholders holding less than 100 pre-consolidation shares are entitled to receive a cash payment of \$1.46 per share. Accordingly, at April 30, 2006, 60,207 shares were cancelled, a charge of \$55,993 was made to retained earnings, share capital was reduced by the paid up capital of the common shares on the day of the transaction of \$31,910 and \$87,903 was accrued for shareholders entitled to redeem their shares under this agreement. At July 31, 2006, \$79,180 remains in accounts payable and accrued liabilities for the shareholders who have yet to contact the Company regarding this transaction.

c) Options

During the year ended July 31, 2003, the Company adopted a fixed stock option plan that permits the directors of the company to grant incentive stock options to employees, directors and consultants to the Company. The maximum number of shares issuable under the plan, which follows the policies of the TSX Venture Exchange ("TSXV") regarding stock option awards, was 414,332. In January 2006, the Company amended its stock option plan to increase the number of shares reserved for issuance under the plan to 471,188. Options granted under the plan vest in 6 equal installments over a period of 18 months, with the first installment vesting immediately, and the remaining options vesting upon 6, 9, 12, 15 and 18 months after the date of grant. The option exercise price is generally set as the market price at the time of grant; however, a discount from the market price is permitted under the plan, subject to the policies of the TSX Venture Exchange.

7. Share Capital (continued)

The table below summarizes the options that have been granted under the Company's stock option plan.

	Number of Options	Weighted Average Exercise Price
Outstanding, July 31, 2004	300,000	\$ 0.21
Granted	330,000	\$ 0.86
Exercised	<u>(284,284)</u>	\$ 0.33
Outstanding, July 31, 2005 and 2006	<u>345,716</u>	\$ 0.84

Prior to August 1, 2003, the Company applied the intrinsic value based method of accounting for stock based compensation granted under the Company's fixed stock option plan to employees and directors. The Company adopted the fair value based method on a prospective basis. Had the Company recorded the effect of unvested options on the date of the adoption of the fair value method, the pro-forma effect of the unvested options granted prior to August 1, 2003, would be as follows:

	Year Ended July 31,	
	2006	2005
Net Profit		
As reported	\$ 493,198	\$ 714,525
Pro-forma	\$ 493,198	\$ 712,219
Basic Profit per Share		
As reported	\$ 0.21	\$ 0.33
Pro-forma	\$ 0.21	\$ 0.33
Diluted Profit per Share		
As reported	\$ 0.20	\$ 0.32
Pro-forma	\$ 0.20	\$ 0.32

During the year ended July 31, 2005, the Company granted 330,000 stock options. Stock-based compensation expense of \$65,067 resulted and, of this amount, \$40,455 was credited to share capital upon the exercise of previously vested stock options and \$24,612 was credited to contributed surplus. The fair value of the options granted is charged to earnings over the vesting period of 18 months. The fair value of the options granted in the fiscal year ended July 31, 2005 was estimated on the date of grant using the Black-Scholes option pricing model, assuming risk-free interest rates of 3.96%; dividend yield of \$nil; expected lives of 5 years and volatility of 122%.

During the year ended July 31, 2005, 284,284 options were exercised, for net proceeds of \$93,712.

During the year ended July 31, 2006, stock-based compensation expense related to vesting of the 2005 stock option was credited to contributed surplus in the amount of \$170,218.

7. Share Capital (continued)

Options outstanding at July 31, 2006 are as follows:

	# of Options Granted	Expiry	Exercise Price	Number Outstanding as at July 31, 2006	Options Outstanding		Options Exercisable	
					Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Vested as at July 31, 2006	Weighted Average Exercise Price
Granted, February 26, 2003	150,000	8-Feb-08	\$ 0.11	50,000	1.53	\$ 0.11	50,000	\$ 0.11
Granted, September 21, 2004	50,000	21-Sep-09	\$ 0.30	50,000	3.15	\$ 0.30	50,000	\$ 0.30
Granted, June 9, 2005	<u>280,000</u>	23-Jun-10	\$ 1.10	<u>245,716</u>	3.90	\$ 1.10	<u>152,385</u>	\$ 1.10
	<u>480,000</u>			<u>345,716</u>	3.44	\$ 1.51	<u>252,385</u>	\$ 0.75

8. Economic Dependence

The Company presently derives substantially all of its revenue from two customers of which one customer contributed approximately 90% of revenue in the year ended July 31, 2006 (2005 - 93%). These contracts are reviewed periodically and have cancellation provisions. The non-renewal or cancellation of one or more of these contracts would have a material adverse impact on the Company.

The Company is a Canadian distributor of Pro-Tech Monitoring, Inc.'s ("Pro-Tech") and the exclusive Canadian distributor of BI Inc.'s (both U.S. companies) offender monitoring and tracking devices; the sales and leasing of which account for substantially all of the Company's 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.

9. Related Party Balances and Transactions

At July 31, 2006, \$1,600 (2005 - \$0) is due to a director. During the year ended July 31, 2006, \$1,600 (2005 - \$47,250) was accrued or paid to a director who is the President of the Company under an incentive bonus plan in addition to salaries and benefits paid to the president as management compensation in the normal course of operations.

During the year ended July 31, 2006, \$19,382 (2005 - \$Nil) was paid to an officer of the Company for accounting fees.

During the year ended July 31, 2006, \$53,500 (2005 - \$117,068) was paid to the directors of the Company as directors fees.

10. Income Taxes

A reconciliation of the combined federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

	<u>2006</u>	<u>2005</u>
Net income before taxes	\$ 868,274	\$ 1,134,613
Income taxes at federal and provincial statutory rates of 36% (2005 - 36%)	312,579	408,460
Increase (decrease) by the effect of		
Non-deductible items	70,440	31,993
Other	(7,943)	(20,365)
Income tax expense	<u>\$ 375,076</u>	<u>\$ 420,088</u>

Future tax assets of the Company are as follows:

	<u>2006</u>	<u>2005</u>
Excess of book over tax amortization	\$ 34,258	\$ 41,947
	<u>\$ 34,258</u>	<u>\$ 41,947</u>

As at July 31, 2006 and 2005, the Company believes that it is more likely than not that the excess capital cost allowance pools available of \$95,161 for tax purposes will be utilized in the future. Thus, no valuation allowance has been recorded as at July 31, 2006 and 2005, and a future tax asset representing the sum of the tax amortization pools over net book values available for application against future taxable income was recorded.

11. Earnings per Share

The following table shows the effect of dilutive securities on the weighted average common share outstanding. No adjustments to earnings were required for the calculation of diluted earnings per share.

	Year Ended July 31,	
	<u>2006</u>	<u>2005</u>
	Number of shares	
Basic weighted average shares outstanding	2,340,768	2,187,077
Effect of dilutive securities:		
Options	<u>71,445</u>	<u>53,037</u>
Diluted weighted average shares outstanding	<u>2,412,213</u>	<u>2,240,114</u>

Options to purchase 245,716 (2004: - Nil) common shares at a price of \$1.10 (2004 - \$Nil) per share were outstanding at July 31, 2005, but were not included in the computation of diluted earnings per share because the respective exercise price exceeded the average market price of the common shares.



BI ExacuTrack Passive GPS



BI HG200 RF



ProTech Active GPS Tracking

JEMTEC INC.

Management Discussion and Analysis July 31, 2006

This Management Discussion and Analysis of JEMTEC Inc. (“JEMTEC” or the “Company”) provides analysis of JEMTEC’s financial results for the fiscal year ended July 31, 2006. The following information should be read in conjunction with the accompanying audited financial statements and the notes to the audited financial statements as at July 31, 2006.

The item numbering in this discussion refers to the numbering and headings as per the Form 51-102F1. Inapplicable items have been omitted.

This discussion includes statements about the Company’s expectations for the future. The Company’s management team believes that these expectations are reasonable; however, actual outcomes may differ materially from these expectations due to changes in operating performance, unexpected competition and other technical, market and economic factors.

Item 1. Date: November 15, 2006

This management discussion and analysis, dated November 15, 2006, is to accompany the financial statements of the Company for the fiscal year ended July 31, 2006.

Item 2. Overall Performance and Description of Business.

JEMTEC 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 provision of services and technology for offender monitoring in Canadian federal and provincial 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 services and 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.

The Company is a Canadian distributor of Pro-Tech Monitoring, Inc’s. and the exclusive Canadian distributor of BI Inc.’s offender monitoring and tracking devices, the sales and leasing of which account for substantially all of the Company’s 2006 and 2005 revenues, capital asset additions and replacement parts purchased. The Company is economically dependent on Pro-Tech Monitoring Inc. and BI Inc. for the continued supply of monitoring equipment, replacement parts, and maintenance services for resale or rental by the Company.

Item 3. Annual Information

We have summarized selected annual information from the Company's financial statements, which are prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

	Years Ended July 31,		
	2006	2005	2004
Revenue	\$ 2,701,497	\$ 2,600,312	\$ 1,624,545
Expenses	1,833,223	1,465,699	1,002,887
Net income before income taxes	868,274	1,134,613	621,658
Income tax expense	375,076	420,088	207,541
Net income for the period	\$ 493,198	\$ 714,525	\$ 414,117
Earnings per share			
Basic	\$ 0.21	\$ 0.33	\$ 0.20
Diluted	\$ 0.20	\$ 0.32	\$ 0.19

Item 4 and 5. Results of Operations, Quarterly Results

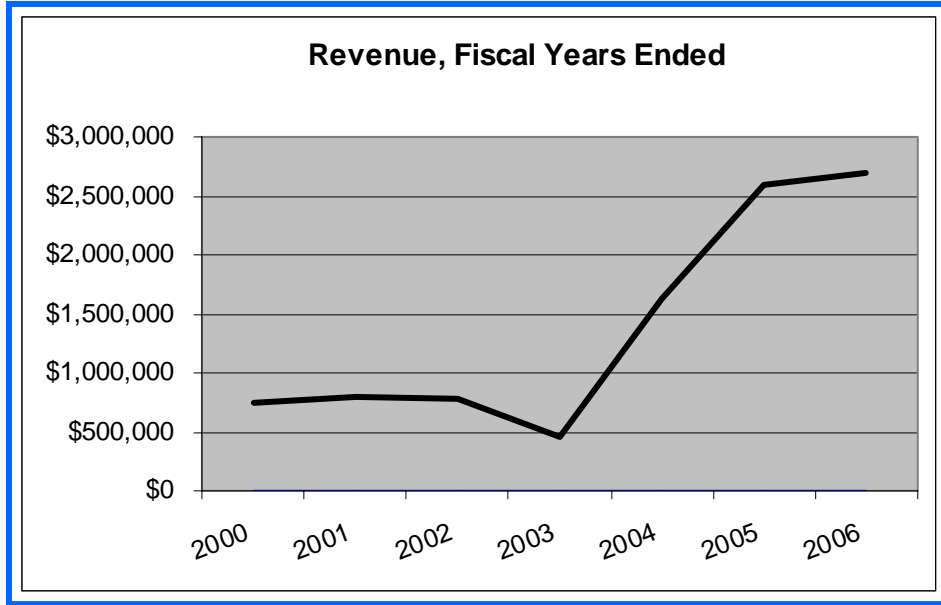
The audited financial statements for the years ended July 31, 2006 and 2005 summarize the financial impact of our financings, investments and operations while providing significant material information that is not meant to be, nor is it, included in this discussion. This discussion is meant to provide information not included in the financial statements and an explanation of some of the financial statement information.

	Quarters Ended							
	July 31 2006	April 30 2006	January 31 2006	October 31 2005	July 31 2005	April 30 2005	January 31 2005	October 31 2004
Revenue	\$ 691,808	\$ 671,740	\$ 669,970	\$ 667,979	\$ 685,048	\$ 647,895	\$ 636,722	\$ 630,647
Expenses	396,656	515,978	493,162	427,427	514,187	368,893	312,601	270,018
Net income before taxes	\$ 295,152	\$ 155,762	\$ 176,808	\$ 240,552	\$ 170,861	\$ 279,002	\$ 324,121	\$ 360,629
Provision for taxes	158,682	56,799	68,961	90,634	73,127	100,451	246,510	-
Net income	\$ 136,470	\$ 98,963	\$ 107,847	\$ 149,918	\$ 97,734	\$ 178,551	\$ 77,611	\$ 360,629
Basic earnings (loss) per share	\$ 0.06	\$ 0.04	\$ 0.05	\$ 0.06	\$ 0.04	\$ 0.08	\$ 0.04	\$ 0.17

Quarter to quarter, revenues have been steadily increasing, to the exception of a slight variation in the trend for the quarter ended July 31, 2005. Expenses as a percentage of revenues have increased from year to year, but the Company does not believe this trend will continue, as a significant portion of the increased expenses can be attributed to non-recurring expenditures such as professional fees incurred in relation to the consolidation of capital and stock based compensation charges.

Revenues

During the fiscal year ended July 31, 2006, the Company continued to earn revenue on its main contracts, but also on its private bail project. Overall revenues have increased by 4%, with leasing and monitoring revenues accounting for 41% of this increase, interest income accounting for another 41% and bail revenues accounting for the remaining 18% of the overall increase in revenues.



The Company presently derives substantially all of its revenue from two customers of which one customer contributed approximately 90% of revenue in 2006 and 93% in 2005. These contracts are reviewed periodically and the non-renewal of one or more of these contracts could have a material adverse impact on the Company.

	Fiscal Years Ended July 31,		
	2006	2005	2004
Revenue			
Leasing, monitoring and activation	\$ 2,645,686	\$ 2,582,349	\$ 1,620,949
Parts, sales and other	-	3,728	3,596
Interest income	55,811	14,235	-
Total revenue	\$ 2,701,497	\$ 2,600,312	\$ 1,624,545

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. The term of existing service agreements is between three to five years. 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

While leasing and operating revenues grew by 2%, the Company's expenses for the fiscal year ended July 31, 2006 increased by 25% as compared to 2005. However, included in expenses are costs associated with the Company's administrative and finance functions which were not incurred in 2005. The key increases in these expenses consist of a stock based compensation expense of \$170,218 (2005 - \$65,067) which results from the Company expensing options granted in the year ended July 31, 2005 which are vesting over a period of 18 months, and increases of \$83,600 in 2006 as compared to 2005 for professional fees and shareholder communication costs associated with the consolidation / deconsolidation of the Company's' shares. The Company does not expect to incur these type of expenses during its fiscal year ended July 31, 2007.

Key operational items that increased the expenses for the fiscal year were monitoring and activation fees, which increased \$138,014 over the previous comparable period, and equipment rent and installation, which increased \$75,180 over the previous comparable period. The increasing costs of monitoring and activation fees along with equipment rent and installation, which represents 58% of the increased expenses for the fiscal year ended July 31, 2006 compared to 2005, is related to an increase in the overall number of clients monitored as well as an increase in the number of clients monitored on the more expensive radio frequency technology versus the less costly voice verification technology in the previous period. These increased expenses relate to contract commitments within the Company's agreements with its customers, and similar increases in these expenses may continue in fiscal 2007 and in the first two quarters of fiscal 2008.

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.

Net earnings

For the year ended July 31, 2006 net income was \$493,198 compared to \$714,525 in 2005. As detailed above, this reduction in net earning is attributable primarily to the increased direct operating costs, incremental professional costs incurred in relation to the consolidation as well as the stock based compensation expenses.

Category	Changes – Fiscal 2006 Compared to 2005
Salaries and benefits	Decrease: Lower bonus awarded to an officer/director of the Company.
Amortization	Increase: Additional equipment related to the Ontario and Saskatchewan projects being depreciated
Repairs and maintenance	Decrease: In 2005, costs were higher due to the renewal of a 5 year contract which required replacement of equipment, parts, training and installation.
Monitoring and activation fees	Increase: Greater number of clients being activated and monitored.
Equipment rent and installation	Increase: Greater number of clients being monitored.
Consulting fees	Increase: A strategic corporate development program was initiated
Shareholder communications	Increase: Additional costs incurred in relation to special meeting of shareholders held in April.
Office	Increase: Additional telecommunication services required to service our growing client base.
Interest on capital leases	Decrease: One lease was paid in full.
Stock-based compensation	Increase: 330,000 options were granted in the last quarter of fiscal 2005, vesting over a period of 18 months.
Directors' fees	Decrease: Lower incentive bonus granted to directors in 2006.

During the year ended July 31, 2006 as compared to 2005, the Company incurred similar level of expenses for travel.

Item 6, 7 and 8. Liquidity, Financial Position and Capital Resources

During the year ended July 31, 2005, the Company leased and acquired property and equipment to enable the Company to provide the services of a five year monitoring contract in the Province of Saskatchewan. Accordingly, the Company entered into capital leases to finance the acquisition of some new equipment for the Saskatchewan contract. During the fiscal year ended July 31, 2006, the Company paid \$90,645 in principal and interest towards this lease.

During the fiscal year ended July 31, 2006, the Company also paid \$9,888 towards another lease for monitoring equipment. As at July 31, 2006, this lease has been paid in full and the Company has acquired the equipment for the buy out value of \$1.

Liquidity

At July 31, 2006, the Company had cash of \$2,109,097 and a working capital of \$1,973,388.

Financial Position	As at July 31		
	2006	2005	2004
Current assets	\$ 2,603,772	\$ 2,174,549	\$ 944,720
Property and equipment	281,322	365,122	59,085
Other assets	34,258	41,947	52,291
Total assets	<u>\$ 2,919,352</u>	<u>\$ 2,581,618</u>	<u>\$ 1,056,096</u>
Current liabilities	\$ 630,384	\$ 793,056	\$ 370,025
Capital lease obligation	163,815	238,922	9,735
Total liabilities	<u>\$ 794,199</u>	<u>\$ 1,031,978</u>	<u>\$ 379,760</u>
Stockholders' equity	<u>\$ 2,125,153</u>	<u>\$ 1,549,640</u>	<u>\$ 676,336</u>
Working capital	<u>\$ 1,973,388</u>	<u>\$ 1,381,493</u>	<u>\$ 574,695</u>

Significant working capital components include cash in current or interest bearing accounts, accounts receivable from clients, prepaid expenses, accounts payable and accrued liabilities, income taxes payable and the current portion of unearned revenues and capital leases.

Prepaid expenses, accounts receivable and accounts payable are expected to increase as sales volumes increase. The Company has reduced its current liabilities by remitting the taxes payable for fiscal year ended July 31, 2005, and remitting taxes accrued for 2006.

Unearned revenues will continue to fluctuate in relation to the Company earning revenue on its private bail project. These clients typically pay in advance for one or more years monitoring.

The Company's operating cash flows were a surplus of \$506,895 during the year ended July 31, 2006, as compared to \$998,632 in 2005. The decrease in cash flows from operations is mainly due to the payment of corporate taxes and to the charge in stock based compensation expenses related to the granting of stock option in late fiscal 2005.

During the year, no options (2005 - 284,284, for \$93,712) were exercised. The Company financing activities consisted of \$ 80,412 (2005 - \$90,586) related to payments on capital lease obligations.

The Company's management is not aware of any trends or expected fluctuations in its liquidity that would create any deficiencies. In addition, the Company's management believes that its cash balances and its 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, which contributed approximately 90% of revenue for the fiscal year ended July 31, 2006 (2005 - 93%). Please refer to note 8 of the Company's audited financial statements for the period ended July 31, 2006. A decision by this customer to discontinue, in whole or in part, use of the Company's services in the future would adversely affect the Company's capital resources and operating results.

Capital Requirements and Resources

The Company anticipates that it will have little need to acquire property and equipment over the next year. The Company has adopted a more flexible arrangement, whereby it adds value to rented equipment, and then provides this equipment to its customers. Should the Company encounter opportunities in which it is more financially advantageous to purchase or lease property and equipment as compared to renting, the Company would finance these capital expenditures and other contractual obligations through capital leases, cash flows from operations, and possibly long term borrowings.

Item 9. Transactions with Related Parties

At July 31, 2006, \$1,600 (2005 - \$0) is due to a director. During the year ended July 31, 2006, \$1,600 (2005 - \$47,250) was accrued or paid to a director who is the President of the Company under an incentive bonus plan in addition to salaries and benefits paid to the president as management compensation in the normal course of operations.

During the year ended July 31, 2006, \$19,382 (2005 - \$Nil) was paid to an officer of the Company for accounting fees.

During the year ended July 31, 2006, \$53,500 (2005 - \$117,068) was paid to the directors of the Company as directors fees.

Item 10. Fourth Quarter

JEMTEC INC.

**Statements of Operations and Retained Earnings
For the Fourth Quarters ended July 31,**

	2006	2005
Revenue		
Leasing, monitoring and activation	\$ 671,910	\$ 675,481
Parts, sales and other	-	1,668
Interest income	19,898	7,899
	691,808	685,048
Expenses		
Salaries and benefits	57,806	61,497
Amortization	44,352	19,991
Repairs and maintenance	7,091	14,117
Monitoring and activation fees	94,560	128,782
Equipment rent and installation	73,447	65,737
Consulting fees	28,000	39,386
Travel	3,869	8,547
Shareholder communications	20,579	3,776
Professional fees	11,625	5,200
Office	38,779	24,173
Interest on capital leases	4,528	7,453
Other interest expenses	-	17
Stock-based compensation	-	46,693
Directors' fees	11,500	84,318
Accounting and administrative fees	520	4,500
	396,656	514,187
Income before income taxes	295,152	170,861
Income tax expense		
Current	158,751	62,783
Future	(69)	10,344
	158,682	73,127
Net income for the period	136,470	97,734
Retained earnings (deficit) - Beginning of period	581,130	180,134
Retained earnings (deficit)	(2,527)	-
Retained earnings - End of period	\$ 715,073	\$ 277,868

Item 12. Critical Accounting Estimates

The preparation of financial statements in conformity with 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 dates of the financial statements and the reported amounts of revenues and expense during the reported periods. Actual results could differ from those estimates.

Reference should be made to Note 2 - Significant Accounting Policies in the notes to the Company's audited annual financial statements for the year ended July 31, 2006 for more information concerning the accounting principles used in the preparation of the Company's financial statements.

Item 14. Financial Instruments

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. The Company has not experienced any losses and believes it is not exposed to any significant credit risk form cash. At July 31, 2006, the Company had cash balances that exceeded the federally insured limits by \$2,007,513. All of these funds are on deposit with a Schedule A bank in Canada.

Item 15. Capital Stock, Stock Options and Warrants

Share Capital

The Company has only three classes of share capital:

Common shares:	unlimited
First preference shares:	unlimited, issuable in series
Second preference shares:	25,000 Series A, \$0.60 non-cumulative and redeemable

The Company also has a fixed stock option plan.

The following are outstanding at November 15, 2006:

Common shares	2,295,736
Shares issuable on the exercise of outstanding stock options	345,716
Shares available for future stock option grants	125,472

The stock option plan permits the directors of the Company to grant incentive options to the employees, directors, officers and consultants of the Company. The maximum number of shares issuable under the stock option plan is 471,188.

Pursuant to a special resolution passed by shareholders on April 21, 2006, the Company consolidated its capital on a 100 old shares for 1 new share, subsequently followed by a 1 for 100 share split. Shareholders holding less than 100 pre-consolidation shares are entitled to receive a cash payment of \$1.46 per share. Accordingly, at April 30, 2006, 60,207 shares were cancelled, a charge of \$55,993 was made to retained earnings, share capital was reduced by the paid up capital of the common shares on the day of the transaction of \$31,910 and \$87,903 was accrued for shareholders entitled to redeem their shares under this agreement. At July 31, 2006, \$79,180 remains in accounts payable and accrued liabilities for the shareholders who have yet to contact the Company regarding this transaction.

Disclosure Controls and Procedures

The Company has designed disclosure controls and procedures, and has evaluated their effectiveness. Based on the evaluation of the Company's disclosure controls and procedures, the Company's management has concluded that they are sufficiently effective as of July 31, 2006 to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

Other Information

Additional information relating to the Company is available on the SEDAR website at www.sedar.com and on the Company's website at www.JEMTEC.ca

JEMTEC Board Members

Jeremy Kendall

Jeremy Kendall has served as Chairman of the Company since December 1985. He is also Chairman of the Board and CEO of SunOpta (1/83 to present) a manufacturer and distributor of organic foods and other products. As well, he is Director and Chairman of Opta Minerals and Chairman of Easton Minerals Ltd. (1/95 to present), mineral exploration companies. Mr. Kendall has also served on the following Boards of Directors: BI Inc. (9/81 to 11/00), producer of electronic home incarceration products; Brigdon Resources Inc. (6/93 to 2/99), oil and gas exploration company; and Wisper Inc. (6/95 to 3/02), a provider of wireless electronic equipment and services. Mr. Kendall is also a Director of a number of private and charitable organizations.

Eric Caton

Eric Caton, President & CEO of the Company has served as a Director since February 1991. He joined JEMTEC in 1987 as Vice President Sales, then as General Manager and now President and CEO. He has also served on the Board of Easton Minerals Ltd. (1/95 to 3/05). He led JEMTEC's successful Public Private Partnership (P3) with the government of Ontario, the first such partnership in Canada. He has designed and started Electronic Monitoring Home Incarceration Programs across Canada (starting in 1987) with British Columbia, Ontario, Newfoundland, Saskatchewan and the Yukon Territories. Prior thereto, Mr. Caton marketed hardware and service products for Control Data Canada from 1972 through 1987.

Leslie N. Markow

Leslie N. Markow is a CA, and CPA (Illinois) and has been a Director and Corporate Secretary at the Company since January 1994. She is also the Director of Client Services Global Professionals Inc., which is a Nasdaq listed, project-based professional services firm. Ms. Markow was a senior officer, CFO and assistant corporate secretary from 1991-2002 at SunOpta Inc., a Nasdaq/TSX listed company that principally manufactures and distributes organic products. She is a member of the Toronto Board of Directors and Career Services Committee of the Financial Executives International. Ms. Markow lives in Toronto and volunteers each year to prepare tax returns for low income Canadians.

Cyril Ing

Cyril Ing is a retired Professional Engineer and was elected a Director in April 2000. He was an independent consultant specializing in engineering projects involving the combustion of biomass from May 1982 to August 1985. Mr. Ing retired from full time employment in March 1990. For the 10 years prior to retirement, he was President of the Conat Group, a holding company whose major subsidiary, Westair Systems Inc., is a distributor and manufacturer of industrial dehumidification equipment. Mr. Ing has also served on the following Boards of Directors: SunOpta (1/84 to present); Wisper Inc. (11/99 to present); and Easton Minerals Ltd. (11/99 to present).

Gordon Baker

Gordon Baker was elected a Director of the Company in January 1994. He is a lawyer and was appointed Queen's Counsel in 1983. Mr. Baker has extensive experience in the area of business law with emphasis on mergers and acquisitions, joint ventures, financing and structuring. He is Former Chairman, Tax Subsection, Ontario Branch Canadian Bar Association; a Member of Canadian Bar Association, Ontario, Committee on Taxation; Past Committee Member of Ontario Institute of Chartered Accountants and Canadian Bar Association, Ontario; Committee on Taxation. Mr. Baker also serves on committees and boards of a number of political and social organizations.

Morris Zbar

Morris Zbar has served as Director of the Company since March 2004. He is Vice President of the United Jewish Appeal (UJA) and has served in the Ontario Ministry of Correctional Services as Deputy from 2000-2002 and Assistant Deputy Minister from 1998-2002. He has served the UJA as V.P. of Community Planning and Allocations from 1994-1998. From 1987-1994, he served with the Ontario Ministries of Correctional Services and Culture Tourism and Recreation. He has also served in a number of volunteer leadership positions from 1977-2000.

Corporate Information

Head Office

JEMTEC Inc.
Suite 200, 38 Fell Avenue, North Vancouver, BC V7P 3S2
Ph 877-929-4559, Fax 877-929-4198

Copies of the Company's financial statements and MD&A may be obtained from the System for Electronic Document Analysis and Retrieval (SEDAR) www.sedar.com

By mail: JEMTEC Inc., Suite 200, 38 Fell Avenue, North Vancouver, B C, V7P 3S2 or

By telephone: 877-929-4559 or

By fax: 877-929-4198 or

By e-mail: info@jemtec.ca.

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Morgan and Company Chartered Accountants

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Corporate Legal Counsel

Sui and Company

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