

JEMTEC INC.

Management Discussion and Analysis

October 31, 2007

This Management Discussion and Analysis of JEMTEC Inc. ("JEMTEC" or the "Company") provides analysis of JEMTEC's financial results for the fiscal period ended October 31, 2007. The following information should be read in conjunction with the accompanying unaudited financial statements and the notes to the unaudited financial statements as at October 31, 2007. This discussion is meant to be an update of the Management Discussion and Analysis for the fiscal year ended July 31, 2007, dated November 20, 2007 and does not necessarily repeat information that has not significantly changed since the audited Annual Financial Statements were issued.

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: December 31, 2007

This management discussion and analysis, dated December 31, 2007, is to accompany the financial statements of the Company for the three month period ended October 31, 2007.

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.

	Three month periods ended October 31,		
	2007	2006	2005
Revenue	\$ 742,964	\$ 700,496	\$ 667,679
Expenses	441,644	460,030	427,427
Net income before income taxes	301,320	240,466	240,252
Income tax expense	107,387	110,561	90,634
Net income for the period	\$ 193,933	\$ 129,905	\$ 149,618
Earnings per share			
Basic	\$ 0.08	\$ 0.06	\$ 0.06
Diluted	\$ 0.08	\$ 0.05	\$ 0.06

Item 4 and 5. Results of Operations, Quarterly Results

The unaudited financial statements for the fiscal quarters ended October 31, 2007 and 2006 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							
	October 31 2007	July 31 2007	April 30 2007	January 31 2007	October 31 2006	July 31 2006	April 30 2006	January 31 2006
Revenue	\$ 742,964	\$ 733,530	\$ 716,339	\$ 728,423	\$ 700,496	\$ 691,808	\$ 671,740	\$ 669,970
Expenses	441,644	485,400	474,039	400,742	460,030	396,656	515,978	493,162
Net income before taxes	\$ 301,320	\$ 248,130	\$ 242,300	\$ 327,681	\$ 240,466	\$ 295,152	\$ 155,762	\$ 176,808
Provision for taxes	107,387	77,969	93,659	117,066	110,561	158,682	56,799	68,961
Net income	\$ 193,933	\$ 170,161	\$ 148,641	\$ 210,615	\$ 129,905	\$ 136,470	\$ 98,963	\$ 107,847
Basic earnings per share	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.09	\$ 0.06	\$ 0.06	\$ 0.04	\$ 0.05

Revenues from the Company's contracts have been gradually increasing due to the larger number of clients being monitored. Expenses as a percentage of revenues have decreased in the four quarters of 2007 as compared to the four quarters of 2006 (60% as compared to 68%). This decrease is mainly 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 three month period ended October 31, 2007, the Company continued to earn revenue on its main contracts and also on private bail projects. Revenues have increased by 6% this quarter compared to the three month period ended October 31, 2006 due to the larger number of clients being monitored.

The Company presently derives substantially all of its revenue (94% during the three month period ended October 31, 2007 and 95% during the three month period ended October 31, 2006) from two customers, of which one customer, OMCSGS, contributed approximately 87% of revenue during the 2007 fiscal year and 90% during the 2006 fiscal year. In July 2007, JEMTEC received notice that the Ontario Ministry of Community Safety and Correctional Service ("OMCSGS") would not exercise its right to extend the present ESP service agreement beyond the current contracted term of January 2008. However, in October 2007, the Company and OMCSGS agreed to extend the ESP service agreement to April 30, 2008 under the same terms and conditions. JEMTEC will be presenting a competitive proposal to the OMCSGS as part of the new tender process. The decision by the OMCSGS to significantly amend the ESP model or discontinue the use of the Company's services after April 2008 would adversely affect the Company's operating results.

	Quarters Ended October 31,		
	2007	2006	2005
Revenue			
Leasing, monitoring and activation	\$ 701,675	\$ 665,492	\$ 656,762
Bail	12,165	20,548	10,592
Interest income	29,124	14,456	625
Total revenue	\$ 742,964	\$ 700,496	\$ 667,979

Expenses

Revenues for the three month period ended October 31, 2007 increased by 6% as compared to 2006, and expenses decreased by 4%. Increased costs were incurred for communication, consulting fees and director's fees in the three month ended October 31, 2007 have been offset due to the Company no longer incurring costs associated with the consolidation of the shares and the Company does not record stock based compensation expense due to the cancellation of certain stock options.

There were a greater 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 quarter ended October 31, 2007 compared to the quarter ended October 31, 2006. The increase in these costs has been mitigated by the strengthening of the Canadian dollar in 2007 as the Company rents its equipment from U.S. suppliers.

Category	Changes – Three Month Period Ended October 31, 2007 as Compared to 2006
Salaries and benefits	Decrease: Amount was lower in 2007 than 2006 due to a bonus paid in 2006 to a Director who is also President.
Amortization	Increase: Additional equipment related to the Ontario and Saskatchewan projects being amortized.
Repairs and maintenance	Decrease: Declined slightly due to fewer equipment repairs on newer technology.
Consulting fees	Increase: Greater activity related to potential acquisitions.
Travel	Increase: Greater activity related to potential acquisitions and to development of new business.
Shareholder communications	Increase: Greater activity related to service agreements.
Professional fees	Increase: Greater activity related to potential acquisitions and new service agreements.
Office	Increase: Additional telecommunication services required to service the Company's growing client base.
Interest on capital leases	Decrease: Expenses reduced as one of the two leases was repaid.
Stock based compensation	Decrease: All options granted in fiscal 2005 have vested, and certain options were cancelled.
Directors' fees	Increase: Greater activity related to potential acquisitions.
Accounting and administrative	Decrease: Less time needed to complete the tasks in 2007 over 2006.

During the three month period ended October 31, 2007 compared to the first quarter of 2006, the Company incurred similar level of monitoring and activation fees, equipment rent and installation and other interest expense.

Net earnings

For the three month period ended October 31, 2007 net income was \$193,932 compared to \$129,905 in 2006. As detailed above, this increase in net earning is attributable primarily a 4% decrease in costs and an increase of 6% in revenues.

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 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, \$89,375 during the year ended July 31, 2007 and another \$19,367 during the three month period ended October 31, 2007.

Liquidity

At October 31, 2007, the Company had cash and cash equivalents of \$2,958,530 and a working capital of \$2,890,751.

Financial Position

	As at October 31, 2007	As at July 31, 2007
Current assets	\$ 3,508,156	\$ 3,301,503
Property and equipment	173,869	196,110
Other assets	30,440	31,204
Total assets	<u>\$ 3,712,465</u>	<u>\$ 3,528,817</u>
Current liabilities	\$ 617,405	\$ 607,230
Capital lease obligation	61,578	82,038
Total liabilities	<u>\$ 678,983</u>	<u>\$ 689,268</u>
Stockholders' equity	<u>\$ 3,033,482</u>	<u>\$ 2,839,549</u>
Working capital	<u>\$ 2,890,751</u>	<u>\$ 2,694,273</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 deferred revenues and capital leases.

Accounts receivable and accounts payable are expected to increase or decrease as sales volumes change. Deferred revenue will continue to fluctuate in relation to the Company's private bail project. Private bail clients typically pay in advance for one or more years monitoring.

The Company's operating cash flows were \$196,092 during the three month period ended October 31, 2007, as compared to \$184,031 in 2006. The increase in cash flows from operations is principally due to additional revenues during the period and fluctuations in accounts receivable and accounts payable which were offset by the elimination of stock compensation expense.

Cash flow used in investing activities for the three month period ended October 31, 2007 relate to the purchase of fixed assets. During the three month period ended October 31, 2007, the Company financing activities consisted of \$19,368 (2006 - \$18,453) related to payments on capital lease obligations.

As detailed in Items 4 and 5, the Company derives a significant portion of its annual revenue (2007 - 88%, 2006 - 89%) from its contract with the OMCS. In July 2007, JEMTEC received notice that the Ontario Ministry of Community Safety and Correctional Service ("OMCS") would not exercise its right to extend the present ESP service agreement beyond the current contracted term of January 2008. However, in October 2007, the Company and OMCS agreed to extend the ESP service agreement to April 30, 2008 under the same terms and conditions. The decision by the OMCS to significantly amend the ESP model or discontinue the use of the Company's services after April 2008 would adversely affect the Company's operating results. Please refer to note 7 of the Company's audited financial statements for the year ended July 31, 2007.

In addition to presenting a competitive proposal to the OMCS as part of the new tender process, the Company is actively pursuing other business opportunities such as acquisitions and partnerships.

Except as described above, the Company's management is not aware of any other trends or other expected fluctuations in its liquidity that would create any deficiencies. The Company's management believes that its cash balances, combined with its cash flow from current operations, will be sufficient to meet the Company's short-term and long-term requirements for ongoing operations and planned growth.

Item 9. Transactions with Related Parties

During the three month period ended October 31, 2007, \$51,000 (2006 - \$1,600) was paid to a director who is also 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 three month period ended October 31, 2007, \$14,500 (2006 - \$7,500) was accrued or paid to the directors of the Company as directors' fees.

During the three month period ended October 31, 2007, \$5,476 (2006 - \$6,486) was paid to an officer of the Company for accounting fees.

These fees, salary, benefits and bonus were paid or accrued as management compensation in the normal course of operations.

Item 15. Capital Stock, Stock Options and Warrants

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 December 31, 2007 * :

Common shares	2,295,736
Shares issuable on the exercise of outstanding stock options	249,048*
Shares available for future stock option grants	222,140*

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, 2007, \$77,955 remains in accounts payable and accrued liabilities for the shareholders who have yet to contact the Company regarding this transaction.

* In December 2007, the Company received \$5,500 pursuant to the exercise of 50,000 stock options that was granted on September 26, 2003. The 50,000 shares in the capital of the Company have not yet been issued, but the number of shares issuable on the exercise of outstanding stock options and the number of shares available for future stock options grant have been adjusted to reflect the exercise of options.

Disclosure Controls and Procedures

The Company has implemented a system of internal controls that it believes adequately protects the assets of the Company and is appropriate for the nature of its business and the size of its operations. These internal controls include disclosure controls and procedures designed to ensure that information required to be disclosed by the Company is accumulated and communicated as appropriate to allow timely decisions regarding required disclosure. However, as the Company has a limited number of staff and as such is heavily dependant on the Chief Executive Officer and Chief Financial Officer which results in an inherent weakness in the system of internal controls due to an inability to achieve appropriate segregation of duties. The Board of Directors' review of financial reporting is utilized to mitigate the risk of material misstatement in financial reporting. There have been no significant changes to the Company's internal control environment during the three month period ended October 31, 2007 that would have materially affected the Company's internal controls over financial reporting.

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