

JEMTEC INC.

Management Discussion and Analysis

January 31, 2008

This Management Discussion and Analysis of JEMTEC Inc. (“JEMTEC” or the “Company”) provides analysis of JEMTEC’s financial results for the fiscal period ended January 31, 2008. The following information should be read in conjunction with the accompanying unaudited financial statements and the notes to the unaudited financial statements as at January 31, 2008. 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: March 28, 2008

This management discussion and analysis, dated March 28, 2008, is to accompany the financial statements of the Company for the three and six month periods ended January 31, 2008.

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 January 31,			Six month periods ended January 31,		
	2008	2007	2006	2008	2007	2006
Revenue	\$ 843,116	\$ 728,423	\$ 669,970	\$ 1,586,079	\$ 1,428,919	\$ 1,337,949
Expenses	558,638	400,742	493,162	1,000,281	860,855	920,589
Net income before income taxes	284,478	327,681	176,808	585,798	568,064	417,360
Income tax expense	99,170	117,066	68,961	206,557	227,627	159,595
Net income for the period	\$ 185,308	\$ 210,615	\$ 107,847	\$ 379,241	\$ 340,437	\$ 257,765
Earnings per share						
Basic	\$ 0.08	\$ 0.09	\$ 0.05	\$ 0.16	\$ 0.15	\$ 0.11
Diluted	\$ 0.08	\$ 0.09	\$ 0.04	\$ 0.16	\$ 0.14	\$ 0.11

Item 4 and 5. Results of Operations, Quarterly Results

The unaudited financial statements for the fiscal quarters ended January 31, 2008 and 2007 summarize the financial impact of our operations, our balance sheet and our cash flows for the three and six month periods ended January 31, 2008.

	Quarters Ended							
	January 31 2008	October 31 2007	July 31 2007	April 30 2007	January 31 2007	October 31 2006	July 31 2006	April 30 2006
Revenue	\$ 843,116	\$ 742,963	\$ 733,530	\$ 716,339	\$ 728,423	\$ 700,496	\$ 691,808	\$ 671,740
Expenses	558,638	441,643	485,400	474,039	400,742	460,030	396,656	515,978
Net income before taxes	\$ 284,478	\$ 301,320	\$ 248,130	\$ 242,300	\$ 327,681	\$ 240,466	\$ 295,152	\$ 155,762
Provision for taxes	99,170	107,387	77,969	93,659	117,066	110,561	158,682	56,799
Net income	\$ 185,308	\$ 193,933	\$ 170,161	\$ 148,641	\$ 210,615	\$ 129,905	\$ 136,470	\$ 98,963
Basic earnings per share	\$ 0.08	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.09	\$ 0.06	\$ 0.06	\$ 0.04

Revenues from the Company's contracts have been gradually increasing due to the larger number of clients being monitored. In addition, during the quarter ended January 31, 2008, the Company started to earn revenues on a new contract with the Province of Nova Scotia.

Revenues

During the three month period ended January 31, 2008, the Company continued to earn revenues on an increasing number of clients being monitored on its main contracts, in addition to earning revenues on private bail projects and on a new contract. Accordingly, revenues have increased by 16% this quarter compared to the three month period ended January 31, 2007.

	Quarters Ended January 31,		
	2008	2007	2006
Revenue			
Leasing, monitoring and activation	\$ 800,729	\$ 692,772	\$ 637,065
Bail	14,520	14,546	9,216
Interest income	27,867	21,105	23,689
Total revenue	\$ 843,116	\$ 728,423	\$ 669,970

The Company presently derives substantially all of its revenue (90% during the six month period ended January 31, 2008 and 95% during the six month period ended January 31, 2007) from two customers, of which one customer, the Ontario Ministry of Community Safety and Correctional Service ("OMCSCS"), contributed approximately 84% of revenue during the six month period ended January 31, 2008, 87% of revenue during the 2007 fiscal year and 90% during the 2006 fiscal year.

The five year contract with this customer ended in January 2008, but was extended to August 31, 2008 under the same terms and conditions. In November 2007, the Company presented a competitive proposal to this client as part of its request for proposals for a new agreement. In March 2008, the Company was informed that it was not the successful bidder in this client's electronic monitoring request for proposal process. The decision by this customer to discontinue the use of the Company's services after August 31, 2008 will adversely affect the Company's operating results. The Company will continue to earn revenues on its agreements with the Province of Saskatchewan, the Province of Nova Scotia and on its bail clients. Based on current operations, the Company anticipates that, starting September 1, 2008, cash reserves will be depleted by approximately \$150,000 per quarter. Refer to Items 6, 7 and 8 – Liquidity.

Expenses

Revenues for the three month period ended January 31, 2008 increased by 16% compared to the same period in 2007, and expenses increased by 39%. Increased costs were incurred in all areas, except for equipment rent and installation, interest on capital leases and directors' fees. Expenses increased as

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 January 31, 2008 compared to the quarter ended January 31, 2007. Furthermore, additional costs were incurred related to the installation of the Company's second Event Monitoring Station in Ontario which was set up to better service the new contract in Nova Scotia.

Category	Changes – Three Month Period Ended January 31, 2008 as Compared to 2007
Salaries and benefits	Increase: Increase in the base salary, in addition to a bonus accrued to a Director who is also President.
Amortization	Increase: Additional equipment related to the Ontario Saskatchewan and Nova Scotia projects being amortized.
Repairs and maintenance	Decrease: Declined slightly due to fewer equipment repairs on newer technology.
Monitoring and activation fees / equipment rent and installation	Increase: Greater number of clients being monitored in Ontario and in Nova Scotia
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 new service agreement and extension of the current Ontario agreement.
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.
Other interest expenses	Increase: Expense related to increased corporate taxes payable for fiscal 2007, but paid only in fiscal 2008.
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.

During the three month period ended January 31, 2008 compared to the same period in 2007, the Company incurred similar level of accounting and administrative fees.

During the six month period ended January 31, 2008, revenues increased 11% and expenses increased by 16% compared to the same period in 2007. Expenses as a percentage were higher in the quarter than in the first six months of 2008 due to the start up costs associated with the Nova Scotia contract.

Net earnings

For the three and six month periods ended January 31, 2008, net income was \$185,308 and \$379,241, respectively, as compared to \$210,615 and \$340,437, respectively, in the same periods of 2007. Net earnings for the six month period ended January 31, 2008 have increased as compared to the net earnings for the same period in 2007. This increase is principally due to the additional revenues earned from the service contract with Nova Scotia.

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 required 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 \$44,476 during the six month period ended January 31, 2008, and has a remaining \$122,557 owing on this lease. The lease will be paid in full in March 2009.

Liquidity

At January 31, 2008, the Company had cash and cash equivalents of \$3,022,343 and a working capital of \$3,104,604. All cash and cash equivalents are on deposit with a Schedule A bank in Canada, in interest accruing accounts.

	As at January 31, 2008	As at July 31, 2007
Current assets	\$ 3,674,378	\$ 3,301,503
Property and equipment	153,206	196,110
Other assets	29,676	31,204
Total assets	<u>\$ 3,857,260</u>	<u>\$ 3,528,817</u>
Current liabilities	\$ 569,774	\$ 607,230
Capital lease obligation	48,196	82,038
Total liabilities	<u>\$ 617,970</u>	<u>\$ 689,268</u>
Stockholders' equity	<u>\$ 3,239,290</u>	<u>\$ 2,839,549</u>
Working capital	<u>\$ 3,104,604</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 \$267,501 during the six month period ended January 31, 2008 as compared to \$342,059 in the same period of 2007. The decrease in cash flows from operations is principally due to an increase in revenues and fluctuations in accounts receivable, accounts payable and income taxes payable which were offset by the elimination of stock compensation expense.

Cash flow used in investing activities for the six month period ended January 31, 2008 relate to the purchase of fixed assets.

During the six month period ended January 31, 2008, the Company financing activities consisted of \$39,087 (2007 - \$36,665) related to payments on capital lease obligations. In addition, during the six month period ended January 31, 2008, the Company received \$20,500 (2007 - \$nil) in proceeds from the exercise of stock options.

As detailed in Items 4 and 5, the Company presently derives substantially all of its annual revenue from its contract with OMCSCS. The five year contract with this customer ended in January 2008, but was

extended to August 31, 2008 under the same terms and conditions. In November 2007, the Company presented a competitive proposal to this client as part of its request for proposals for a new agreement. In March 2008, the Company was informed that it was not the successful bidder in this client's electronic monitoring request for proposal process. The decision by this customer to discontinue the use of the Company's services after August 31, 2008 will adversely affect the Company's operating results. The Company will continue to earn revenues on its agreements with the Province of Saskatchewan, the Province of Nova Scotia and on its bail clients. Based on current operations, the Company anticipates that, starting September 1, 2008, cash reserves will be depleted by approximately \$150,000 per quarter.

The Company is actively pursuing other new service agreements as well as new 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 six month period ended January 31, 2008, \$51,000 was paid and another \$45,000 accrued to a director who is also the President of the Company under an incentive bonus plan, in addition to salaries and benefits, for management compensation in the normal course of operations (2007 - \$11,600). The \$51,000 bonus was accounted for in accounts payable and accrued liabilities at July 31, 2007.

During the six month period ended January 31, 2008, \$30,500 (2007 - \$25,000) was accrued or paid to the directors of the Company as directors' fees.

During the six month period ended January 31, 2008, \$13,568 (2007 - \$13,571) 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 March 28, 2008:

Common shares	2,395,736
Shares issuable on the exercise of outstanding stock options	199,048
Shares available for future stock option grants	272,140

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.

During the six month period ended January 31, 2008, the Company issued 100,000 shares of common stock pursuant to the exercise of 100,000 stock options, for net proceeds of \$20,500.

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, 2007 and January 31, 2008, \$77,955 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 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 on a timely basis.

However, as the Company has a limited number of staff and is heavily dependant on the Chief Executive Officer and Chief Financial Officer. This 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 help 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 and six month periods ended January 31, 2008 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