

JEMTEC INC.

Management Discussion and Analysis

April 30, 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 April 30, 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 April 30, 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: June 23, 2008

This management discussion and analysis, dated June 23, 2008, is to accompany the financial statements of the Company for the three and six month periods ended April 30, 2008.

Item 3. Annual Information

We have summarized selected 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 April 30,			Nine month periods ended April 30,		
	2008	2007	2006	2008	2007	2006
Revenue	\$ 843,898	\$ 716,339	\$ 671,740	\$ 2,429,978	\$ 2,145,257	\$ 2,009,689
Expenses	550,110	474,039	515,978	1,550,392	1,334,893	1,436,567
Net income before income taxes	293,788	242,300	155,762	879,586	810,364	573,122
Income tax expense	101,276	93,659	56,799	307,833	321,286	216,394
Net income for the period	\$ 192,512	\$ 148,641	\$ 98,963	\$ 571,753	\$ 489,078	\$ 356,728
Earnings per share						
Basic	\$ 0.08	\$ 0.06	\$ 0.04	\$ 0.24	\$ 0.21	\$ 0.15
Diluted	\$ 0.08	\$ 0.06	\$ 0.04	\$ 0.24	\$ 0.20	\$ 0.15

Item 4 and 5. Results of Operations, Quarterly Results

The unaudited financial statements for the fiscal quarters ended April 30, 2008 and 2007 summarize the financial impact of our operations, our balance sheet and our cash flows for the three and nine month periods ended April 30, 2008.

	Quarters Ended							
	April 30 2008	January 31 2008	October 31 2007	July 31 2007	April 30 2007	January 31 2007	October 31 2006	July 31 2006
Revenue	\$ 843,898	\$ 843,117	\$ 742,963	\$ 733,530	\$ 716,339	\$ 728,423	\$ 700,496	\$ 691,808
Expenses	550,110	558,639	441,643	485,400	474,039	400,742	460,030	396,656
Net income before taxes	\$ 293,788	\$ 284,478	\$ 301,320	\$ 248,130	\$ 242,300	\$ 327,681	\$ 240,466	\$ 295,152
Provision for taxes	101,276	99,170	107,387	77,969	93,659	117,066	110,561	158,682
Net income	\$ 192,512	\$ 185,308	\$ 193,933	\$ 170,161	\$ 148,641	\$ 210,615	\$ 129,905	\$ 136,470
Basic earnings per share	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.09	\$ 0.06	\$ 0.06

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, and during the quarter ended April 30, 2008, the Company started to earn revenues on a new contract with the Province of Manitoba.

Revenues

During the three month period ended April 30, 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 18% this quarter compared to the three month period ended April 30, 2007.

	Quarters Ended April 30,		
	2008	2007	2006
Revenue			
Leasing, monitoring and activation	\$ 813,888	\$ 658,083	\$ 650,429
Bail	6,140	35,994	9,892
Interest income	23,870	22,262	11,419
Total revenue	\$ 843,898	\$ 716,339	\$ 671,740

The Company presently derives substantially all of its revenue (88% during the nine month period ended April 30, 2008 and 94% during the nine month period ended April 30, 2007) from two customers, of which one customer, the Ontario Ministry of Community Safety and Correctional Service ("OMCSCS"), contributed approximately 83% of revenue during the nine month period ended April 30, 2008, 87% of revenue during the 2007 fiscal year and 90% during the 2006 fiscal year.

The five year contract with the OMCSCS 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, the Province of Manitoba 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 April 30, 2008 increased by 18% compared to the same period in 2007, and expenses increased by 16%. Increased costs were incurred in repairs and maintenance, monitoring and activation fees, consulting fees, shareholder communication, professional fees and accounting and administrative fees. Expenses related to operation 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 April 30, 2008 compared to the quarter ended April 30, 2007. Furthermore, additional costs were incurred related to the Company actively pursuing other new service agreements as well as new business opportunities such as acquisitions and partnerships.

Category	Changes – Three Month Period Ended April 30, 2008 as Compared to 2007
Salaries and benefits	Decrease: Increase in the base salary in 2008 was offset by the accrual of a bonus in 2007.
Repairs and maintenance	Increase: Slight increase due to installing new equipment on the new contracts.
Monitoring and activation fees / equipment rent and installation	Increase: Greater number of clients being monitored in Ontario and in Nova Scotia, in addition to the start of the Manitoba agreement.
Consulting fees	Increase: Greater activity related to potential acquisitions.
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.
Interest on capital leases	Decrease: Expenses reduced as one of the two leases was repaid.
Other interest expenses	Decrease: Corporate taxes payable for fiscal 2008 are being paid by installments, and therefore amount of interest expenses has been reduced in 2008.
Accounting and administrative fees	Increase: Greater activity related to potential acquisitions.

During the three month period ended April 30, 2008 compared to the same period in 2007, the Company incurred similar level of amortization, office and directors' fees.

During the nine month period ended April 30, 2008, revenues increased 13% 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 Manitoba contract.

Net earnings

For the three and nine month periods ended April 30, 2008, net income was \$192,512 and \$571,753 respectively, as compared to \$148,641 and \$489,078, respectively, in the same periods of 2007. Net earnings for the nine month period ended April 30, 2008 have increased as compared to the net earnings for the same period in 2007 principally due to the additional revenues earned from the service contracts with Nova Scotia and Manitoba.

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 \$66,713 during the nine month period ended April 30, 2008, and has a remaining \$108,995 owing on this lease. The lease will be paid in full in March 2009.

Liquidity

At April 30, 2008, the Company had cash and cash equivalents of \$3,335,726 and a working capital of \$3,280,704. On May 2, 2008, working capital increased by \$77,193 for the amounts accrued to shareholders that were not redeemed as of May 1, 2008.

All cash and cash equivalents are on deposit with a Schedule A bank in Canada, in interest accruing accounts.

	As at April 30, 2008	As at July 31, 2007
Current assets	\$ 3,939,648	\$ 3,301,503
Property and equipment	128,969	196,110
Other assets	56,995	31,204
Total assets	<u>\$ 4,125,612</u>	<u>\$ 3,528,817</u>
Current liabilities	\$ 658,944	\$ 607,230
Capital lease obligation	34,866	82,038
Total liabilities	<u>\$ 693,810</u>	<u>\$ 689,268</u>
Stockholders' equity	<u>\$ 3,431,802</u>	<u>\$ 2,839,549</u>
Working capital	<u>\$ 3,280,704</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 \$629,044 during the nine month period ended April 30, 2008 as compared to \$610,159 in the same period of 2007. The increase 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 nine month period ended April 30, 2008 relate to the purchase of fixed assets, and the deferral of costs related to a potential acquisition.

During the nine month period ended April 30, 2008, the Company financing activities consisted of \$59,164 (2007 - \$55,352) related to payments on capital lease obligations. In addition, during the nine month period ended April 30, 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 revenue (83% for the nine month period ended April 30, 2008) 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, the Province of Manitoba 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 nine month period ended April 30, 2008, \$51,000 was paid and \$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 nine month period ended April 30, 2008, \$44,500 (2007 - \$39,000) was accrued or paid to the directors of the Company as directors' fees.

During the nine month period ended April 30, 2008, \$20,355 (2007 - \$15,863) 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 June 23, 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 nine month period ended April 30, 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 April 30, 2008, \$77,955 remains in accounts payable and accrued liabilities for the shareholders

who have yet to contact the Company regarding this transaction. Effective May 1, 2008, the share certificates that were not redeemed ceased to represent a right or claim of any kind or nature, and the right of such holder of the Company's shares and such certificates are deemed to be surrendered to the Company. Accordingly, in the fourth quarter of the fiscal year ending July, 31 2008, \$77,193 will be removed from accrued liabilities and added to contributed surplus.

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 nine month periods ended April 30, 2008 that would have materially affected the Company's internal controls over financial reporting.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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