

JEMTEC INC.

Management Discussion and Analysis

July 31, 2008

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, 2008. 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, 2008.

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 28, 2008

This management discussion and analysis, dated November 28, 2008, is to accompany the financial statements of the Company for the fiscal year ended July 31, 2008.

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 of 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. (“Pro-Tech”) and Omnilink Systems Inc. (“Omnilink”), and the exclusive Canadian distributor of BI Inc.’s (“BI”) (all U.S. companies) offender monitoring and tracking devices. The sales and leasing from these suppliers account for substantially for all of the Company’s revenues, capital asset additions and replacement parts purchased. The Company is economically dependent on Pro-Tech, Omnilink and BI for the continued supply of monitoring equipment and replacement parts, and maintenance services provided by Pro-Tech, Omnilink and BI for resale or rental by the Company.

JEMTEC’s business model is project driven. Since 1987, the Company has provided Canadian federal and provincial government agencies with offender monitoring services and technologies under project agreements with terms of 1 to 5 years.

JEMTEC’s five year contract with the Ontario Ministry of Community Safety and Correctional Service (“OMCSCS”) ended in January 2008, but was extended to November 30, 2008 under the same terms and conditions. In March 2008, the Company was informed that it was not the successful bidder in this client’s electronic monitoring request for proposal process. This decision by this customer to discontinue

the use of the Company's services after November 30, 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, Correctional Services Canada and on its bail clients. The Company anticipates that, starting December 1, 2008, the loss of this contract will result in revenues being reduced by approximately \$600,000 to approximately \$220,000 per quarter. The Company also anticipates recording a loss of approximately \$100,000 per quarter starting December 1, 2008, excluding expenses incurred in connection to a potential acquisition or business combination and any other expenses incurred to expand the Company's current customer base. Refer to Items 4, 5, 6 and 7.

The Company is actively pursuing other business opportunities such as acquisitions and partnerships to help offset the loss of the Ontario contract.

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,		
	2008	2007	2006
Revenue	\$ 3,272,402	\$ 2,878,788	\$ 2,701,497
Expenses	2,098,108	1,820,211	1,833,223
Net income before income taxes	1,174,294	1,058,577	868,274
Income tax expense	375,729	399,255	375,076
Net income for the period	\$ 798,565	\$ 659,322	\$ 493,198
Earnings per share			
Basic	\$ 0.34	\$ 0.29	\$ 0.21
Diluted	\$ 0.34	\$ 0.28	\$ 0.20

Item 4 and 5. Results of Operations, Quarterly Results

The audited financial statements for the years ended July 31, 2008 and 2007 present the financial results of our operations, financings and investments for the fiscal years then ended.

Unaudited summarized information for the last eight quarters:

	Quarters Ended							
	July 31 2008	April 30 2008	January 31 2008	October 31 2007	July 31 2007	April 30 2007	January 31 2007	October 31 2006
Revenue	\$ 842,425	\$ 843,898	\$ 843,116	\$ 742,963	\$ 733,530	\$ 716,339	\$ 728,423	\$ 700,496
Expenses	547,717	550,110	558,638	441,643	485,317	474,039	400,742	460,113
Net income before taxes	\$ 294,708	\$ 293,788	\$ 284,478	\$ 301,320	\$ 248,213	\$ 242,300	\$ 327,681	\$ 240,383
Provision for taxes	67,896	101,276	99,170	107,387	77,969	93,659	117,066	110,561
Net income	\$ 226,812	\$ 192,512	\$ 185,308	\$ 193,933	\$ 170,244	\$ 148,641	\$ 210,615	\$ 129,822
Basic earnings per share	\$ 0.10	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.09	\$ 0.06

Revenues from the Company's contracts have gradually increased over the previous 8 quarters 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 began earning revenues on a new contract with the Province of Manitoba.

Revenues

During the fiscal year ended July 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 new contracts. Overall revenues have increased by 14% for fiscal 2008 as compared to the fiscal year ended 2007.

	Years Ended July 31,		
	2008	2007	2006
Revenue			
Leasing, monitoring and activation	\$ 3,116,047	\$ 2,697,538	\$ 2,595,535
Bail	53,945	91,189	50,151
Interest income	102,410	90,061	55,811
Total revenue	\$ 3,272,402	\$ 2,878,788	\$ 2,701,497

Until October 31, 2008, the Company derived substantially all of its revenue (89% during the year ended July 31, 2008 and 94% during the year ended July 31, 2007) from two customers, of which one customer, the OMCSCS, contributed approximately 82% of revenue during fiscal year ended July 31, 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 November 30, 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. The decision by this customer to discontinue the use of the Company's services after November 30, 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, Correctional Services Canada and on its bail clients. The Company anticipates that, starting December 1, 2008, the loss of this contract will result in revenues being reduced by approximately \$600,000 to approximately \$220,000 per quarter. The Company also anticipates recording a loss of approximately \$100,000 per quarter starting December 1, 2008, excluding expenses incurred in connection to a potential acquisition or business combination and any other expenses incurred to expand the Company's current customer base.

Monitoring and activation income is recognized pursuant to various lease agreements which specify the terms and conditions of rental and the services to be performed. Rental and bail 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 usual term of service agreements is one 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 is returned to the Company or the Company's lessors with no further obligation on behalf of the lessee.

The Company rented the monitoring equipment provided to the OMCSCS from BI. Upon the termination of the agreement, the equipment has been returned, without further costs, to BI. The servers utilized to service the OMCSCS were acquired under a lease agreement and have been depreciated over the life of the contract agreement and have been disposed of for nominal value.

Expenses

Revenues for the year ended July 31, 2008 increased by 14% compared to the same period in 2007, and expenses increased by 15%. Increased costs were incurred in all areas except repairs and maintenance, equipment rent and installation, interest on capital leases, other interest expenses and stock based compensation. Expenses related to operations increased as there were a greater number of clients being 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 year ended July 31, 2008 compared to the year ended July 31, 2007. Some of the increases in these costs have been mitigated by the strengthening of the Canadian dollar in 2008 as compared to 2007 as the Company rents its equipment from U.S. suppliers. 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 – Fiscal 2008 Compared to 2007
Salaries and benefits	Increase: Higher compensation.
Amortization	Increase: Additional equipment related to the new projects being amortized.
Repairs and maintenance	Decrease: Reduction in number of units requiring repairs due to improved customer training.
Monitoring and activation fees / Equipment rent and installation	Increase: Greater number of clients being monitored in Ontario, Nova Scotia and Manitoba.
Consulting fees	Increase: Greater activity related to potential acquisitions.
Travel	Increase: Additional travel related to pursuing potential business 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.
Office	Increase: Additional telecommunication services required to service our growing client base.
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.
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	Increase: Greater activity related to potential acquisitions.

Net earnings

For the year ended July 31, 2008, net income was \$798,565 as compared to \$659,322 in the same periods of 2007, a 21% increase in net income year to year. Net earnings for the year ended July 31, 2008 have increased as compared to the net earnings for the same period in 2007 due to a \$77,193 one time reversal of previously accrued amounts due to shareholders that did not redeem their certificates following share consolidation on May 1, 2006, and the additional revenues earned from the service contracts with Nova Scotia and Manitoba.

Item 6 and 7. Liquidity and Capital Resources

Liquidity

At July 31, 2008, the Company had cash and cash equivalent net of \$3,380,996 and a working capital of \$3,522,817. All cash and cash equivalents are on deposit with a Schedule A bank in Canada, in interest accruing accounts.

Financial Position

	As at July 31, 2008	As at July 31, 2007
Current assets	\$ 4,120,199	\$ 3,301,503
Equipment	107,649	196,110
Other assets	28,148	31,204
Total assets	<u>\$ 4,255,996</u>	<u>\$ 3,528,817</u>
Current liabilities	\$ 597,382	\$ 607,230
Capital lease obligation	-	82,038
Total liabilities	<u>\$ 597,382</u>	<u>\$ 689,268</u>
Stockholders' equity	<u>\$ 3,658,614</u>	<u>\$ 2,839,549</u>
Working capital	<u>\$ 3,522,817</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 \$667,433 during the year ended July 31, 2008 as compared to \$768,911 in the same period of 2007. The decrease in cash flows from operations is principally due to fluctuations in accounts receivable, accounts payable and income taxes payable.

Cash flow used in investing activities for the year ended July 31, 2008 and 2007 relate to the purchase of equipment and the payment to shareholders in relation to the share consolidation.

During the year ended July 31, 2008, the Company's financing activities consisted of \$79,605 (2007 - \$74,375) related to payments on capital lease obligations offset by \$20,500 (2007 - \$nil) in proceeds from the exercise of stock options.

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 \$88,951 during the nine month period ended April 30, 2008, and has a remaining \$84,993 owing on this lease. The lease will be paid in full in March 2009.

As detailed in Items 4 and 5, until November 30, 2008, the Company derived substantially all of its revenue (82% for the year ended July 31, 2008) from its contract with OMCSCS. The five year contract with this customer ended in January 2008, but was extended to November 30, 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 November 30, 2008 will adversely affect the Company's operating results. The Company's current financial position and working capital is sufficient to fund operations while acquisitions and other service contracts are pursued. The Company will continue to earn revenues on its agreements with the Province of Saskatchewan, the Province of Nova Scotia, the Province of Manitoba, Correctional Services Canada and on its bail clients. The Company anticipates that, starting December 1, 2008, the loss of this contract will result in revenues being reduced by approximately \$600,000 to approximately \$220,000 per quarter. The Company also anticipates recording a loss of approximately \$100,000 per quarter starting December 1, 2008, excluding expenses incurred in connection to a potential acquisition or business combination and any other expenses incurred to expand the Company's current customer base.

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.

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

During the year ended July 31, 2008, \$90,000 (2007 - \$61,000) was accrued or 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. At July 31, 2008, \$90,000 (2007 - \$51,000) is due to the President.

During the year ended July 31, 2008, \$55,167 (2007 - \$51,500) was paid to the directors of the Company as directors' fees.

During the year ended July 31, 2008, \$39,999 (2007 - \$23,226) was paid to an officer of the Company for accounting fees. As at July 31, 2008, a total of \$3,504 (2007 - \$nil) is owing and is included in accounts payable and accrued liabilities.

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

Item 10. Fourth Quarter**JEMTEC INC.**
Statements of Operations and Retained Earnings
For the Fourth Quarter Ended July 31,

	2008	2007
Revenue		
Leasing, monitoring and activation	\$ 820,877	\$ 701,292
Interest income	21,548	32,238
	<u>842,425</u>	<u>733,530</u>
Expenses		
Accounting and administrative fees	44,231	5,961
Amortization	21,318	26,924
Consulting fees	49,650	35,239
Directors' fees	10,667	12,500
Equipment rent and installation	92,193	64,140
Interest on capital leases	1,796	3,214
Monitoring and activation fees	197,348	144,836
Office	41,968	66,095
Other interest expenses	60	5,391
Professional fees	36,666	9,590
Repairs and maintenance	3,520	6,701
Salaries and benefits	109,026	88,995
Shareholder communications	2,040	4,592
Stock-based compensation	-	-
Travel	14,427	11,139
	<u>624,910</u>	<u>485,317</u>
Income before other item	<u>217,515</u>	<u>248,213</u>
Other item		
Write-off of accrued liability	77,193	-
Income before income taxes	<u>294,708</u>	<u>248,213</u>
Income tax expense		
Current	67,132	80,681
Future	764	(2,712)
	<u>67,896</u>	<u>77,969</u>
Net income for the period	<u>226,812</u>	<u>170,244</u>
Retained earnings - Beginning of period	<u>1,946,148</u>	<u>1,204,151</u>
Retained earnings - End of period	<u>\$ 2,172,960</u>	<u>\$ 1,374,395</u>

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 years ended July 31, 2008 and 2007 for more information concerning the accounting principles used in the preparation of the Company's financial statements.

Item 13. Changes in Accounting Policies including Initial Adoption

Effective August 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income" ("Section 1530"), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855"), Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash and restricted cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities, are classified as other financial liabilities, all of which are measured at amortized cost.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are now deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

There was no adjustment to opening balances as a result of the adoption of these standards.

Recent Accounting Pronouncements**a) Assessing Going Concern**

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years

beginning on or after January 1, 2008. The Company is currently assessing the impact of the above new accounting standards on its financial statements.

b) Financial Instruments

The AcSB issued CICA Handbook Section 3862, *Financial Instruments - Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3863, *Financial Instruments - Presentation*, and Section 3865, *Hedges*. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The AcSB issued CICA Handbook Section 3863, *Financial Instruments - Presentation*, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and nonfinancial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The Company is currently assessing the impact of the above new accounting standards on its financial statements.

c) Capital Disclosures

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The Company is currently assessing the impact of the above new accounting standards on its financial statements.

d) 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, 2011, and the Company's first full year of reporting under IFRS will be its fiscal year ended July 31, 2012. While the Company has begun assessing the adoption of IFRS for 2011 and started planning for the conversion of its accounting policies from Canadian GAAP to IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The Company anticipates that it will utilize existing personnel and resources to manage the change to IFRS.

Item 14. Financial Instruments and Other 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 from cash. At July 31, 2008, the Company had cash balances that exceeded the federally insured limits by \$3,274,357. All of these funds are on deposit with a Schedule A bank in Canada.

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 following are outstanding at November 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 fixed 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 year ended July 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. 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 were deemed to be surrendered to the Company. Accordingly, on May 1, 2008, the Company reversed \$77,193 for previously accrued amounts due to shareholders that did not redeem their certificates.

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 the Company has a limited number of staff and as such is heavily dependant on the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) 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 year ended July 31, 2008, that would have materially effected 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