

JEMTEC INC.

Management Discussion and Analysis

April 30, 2009

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, 2009. 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, 2009. This discussion is meant to be an update of the Management Discussion and Analysis for the fiscal year ended July 31, 2008, dated November 28, 2008 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 26, 2009

This management discussion and analysis, dated June 26, 2009, accompanies the financial statements of the Company for the three and nine month periods ended April 30, 2009.

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,		
	2009	2008	2007	2009	2008	2007
Revenue	\$ 270,482	\$ 843,898	\$ 716,339	\$ 1,564,130	\$ 2,429,978	\$ 2,145,257
Expenses	421,002	550,110	474,039	1,348,523	1,550,392	1,334,893
Net income (loss) before income taxes	(150,520)	293,788	242,300	215,607	879,586	810,364
Income tax expense (recovery)	(62,315)	101,276	93,659	35,844	307,833	321,286
Net income (loss) for the period	\$ (88,205)	\$ 192,512	\$ 148,641	\$ 179,763	\$ 571,753	\$ 489,078
Earnings (loss) per share						
Basic	\$ (0.037)	\$ 0.080	\$ 0.065	\$ 0.075	\$ 0.245	\$ 0.213
Diluted	\$ (0.037)	\$ 0.080	\$ 0.063	\$ 0.075	\$ 0.243	\$ 0.205

Item 4 and 5. Results of Operations, Quarterly Results

The unaudited financial statements for the quarters ended April 30, 2009 and 2008 present the financial results of our operations, financings and investments for the fiscal quarters then ended.

Unaudited summarized information for the last eight quarters:

	Quarters Ended							
	April 30 2009	January 31 2009	October 31 2008	July 31 2008	April 30 2008	January 31 2008	October 31 2007	July 31 2007
Revenue	\$ 270,482	\$ 426,342	\$ 867,306	\$ 842,425	\$ 843,898	\$ 843,116	\$ 742,964	\$ 733,530
Expenses	421,002	383,219	544,302	547,717	550,110	558,638	441,644	485,317
Net income before taxes	\$ (150,520)	\$ 43,123	\$ 323,004	\$ 294,708	\$ 293,788	\$ 284,478	\$ 301,320	\$ 248,213
Provision for taxes	(62,315)	56,883	41,276	67,896	101,276	99,170	107,387	77,969
Net income	\$ (88,205)	\$ (13,760)	\$ 281,728	\$ 226,812	\$ 192,512	\$ 185,308	\$ 193,933	\$ 170,244
Basic earnings per share	\$ (0.037)	\$ (0.006)	\$ 0.118	\$ 0.100	\$ 0.080	\$ 0.081	\$ 0.084	\$ 0.074

Over the last 16 months, the Company started to earn revenues on new contracts, as follows:

- Quarter ended April 30, 2009: Revenues from a new contract with the Province of Newfoundland;
- Quarter ended October 31, 2008: Revenues from a new contract with Correctional Services Canada;
- Quarter ended April 30, 2008: Revenues from a new contract with the Province of Manitoba;
- Quarter ended January 31, 2008: Revenues from new contract with the Province of Nova Scotia.

Subsequent to April 30, 2009, the Company has signed one year extensions with both the Province of Manitoba and the Province of Saskatchewan.

Revenues

The Company had revenues from leasing, monitoring and activation of \$1,524,183 during the nine month period ended April 30, 2009, with one customer, the Ontario Ministry of Community Safety and Correctional Service ("OMCSCS", or "Ontario") contributing approximately 56% (2008 – 83%). The contract with the OMCSCS ended on November 30, 2008. The decision by this customer to discontinue the use of the Company's services after November 30, 2008 has materially affected the Company's operating results for the three and nine month periods ended April 30, 2009.

	Quarters Ended April 30,		
	2009	2008	2007
Revenue			
Leasing, monitoring and activation	\$ 259,479	\$ 813,888	\$ 658,083
Bail	4,500	6,140	35,994
Interest income	6,503	23,870	22,262
Total revenue	\$ 270,482	\$ 843,898	\$ 716,339

The Company will continue to earn revenues on its agreements with the Provinces of Saskatchewan, Nova Scotia and Manitoba, Correctional Services Canada and on private bail clients. In addition, in February 2009, the Company commenced to earn revenues on a new agreement with the Province of Newfoundland.

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 acquired monitoring equipment for servicing its new agreement with the Province of Newfoundland. This equipment is being depreciated over the life of the contract agreement, starting February 2009, and will have nominal residual value at the end of the three year period.

Expenses

Revenues for the three month period April 30, 2009 decreased by 68% compared to the same period in 2008, and expenses by 23% principally due to the completion of the Ontario contract. Additional costs were incurred to wind down this agreement and to the start the new contracts with Correctional Services Canada and the Province of Newfoundland.

Category	Changes – Fiscal 2009 Compared to 2008
Accounting and administrative	Increase: increase in consulting rate.
Consulting fees	Decrease: Less use of consultants.
Directors' fees	Decrease: One less director and less activity resulting in fewer meetings.
Monitoring and activation fees / Equipment rent and installation	Decrease: Agreement with Ontario was completed in November 2008.
Interest on capital leases	Decrease: Lease repaid in quarter.
Office	Decrease: Smaller client base following the completion of the Ontario agreement.
Professional fees	Decrease: Less activity related to new service agreements.
Repairs and maintenance	Increase: Older equipment in certain projects and start up costs of Newfoundland agreement.

Net earnings

For the three month period ended April 30, 2009, the Company recorded a net loss of \$88,205 compared to net income of \$192,512 in the same period of 2008. Net earnings for the quarter ended April 30, 2009 have decreased due to the completion in November 2008 of the 5 year agreement with Ontario offset by the reduction in related operating expenses related to the Ontario contract, and a reduction in general and administrative expenses and the corresponding reduction in tax provision.

Item 6 and 7. Liquidity and Capital Resources**Liquidity**

At April 30, 2009, the Company had cash and cash equivalent net of \$3,601,726 and a working capital of \$3,602,599. All cash and cash equivalents are on deposit with a Schedule A bank in Canada, in interest accruing accounts.

Financial Position

	As at April 30, 2009	As at July 31, 2008
Current assets	\$ 3,796,328	\$ 4,120,199
Equipment	209,922	107,649
Other assets	25,856	28,148
Total assets	<u>\$ 4,032,106</u>	<u>\$ 4,255,996</u>
Current liabilities	<u>\$ 193,729</u>	<u>\$ 597,382</u>
Total liabilities	<u>\$ 193,729</u>	<u>\$ 597,382</u>
Stockholders' equity	<u>\$ 3,838,377</u>	<u>\$ 3,658,614</u>
Working capital	<u>\$ 3,602,599</u>	<u>\$ 3,522,817</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 \$469,521 during the nine month period ended April 30, 2009 as compared to \$629,044 in the same period of 2008. The decrease in cash flows from operations is principally due to a decrease in net income.

Cash flow used in investing activities for the nine month periods ended April 30, 2009 and 2008 relate principally to the purchase of equipment.

During the nine month period ended April 30, 2009, the Company's financing activities consisted of \$82,039 (2008 - \$38,664) related to payments on capital lease obligations. During the nine month period April 30, 2008, the Company received \$20,500 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. The lease was paid in full during the quarter ended April 30, 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 Ontario. The decision by this customer to discontinue the use of the Company's services after November 30, 2008 has materially affected the Company's operating results for the three and nine month period ended April 30, 2009.

As anticipated, the expiry of the Ontario contract has resulted in revenues being reduced by approximately \$550,000 to approximately \$260,000 per quarter. The Company recorded a loss of approximately \$150,000 per quarter before tax recoveries. The Company expects to record operating

losses of approximately \$150,000 per quarter, excluding expenses incurred in connection to a potential acquisition or business combination and any revenues or expenses resulting from an expansion of the Company's business or acquisition program.

The Company will continue to earn revenues on its agreements with the Provinces of Saskatchewan, Nova Scotia and Manitoba, Correctional Services Canada and on private bail, and, in February 2009, the Company commenced to earn revenues on a new agreement with the Province of Newfoundland.

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 nine month period ended April 30, 2009, \$87,750 (2008 - \$51,000) 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. The \$87,750 bonus was included in accounts payable and accrued liabilities at July 31, 2008.

During the nine month period ended April 30, 2009, \$38,000 (2008 - \$44,500) was accrued or paid to the directors of the Company as directors' fees. During the nine month period ended April 30, 2009, \$28,988 (2008 - \$25,959) was paid to an officer of the Company for accounting fees.

These fees and bonus were paid or accrued in the normal course of operations.

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 April 30, 2009, the Company had cash balances that exceeded the federally insured limits by \$3,500,472. 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 June 26, 2009:

Common shares	2,395,736
Shares issuable on the exercise of outstanding stock options	171,429
Shares available for future stock option grants	299,759

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.

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 Audit Committee Chair's 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 quarter ended April 30, 2009 that would materially change the Company's internal controls over financial reporting.

International Financial Reporting Standards ("IFRS")

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.

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