MANAGEMENT DISCUSSION AND ANALYSIS

OF THE OPERATING RESULTS

AND FINANCIAL POSITION

ROCTEST

Quarter ended on June 29, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

For the second quarter ended June 29, 2007

The purpose of this Management Discussion & Analysis ("MD&A") is to help the reader understand our development strategy, our future expectations and evaluate our performance in relation to our objectives. The MD&A should be read in conjunction with the interim consolidated financial statements for the three month and six month periods ended June 29, 2007, the annual MD&A and the audited consolidated financial statements and related notes for the year ended December 29, 2006 which are included in the Company's annual report. The Company's quarterly and annual reports as well as other information documents are available on SEDAR (www.sedar.com) and on the Company's website (www.roctest.com).

In order to facilitate different business processes and maintain a comparable basis with previous years, the Company uses a fiscal calendar consisting of four quarters of 13 weeks each.

In the present document, unless otherwise indicated, all financial information is prepared in accordance with Canadian Generally Accepted Accounting principles (GAAP). All amounts are in Canadian dollars. To facilitate reading of this MD&A, the terms "Company" "we" "our" "us" all refer to Roctest Ltd.

Company activity, profile and strategy

Roctest designs, manufactures and markets sensors and high-precision measuring instruments for the civil engineering, energy, healthcare and industrial control markets. The Company is recognized for its leading-edge technology, the quality of its technical expertise and its product development capabilities for challenging and demanding environments.

The Company's products are mainly sold internationally. A commercial development network consisting of agents and distributors allows the Company to seize business opportunities throughout the world. During the last fiscal year, Roctest generated 91% of its revenues outside of Canada.

The Company is comprised of two distinct sectors, industrial and civil engineering. The industrial sector is mainly based on fiber optics technology and is an emerging sector offering numerous growth opportunities. With regards to the civil engineering sector, with approximately 10% of the world's market for measuring instruments, we will continue to deploy significant efforts in order to capitalize on the many opportunities available to innovative firms such as Roctest.

On a general basis, the Company will maintain its strategic focus on developing markets in Asia, the USA, Europe and South America for its products both for the civil engineering and the industrial sectors.

More specifically, the strategy for FISO Technologies Inc., a subsidiary of the Roctest Group specialized in the manufacturing and commercialization of fiber optic sensors, is to stimulate organic growth of its revenues by concluding agreements that will allow it to position itself as a preferred supplier to original equipment manufacturers (OEM).

In 2007, our main goal is to conclude new OEM agreements in our industrial sector thereby increasing the importance of OEM clients in this sector's sales. These agreements provide numerous advantages on an operational level. Sales from OEM agreements are recurring, thereby enabling us to reduce production costs and facilitate production planning and product improvements.

One of our medical OEM customers received its FDA (USA) approval for limited market release for one of its product. We have received from this customer new orders for $1.2 million in the first semester and we expect more orders before the end of the fiscal year.

Finally, due to the important losses incurred, management is currently reviewing strategic options that could be taken in the short-term to reduce significantly the level of operating losses of its St-Lambert facility in the civil engineering sector, including the sale of certain assets. In order to accelerate the review and support management, the services of PriceWaterhouseCoopers have been retained. Additional costs will be recorded in future quarters due to this initiative.

Results of Operations and Financial Position

	Three month periods ended				Six month periods ended			
	June 29, 2007		June 30, 2006		June 29, 2007		June 30, 2006	
	$	% of sales	**$**	% of sales	**$**	% of sales	**$**	% of sales
Earnings data								
Sales	**5 096 399**	**100,0**	5 250 513	100,0	**10 057 075**	**100,0**	9 695 564	100,0
Cost of sales	**3 074 045**	**60,3**	3 072 014	58,5	**6 296 669**	**62,6**	5 851 584	60,4
Gross profit	**2 022 354**	**39,7**	2 178 499	41,5	**3 760 406**	**37,4**	3 843 980	39,6
Sales and administration expenses	**1 787 773**	**35,1**	1 809 977	34,5	**3 521 396**	**35,0**	3 327 707	34,3
Other administration, research and development and amortization expenses	**787 586**	**15,5**	725 931	13,8	**1 458 220**	**14,5**	1 376 034	14,2
Foreign exchange loss	**70 811**	**1,4**	160 103	3,0	**73 635**	**0,7**	185 395	1,9
Loss before income taxes	**(623 816)**	**(12,2)**	(517 791)	(9,8)	**(1 292 845)**	**(12,9)**	(1 045 156)	(10,8)
Income taxes (recovery)	**52 187**	**1,0**	(133 488)	(2,5)	**75 869**	**(0,7)**	(363 351)	(3,7)
Loss	**(676 003)**	**(13,3)**	(384 303)	(7,3)	**(1 368 714)**	**(13,6)**	(681 805)	(7,1)
Loss per share Basic and diluted	**(0,12)**		(0,07)		**(0,25)**		(0,13)	
Weighted average number of shares outstanding	**5 563 071**		5 244 496		**5 563 071**		5 244 496	

The following table presents a summary of certain selected consolidated balance sheet information as of June 29, 2007 and December 29, 2006.

	June 29, 2007	December 29, 2006
	$	**$**
Balance sheet data		
Working capital (1) (2)	**2 485 214**	3 808 100
Property, plant and equipment	**5 120 094**	5 455 765
Total assets	**22 529 023**	25 657 060
Total long-term debt(2)	**618 259**	775 046

(1) Working capital is defined as current assets minus current liabilities.

(2) Due to the fact that the Company does not respect certain financial ratios, long term debt installments due within one year include an amounts of $ 2,586,579, which would have been beyond 2007 if ratios were respected, and which were previously classified as long-term debt.

Analysis of financial results

During the quarter ended June 29, 2007, earnings before interest, income taxes and amortization ("EBITDA") were ($287,731) compared to ($144,781) in 2006.

The decrease in EBITDA results mainly from a decrease in gross margin of $0.156 million, an increase in research and development expenses of $0.112 million partially offset by a reduction of amortization of $0.052 million and a lower exchange loss of $0.089 million compared to the same quarter of 2006.

The lower gross margin as a percentage of sales during the second quarter of 2007 compared to 2006, is mainly attributable to a reduction in sales prices for both sectors of the Company, to a lower exchange rate for US $ and to the impact of a reduction of sales from Iran. The average exchange rates for the quarter, for the US dollar and Euro, have decreased by 2.2% and increased by 5% respectively in comparison to 2006. These variations had a net positive impact on revenues.

Revenue

For the quarter ended June 29, 2007, consolidated revenue reached $5.096 million, a decrease of 3% compared to 2006. The civil engineering sector posted sales of $3.593 million while sales in the industrial sector reached $1.504 million.

The reduction in sales from Iran is not showing in total sales since it is offset by the revenues of Smartec which was only consolidated one month in the second quarter of 2006. Excluding sales from Smartec, the quarter's revenues from the civil engineering sector decreased by 20.4%. The sales from Smartec allowed this sector to limit this reduction to 6.2% compared to 2006. However, revenues from the industrial sector registered a 5.7% increase.

The decrease in revenues generated by the civil engineering sector, excluding Smartec, in comparison to the corresponding period in 2006 is mainly attributable to a lower exchange rate for US $ and important delays in deliveries to the Middle-East, namely, Iran. On February 23, the UN put in force new sanctions against Iran. Products of the Company are not affected by these sanctions. However, commercial transactions are clearly more difficult with the decision of numerous Canadian banks not to accept letters of credit from this country. In addition, as EDC no longer insures letters of credit from Iran, the Company is very prudent before accepting contracts from that country. This situation will impact deliveries of orders for the entire 2007 exercise.

Even with the decline in prices and the lower US$ exchange rate, the industrial sector had an increase of 5.7% in revenues derived mainly from OEM client orders, therefore confirming that the strategy implemented last year, aimed at positioning ourselves as a preferred supplier for OEM clients has begun to show positive results.

Sales and administration

Sales and administration expenses decreased by $0.022 million to stand at 35.1% of revenue in comparison with 34.5 % of revenue in the second quarter of 2006.

Excluding expenses from Smartec consolidated only one month in the second quarter of 2006, the reduction in sales and administration expenses compared to the same period in 2006 would have been $0.155 million.

Research and Development

Research and development ("R&D"), net of grants and refundable income tax credits, increased by $0.112 million and represented 9.3% of revenues compared to 7.1% in 2006. In 2007, research expenditures from Smartec totaled $0.064 million compared to $0.037 million in 2006.

Since the last quarter of 2006, the Company records only refundable tax credits against research and development expenses. This resulted in an increase in net research expenses of $0.087 million compared to 2006.

Amortization of Capital Assets

Amortization of capital assets stood at $0.25 million, a $0.052 million reduction compared to 2006. During the quarter ended June 29, 2007, the Company made capital expenditures of $0.02 million.

Interest and Foreign Exchange

The Company incurred interest expenses mainly on its long term debt and credit facilities. The increase, compared to 2006, is attributable to new loans contracted only one month into the second quarter of 2006.

The Company is exposed to foreign exchange adjustment risks. During the second quarter of 2007, the lower reduction of the US dollar compared to the increase in the Euro had a net negative impact on earnings since related sales has no natural coverage in costs.

Following the strong and recent increase of the Canadian dollar, the Company did not take additional forward exchange contracts since premiums were very high.

Income Taxes

Income taxes, as a percentage of revenue, represent a charge of 1% of earnings before taxes, compared with a recovery of 25.8% for the second quarter of 2006. The rate reflects a mix of the various income tax rates in the Canadian provinces and foreign jurisdictions in which the Company operates.

This rate fluctuates depending on the proportion of net income by jurisdiction to consolidated net income. Furthermore, during the first quarter of 2006, the acknowledgement of losses incurred by a French subsidiary allowed us to record a future income tax receivable in the amount of $0.07 million.

At the end of 2006, in light of the loss incurred, the Company revaluated the timing of realizing all of its recorded tax benefits. Therefore the Company did not record any new tax benefits arising from loss carry forward, R&D expenses carry forward as well as tax credits applicable against income taxes payable. The Company recorded a valuation allowance of its tax benefit assets for an amount of $1.52 million or 52% of its future income tax assets as at December 29, 2006. This estimate has been maintained for the first semester of 2007, therefore no future income tax asset has been recorded.

Note 16 to the consolidated financial statements for the year ended December 29, 2006 describes the future income tax assets.

Net Income (loss)

For the second quarter of 2007, the loss was $676,003 or $0.12 per share, compared with a loss of $384,303, or $0.07 per share, for the same period in 2006. The loss is mainly attributable to a 1.8% deterioration in gross margin ($0.156 million) as a percentage of revenue, an increase in research and development expenses of $0.112 million, a reduction of amortization of $0.052 million, a lower foreign exchange loss of $0.089 million and a tax expense of $0.052 million compared to a recovery of $0.133 million in 2006.

Cash Flows from Operations

Cash flow from operations was a use of $0.78 million versus a use of $1.22 million in 2006. Although the loss was higher in the second quarter of 2007 than for the same quarter of 2006, the reduction is mainly attributable to a smaller variation in non cash working capital items amounting to $0.65 million. Working capital decreased by $1.32 million compared to December 29, 2006.

Liquidity and Share Capital and Stock Options

At June 29, 2007, the Company had $0.41 million in cash and cash equivalents and temporary investments compared to $2.37 million as at December 29, 2006. The cash and cash-equivalents are made up of cash on hand, bank balances, and short-term investments with maturity dates equal to or less than three months. During the second quarter, the Corporation did not contracted new debts and did not change its current operating lease commitments.

The Company renegotiated certain credit facilities with special accounts managers from the Company's main banker. These facilities have been reduced from $1.75 million to $1.00 million. Also, the main banker announced its intention to withdraw company credit facilities October 31, 2007. Management is currently seeking alternate solutions.

The Company and a subsidiary did not respect certain financial ratios as at December 29, 2006 and as at June 29, 2007 and were unable to obtain a waiver from the lending institution with regards to this non respect of ratios. Therefore, long term debts, for which installments were originally due after 2007 amounting to $2.59 million have been reclassified as installments due within one year. This resulted in working capital being reduced by the same amount.

During the second quarter of 2007, there were 5,563,071 common shares issued and outstanding. The Company did not grant any stock options during that period. The cost of compensation paid in stock options, using the fair value method of accounting, was recognized in net earnings with the corresponding credit to contributed surplus for an amount of $0.03 million compared with $0.03 million in 2006.

Risks and uncertainties

For discussion of the risks that could affect our business, please refer to our 2006 annual MD&A.

Since December 29, 2006 there have been no significant changes to the risks and uncertainties described in the annual MD&A 2006, which could affect the Company to the exception of the main banker who announced its intention to withdraw company credit facilities October 31, 2007.

Certain of the risk factors which could cause results or events to differ materially from current expectations include the following: the length of the sales cycle and the fact that certain contracts are subject to delay, the capacity of the Company to maintain new product development at a high level and in an efficient manner, currency fluctuations and international economic and geopolitical events in general and the capacity for the Company to refinance its long term-debt and maintain its credit facilities.

In addition, following the losses incurred by the St-Lambert unit in the civil engineering sector, management will implement various initiatives to reduce the level of operating losses. From the success of these initiatives the Company will be able to concentrate on value added activities and improvement of its treasury position.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The President and Chief Executive Officer and the Finance Director have evaluated whether there were changes to internal controls over financial reporting during the quarter ended June 29, 2007 that have materially affected, or are reasonably likely to materially affect, its financial reporting. No such changes were identified through their evaluation.

Forward-looking statements

Certain statements made in this MD&A may constitute forward-looking statements and are subject to significant risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. The results or events predicted in these statements may differ materially from actual results or events.

The forward-looking statements contained in this document represent the Company's expectation as of July 27, 2007 and, accordingly, are subject to change after that date. However, the Company disclaims any intention to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

On behalf of Management,

(Signed)

Patrick Savaria
Finance Director
July 27, 2007

Quarterly Review

Financial Information
(in millions of dollars, except for per share amount)

	2007 Q1	Q2	Q3	Q4	2006 Q1	Q2	Q3	Q4
SALES	4.96	**5.10**			4.44	5.25	5.19	5.06
COST OF SALES	3.22	**3.08**			2.78	3.07	3.39	3.42
GROSS MARGIN	1.74	**2.02**			1.66	2.18	1.80	1.64
EXPENSES								
Sales and administration	1.73	**1.79**			1.51	1.81	1.68	2.16
Scientific Research Cost	0.58	**0.61**			0.61	0.67	0.67	0.63
Grants and scientific tax credits	(0.23)	**(0.14)**			(0.26)	(0.31)	(0.30)	(0.07)
Interest on Long-term debt	0.07	**0.06**			0.04	0.04	0.07	0.08
Amortization	0.26	**0.25**			0.26	0.32	0.29	0.53
Foreign Exchange Loss		**0.07**			0.03	0.16	-	0.04
Restructuring costs					-	-	0.30	(0.12)
	2.41	**2,64**			2.19	2.69	2.71	3.25
LOSS Before Income Taxes	(0.67)	**(0.62)**			(0.53)	(0.51)	(0.91)	(1.61)
INCOME TAXES	0.02	**0.05**			(0.23)	(0.13)	(0.33)	0.72
NET LOSS	(0.69)	**(0.67)**			(0.30)	(0.38)	(0.58)	(2.33)
PER COMMON SHARE								
Basic	(0.12)	**(0.12)**			(0.06)	(0.07)	(0.11)	(0.42)
Diluted	(0.12)	**(0.12)**			(0.06)	(0.07)	(0.11)	(0.42)
EBITDA	(0.32)	**(0.29)**			(0.22)	(0.13)	(0.54)	(0.97)
TOTAL ASSETS	24.08	**22.53**			23.70	26.53	26.31	25.66