MANAGEMENT DISCUSSION AND ANALYSIS

Edmonton, 15 May 2008

Forward-looking Statements

Certain statements in this report may be deemed to be forward-looking statements within the meaning of the federal and provincial securities laws. Although management believes the expectations reflected in these forward-looking statements are based on reasonable assumptions, forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results and performance of the Company to be materially different from any future results and performance expressed or implied by such forward-looking statements. Among these risks and uncertainties are:

- changes in the markets in general economic conditions;
- the extent, duration and strength of any economic recovery in the markets in which the company operates;
- changes in the Oil & Gas drilling market;
- the cost and availability of debt and equity financing;
- our ability to realize anticipated cost savings from our internal initiatives and to otherwise create and capture benefits of scale;
- our ability to obtain at reasonable cost, adequate insurance for catastrophic events, such as earthquakes, hurricanes and terrorist acts;
- changes in interest rates;
- other risks and uncertainties.

The forward looking statements should not be read as guarantees of future performance or results, and no assurance can be given that the expectations will be realized. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events. Without limiting the foregoing, the words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan” and similar expressions identify forward-looking statements.

Summary of activities

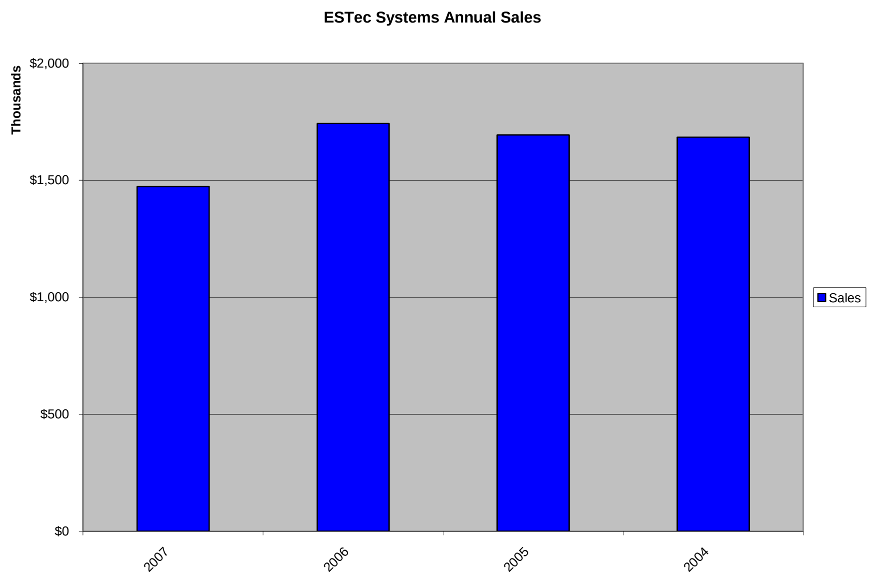
As we finish the third quarter of this fiscal year, sales are showing significant improvement. The outlook in Alberta is still pessimistic, however the outlook for BC, and Saskatchewan more than makes up for it. Also the prospects for international sales are fairly good. The Alberta drilling industry is still absorbing the changes to the Alberta royalty system.

Management expects the fiscal year ending in June 2008 will be a small loss for the year. While we are profitable in the third quarter and we expect to be profitable in the fourth quarter, the losses of the first quarter are likely to be greater than the profit in the last half of the year.

During the fourth quarter we expect to be able to add to our professional staff. This should generate some improvement in the first quarter of the next fiscal year. We will also be attending at the Alberta Drilling Rig Expo May 28 and 29 in Red Deer, Alberta.

In conjunction with our management consultants we continue to look for new project opportunities, and ways to expand our market. Several project opportunities continue to look positive, while others that we had hopes for failed the due diligence tests. No commitments will be made until the proper conditions for success have been created.

Selected Annual Information



	Year ended June 30, 2007	Year ended June 30, 2006	Year ended June 30, 2005	Year ended June 30, 2004
Total Revenues	1,481,851	1,742,538	1,693,730	1,684,287
Income/(loss) before discontinued operations and extraordinary items	(28,047)	110,433	97,335	236,948
Basic income/(loss) per share	0	.01	.01	.02
Diluted income/(loss) per share	0	.01	.01	.02
Net income/(loss)	(28,047)	203,284	97,335	(43,147)
Basic income/(loss) per share	(0.01)	.02	.01	0
Diluted income/(loss) per share	(0.01)	.02	.01	0
Total Assets	537,409	726,360	2,181,428	2,209,777
Total long-term financial liabilities	326,907	335,691	1,888,123	1,995,425

The June 2007 year-end shows a substantial drop in revenues. The 2006/2007 winter drilling season saw oil and gas drilling activity fall to about 60% of normal. This had an immediate and significant impact on our engineering revenues. At the beginning of third quarter and continuing into the fourth activities have been picking up and the outlook is starting to look more promising. We are starting to have a backlog of work again and are looking to hire additional engineering staff for the fourth quarter.

Over three of the past four years, revenue from our engineering consulting has risen steadily through the 2006 fiscal year. Profitability of the engineering consulting has risen slightly over those years. The Assets and

Liabilities of 2004 through 2005 include the discontinued operations, which forms the majority of the variation from year to year.

Summary of Quarterly Results

	For the 3 months ended 31 March 2008	For the 3 months ended 31 December 2007	For the 3 months ended 30 September 2007	For the 3 months ended 30 June 2007
Total Revenues	410,188	375,809	343,087	273,714
Income/(loss) before discontinued operations and extraordinary items	27,334	(31,080)	(73,033)	(74,062)
Basic and diluted income / (loss) per share	0	0	(.01)	(.01)
Net income/(loss)	27,334	(31,080)	(73,033)	(74,062)
Basic and diluted income / (loss) per share	0	0	(.01)	(.01)

	For the 3 months ended 31 March 2007	For the 3 months ended 31 December 2006	For the 3 months ended 30 September 2006	For the 3 months ended 30 June 2006
Total Revenues	319,663	437,448	451,026	330,412
Income/(loss) before discontinued operations and extraordinary items	(30,103)	(3,675)	79,793	(32,880)
Basic and diluted income / (loss) per share	0	0	.01	0
Net income/(loss)	(30,103)	(3,675)	79,793	113,854
Basic and diluted income / (loss) per share	0	0	.01	.01

The variation in sales is due to the general economic activity. The engineering revenues have been significantly impacted by the slow down in drilling activity during the 2007 fiscal year.

Liquidity

The company has positive working capital. Over the next year the company expects to meet all cash requirements from cash flow. While the company has a significant amount of its receivables invested in a small number of clients, these funds are largely attributable to insurance clients and the insurance company has reserves allocated to pay these accounts. Management believes it has appropriately managed the company's credit risk.

Capital Resources

The company has a $250,000.00 line of credit available for any emergent capital outlays or other cash flow requirements. As of the end of March this line of credit has been drawn to $190,000. Capital expenditures planned for the coming year are expected to be covered out of cash flow.

Off Balance Sheet Transactions

Top drive manufacture: The Technology Licensing Agreement between Farr Canada, a division of McCoy Corporation (MCB: TSX) and Allan R. Nelson Engineering (1997) Inc. provides for royalty payments to Allan R. Nelson Engineering (1997) Inc. in relation to the licensing for the manufacture and sale of the top drives based upon designs prepared by Allan R. Nelson Engineering (1997) Inc.

Farr Canada has hired a dedicated product manager who is marketing the top drive and preparing a manufacturing facility. As at the ESTec year-end Farr has established a facility for manufacturing top drives and has started producing their first units.

Farr had a booth at the recent Offshore Technology Conference in Houston, TX which generated a lot of interest.

It is expected that the license to manufacture could generate substantial royalties over the next five years. This will allow Nelson to recover the cost of developing the technology and contribute to the profitability of the company.

During the first quarter of the 2007-2008 year Allan R. Nelson Engineering (1997) Inc. received another Canadian Patent 2,413,825 for a Telescoping Rig with Torque Carrier in addition to Canadian Patent 2,436,296 for Service Rig with Torque Carrier in the 2006-2007 year.

Transactions with related parties

During the quarter the Company had business transactions with corporations controlled by certain directors of the Company. These transactions, which were at market prices, are as follows:

	For the three months ended 31 March 2008	For the three months ended 31 March 2007
Payment of rent to 262233 Alberta Ltd.	$ 67,500	$ 67,500
Due to directors, non-interest bearing, unsecured	159,859	167,996
Due to corporations controlled by directors, non-interest bearing, unsecured	166,911	166,911
	$ 326,770	$ 334,907

The long-term portion of the loans payable to related parties in the amount of $326,770 (2007 - $334,907) have no fixed terms of repayment and the parties waived their right to receive any repayment in the current fiscal year.

Included in trade accounts payable is $262 (2007 - $5,431) owing to a director.

Equity Transactions

During the third quarter 350,000 share options were issued to selected directors and employees. As the strike price on these options ($0.10 per share) is above the market price at this time ($0.06 per share), no cost is shown on the books for these options.

Controls and Procedures

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of the company's disclosure controls and procedures and assessed the design of the company's internal control over financial reporting as of March 31, pursuant to the requirements of Multilateral Instrument 52-109. Management has concluded that weaknesses exist in

a) segregation of duties surrounding the recording of cash receipts, deposits and handling of incoming cheques,
b) lack of documented review of the bank reconciliation, and
c) allocation of invoice numbers.

While these weaknesses have the potential to result in a material misstatement of financial information, management has determined, and the board agrees, that taking into account the present stage of the company's development, and the best interest of its shareholders, the company does not have sufficient size to warrant hiring additional staff to cover these weaknesses. To mitigate the impact of the weakness and to endure financial reporting, management has concluded that it needs to assign specific control monitoring responsibilities among senior executives to mitigate the weaknesses.

Other MD&A Requirements

Additional information relating to ESTec Systems and its subsidiaries can be found on SEDAR at www.sedar.com. Press releases announcing activities of the company will be posted on our web site www.estec.com.

On Behalf of the Board of Directors – May 15, 2008
Anthony B. Nelson
President