

JEMTEC Inc.

Condensed Interim Financial Statements
For the three months ended October 31, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

Notice of No Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

JEMTEC INC.

Condensed Interim Statements of Operations and Comprehensive Income
(Expressed in Canadian Dollars)
(Unaudited)

Notes	Three months ended October 31, 2019	Three months ended October 31, 2018
Revenue		
Leasing, monitoring, activation and bail	\$ 601,005	\$ 581,796
Interest income	6,087	3,893
	607,092	585,689
Expenses		
Accounting and administrative fees 10, 11	9,000	9,000
Consulting fees	30,000	30,000
Depreciation 5	30,459	27,927
Directors' fees 10, 11	13,750	12,500
Equipment rent and installation	6,375	7,111
Foreign exchange loss	2,784	6,209
Lease interest	146	-
Monitoring and activation fees	219,206	182,573
Office	35,949	30,014
Professional fees	11,355	4,250
Repairs and maintenance	19,763	12,267
Salaries and benefits 10, 11	68,434	70,045
Share-based payments 10, 11	2,790	7,957
Shareholder communications	2,756	2,588
Travel	6,467	6,770
	459,234	409,211
Income before income taxes	147,858	176,478
Provision for income taxes	45,000	-
Net income and comprehensive income for the period	\$ 102,858	\$ 176,478
Earnings per share		
Basic	\$ 0.04	\$ 0.07
Diluted	\$ 0.04	\$ 0.07
Weighted-average number of shares outstanding		
Basic	2,716,874	2,485,654
Diluted	2,865,953	2,509,623

The accompanying notes are an integral part of these condensed interim financial statements.

JEMTEC INC.

Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	October 31, 2019	July 31, 2019
Assets			
Current assets			
Cash and cash equivalents		\$ 2,418,786	\$ 2,194,824
Accounts receivable		254,793	291,554
Prepaid expenses and deposits		11,235	17,381
Total current assets		2,684,814	2,503,759
Equipment	5	81,568	84,839
Total assets		\$ 2,766,382	\$ 2,588,598
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	6, 10	\$ 326,829	\$ 322,475
Customer deposits		5,197	8,198
Deferred revenue		9,125	8,016
Income taxes payable		113,000	68,000
Current portion of lease liability	7	10,193	-
Total current liabilities		464,344	406,689
Lease liability	7	14,898	-
Total liabilities		479,242	406,689
Shareholders' equity			
Share capital	8 (a)	1,375,821	1,375,821
Share-based payments reserves	8 (b)	458,555	455,765
Retained earnings		452,764	350,323
Total shareholders' equity		2,287,140	2,181,909
Total liabilities and shareholders' equity		\$ 2,766,382	\$ 2,588,598

The accompanying notes are an integral part of these condensed interim financial statements.

Approved on behalf of the Board and authorized for issue on December 19, 2019.

/s/ Eric Caton

Director

/s/ Leslie N. Markow

Director

JEMTEC INC.

Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Common Shares	Share Capital	Share-Based Payments Reserves	Retained Earnings	Total Shareholders' Equity
Balance, July 31, 2018	2,485,654	\$ 1,296,050	\$ 434,521	\$ (252,739)	\$ 1,477,832
Share-based payments	-	-	7,957	-	7,957
Net income for the period	-	-	-	176,478	176,478
Balance, October 31, 2018	2,485,654	\$ 1,296,050	\$ 442,478	\$ (76,261)	\$ 1,662,267
Balance, July 31, 2019	2,716,874	\$ 1,375,821	\$ 455,765	\$ 350,323	\$ 2,181,909
Share-based payments	-	-	2,790	-	2,790
Net income for the period	-	-	-	102,858	102,858
Impact of change in accounting policy - Note 3(e)	-	-	-	(417)	(417)
Balance, October 31, 2019	2,716,874	\$ 1,375,821	\$ 458,555	\$ 452,764	\$ 2,287,140

The accompanying notes are an integral part of these condensed interim financial statements.

JEMTEC INC.

Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended October 31, 2019	Three months ended October 31, 2018
Cash used for:		
Operating activities		
Net income for the period	\$ 102,858	\$ 176,478
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation	30,459	27,927
Share-based payments	2,790	7,957
Changes in non-cash operating working capital		
Accounts receivable	36,761	(12,139)
Prepaid expenses and deposits	6,146	5,706
Accounts payable and accrued liabilities	4,354	(10,943)
Income taxes payable	45,000	-
Customer deposits	(3,001)	2,999
Deferred revenue	1,109	(2,284)
Cash flows from operating activities	226,476	195,701
Financing activities		
Right-of-use asset lease payment	(2,514)	-
Increase in cash during the period	223,962	195,701
Cash and cash equivalents, beginning of period	2,194,824	1,567,552
Cash and cash equivalents, end of period	\$ 2,418,786	\$ 1,763,253
Cash and cash equivalents		
Cash	\$ 904,752	\$ 570,470
Short-term deposits	1,514,034	1,192,783
	\$ 2,418,786	\$ 1,763,253
Supplementary Information		
Interest received	\$ 6,087	\$ 3,893
Interest paid	\$ 146	\$ -

The accompanying notes are an integral part of these condensed interim financial statements.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2019 and October 31, 2018
(Unaudited)

1. Nature of operations

JEMTEC Inc. ("the Company") was incorporated under the laws of Ontario and is listed on the TSX Venture Exchange ("TSXV"). The Company's core business is the provision of services and technologies for offender monitoring with Canadian federal and provincial correctional departments. The Company services include global positioning systems, electronic monitoring, alcohol detection, and voice verification technologies, as they relate to location verification of offenders and individuals under restrictions in the community.

The corporate head office of the Company is located at Suite 200, 38 Fell Avenue, North Vancouver, BC, and its registered office is located at Suite 1800 - 130 King Street West, Toronto, ON.

2. Basis of presentation

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee (IFRICs). They do not include all of the information required by International Financial Reporting Standards ("IFRS") for complete annual financial statements, and should be read in conjunction with the Company's 2019 annual financial statements. They have been prepared using the accounting policies that were described in Note 3 to the Company's annual financial statements as at and for the year ended July 31, 2019.

These condensed interim financial statements were approved by the Board of Directors of the Company on December 19, 2019.

b) Functional and presentation currency

The Company's functional and reporting currency is the Canadian dollar. Monetary assets and liabilities denominated in another currency are translated at the prevailing period-end exchange rates. Other non-monetary assets and liabilities denominated in another currency are translated at historical exchange rates. Revenues and expenses are translated at the exchange rates in effect at the time of the transaction. Gains and losses arising from fluctuations in exchange rates are included in operations for the periods in which they occur.

3. Selected significant accounting policies

a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash deposits in the bank and highly liquid investments with original maturities of three months or less that is readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

b) Revenue recognition

The Company has applied IFRS 15 to the revenue generated from the sale of parts which are required to repair and maintain the monitoring equipment, and to the revenue generated for maintenance and monitoring services. The adoption of the IFRS 15 standard did not have a significant impact on the Company's financial statements. As such, the comparative figures have not been restated.

Rental and monitoring income are recognized pursuant to various lease agreements which specify the terms and conditions of rental and the services to be performed for electronic surveillance. Rental and bail income are recognized on a straight-line basis over the terms of the leases.

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3. Selected significant accounting policies (Continued)

b) Revenue recognition (Continued)

The Company recognizes sales and leasing revenue over the term of the applicable operating services agreements. The term of existing service agreements is between one to seven 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 would be returned to the Company or the Company's lessors with no further obligation on behalf of the lessee.

Interest income is recorded when earned.

c) Financial instruments – recognition and measurement

i) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise.

Financial assets at amortized cost: Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

ii) Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

iii) Derecognition of financial instruments

When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified, it is considered to

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3. Selected significant accounting policies (Continued)

c) Financial instruments – recognition and measurement (Continued)

be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

The following table shows measurement categories as at October 31, 2019 for each of the Company's financial assets and financial liabilities:

Financial Instrument	
Cash	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Customer deposits	Amortized cost
Lease liability	Amortized cost

d) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the stock options note 8(b).

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

e) Leases

In the current period, the Company, for the first time, has applied IFRS 16 Leases. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

On adoption of IFRS 16, the Company recognized lease liability (Note 7) in relation to lease, which had previously been classified as operating lease under the principles of IAS 17 Lease. The cumulative effect of initial application is recognized in retained earnings at October 31, 2019 under the modified retrospective approach.

4. Financial instruments and financial risk management

The Company's risk exposure and impact on the Company's financial instruments are summarized below:

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4. Financial instruments and financial risk management (Continued)

a) Credit risk

The Company's principal business activities are located in Canada. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company routinely assesses the financial strength of its customers, and based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts and, as a consequence, believes that its account receivable credit risk beyond such allowances is limited.

The Company maintains cash deposits with financial institutions, which from time to time may exceed federally insured limits. The Company believes it is not exposed to any significant credit risk from cash. At October 31, 2019, the Company had cash balances on deposit that exceeded federally insured limits by \$2,218,786 (July 31, 2019 - \$1,994,824). All of these funds are on deposit with Schedule I bank in Canada.

The Company is a Canadian distributor of Stop LLC, SuperCom Inc., Omnilink Systems Inc. and the Canadian distributor of BI Inc.'s (all U.S. companies) offender monitoring and tracking devices, the sales and leasing of which account for substantially all of the Company's revenues, equipment additions and replacement parts purchased. The Company is economically dependent on these four U.S. companies for the continued supply of monitoring equipment, replacement parts, and maintenance services for resale or rental by the Company.

b) Liquidity risk

Liquidity refers to the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company intends to settle its financial liabilities with funds from its working capital position.

Cash resources, repayment obligations and spending plans are monitored and actions are taken with the objective of ensuring that there is sufficient capital in order to meet business requirements. As at October 31, 2019, the Company had cash of \$2,418,786 (July 31, 2019 - \$2,194,824) to settle \$479,242 (July 31, 2019 - \$406,689) in liabilities.

c) Market risk

The market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The Company's future interest income is exposed to short-term rate fluctuations. This is not a significant risk to the Company.

d) Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rate. Only insignificant balances of the Company's accounts payable and accrued liabilities are denominated in US dollars and therefore the Company's exposure to foreign currency exchange risk is limited.

e) Fair value

The recorded value of the Company's financial assets and liabilities approximate their fair values due to their demand nature and their short-term to maturity.

f) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company does not expect any material movements in the underlying market risk variables over a three-month period.

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5. Equipment

	Right-of-use Asset	Furniture	Monitoring Equipment	Total
Costs, July 31, 2019	-	\$ 50,222	\$ 603,953	\$ 654,175
Additions	40,782	-	-	40,782
Costs, October 31, 2019	40,782	50,222	603,953	694,957
Accumulated depreciation, July 31, 2019	-	48,918	520,418	569,336
Impact of change in accounting policy	13,594	-	-	13,594
Depreciation for the period	2,549	65	27,845	30,459
Accumulated depreciation, October 31, 2019	16,143	48,983	548,263	613,389
Net book value, October 31, 2019	24,639	\$ 1,239	\$ 55,690	\$ 81,568

	Furniture	Monitoring Equipment	Total
Costs, July 31, 2018	\$ 50,222	\$ 603,953	\$ 654,175
Additions	-	-	-
Costs, July 31, 2019	50,222	603,953	654,175
Accumulated depreciation, July 31, 2018	48,592	409,038	457,630
Current year depreciation	326	111,380	111,706
Accumulated depreciation, July 31, 2019	48,918	520,418	569,336
Net book value, July 31, 2019	\$ 1,304	\$ 83,535	\$ 84,839

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(Unaudited)

6. Accounts payable and accrued liabilities

	October 31, 2019	July 31, 2019
Trade payable and accrued liabilities	\$ 254,436	\$ 226,595
Government service tax liabilities	72,393	95,880
	\$ 326,829	\$ 322,475

7. Lease liability

	October 31, 2019	July 31, 2019
Maturity analysis		
Less than one year	\$ -	\$ -
One to five years	25,091	-
	\$ 25,091	\$ -
Current	\$ 10,193	\$ -
Non-current	14,898	-
	\$ 25,091	\$ -

JEMTEC INC.

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8. Share capital and reserves

a) Authorized

Common shares:	Unlimited, no par value
First preference shares:	Unlimited, no par value, issuable in series
Second preference shares:	25,000 Series A, no par value, redeemable, \$0.60 non-cumulative dividend

As at October 31, 2019, 2,716,874 common shares were outstanding.

b) Stock options

The Company adopted a fixed stock option plan that permits the directors of the Company to grant incentive stock options to employees, directors and consultants of the Company. The maximum number of shares issuable under the plan, which follows the policies of the TSXV regarding stock option awards, is 471,118. Options granted under the plan vest in six equal installments over a period of 18 months, with the first installment vesting immediately, and the remaining options vesting upon 6, 9, 12, 15 and 18 months after the date of grant. The option exercise price is generally set as the market price at the time of grant; however, a discount from the market price is permitted under the plan, subject to the policies of the TSXV.

On December 3, 2015, the Company granted 346,830 stock options to officers and directors, at a price of \$0.345 per share, expiring on December 2, 2020. The fair value of the options granted was estimated on the date of grant at \$62,350 using the Black-Scholes option-pricing model with the following assumptions: i) risk-free interest rate of 0.97%; ii) expected life of 5 years; iii) expected annualized volatility of 63.26%; and iv) no dividend yield. For the years ended July 31, 2016 and 2017, share-based payments were fully recognized in the Statement of Operations. As at October 31, 2019, all of the options were vested.

On January 7, 2019, 102,805 shares of these stock options granted were exercised at a price of \$0.345 per share for consideration totaling \$35,468. On April 11, 2019, 70,610 of these stock options granted were exercised at a price of \$0.345 per share for consideration totaling \$24,360. On April 24, 2019, 57,805 shares of these stock options granted were exercised at a price of \$0.345 per share for consideration totaling \$19,943.

On May 14, 2018, the Company granted 125,000 stock options to officers and directors, at a price of \$0.75 per share, expiring on May 13, 2028. The fair value of the options granted was estimated on the date of grant at \$62,000 using the Black-Scholes option-pricing model with the following assumptions: i) risk-free interest rate of 2.43%; ii) expected life of 10 years; iii) expected annualized volatility of 55.19%; and iv) no dividend yield. For the quarter ended October 31, 2019, \$2,790 (2018 – \$7,957) was recognized as share-based payments in the Statements of Operations and Comprehensive Income. As at October 31, 2019, three-fifths of the options were vested.

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Notes to the Condensed Interim Financial Statements
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8. Share capital and reserves (Continued)

c) Stock options (Continued)

A summary of changes in stock options is presented below:

	Number of Options	Weighted Averaged Exercise Price
Balance, July 31, 2017	346,830	\$0.345
Granted, May 14, 2018	125,000	\$0.750
Balance, July 31, 2018	471,830	\$0.452
Exercised, January 7, 2019	(102,805)	\$0.345
Exercised, April 11, 2019	(70,610)	\$0.345
Exercised, April 24, 2019	(57,805)	\$0.345
Balance, July 31, 2019	240,610	\$0.555
Balance, October 31, 2019	240,610	\$0.555

Options outstanding at October 31, 2019 are as follows:

Date of Grant	Number of Options Granted	Expiry	Exercise Price	Number Exercisable as at October 31, 2019	Number Outstanding as at October 31, 2019	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
December 3, 2015	346,830	December 2, 2020	\$0.345	115,610	115,610	1.09 years	\$0.345
May 14, 2018	125,000	May 13, 2028	\$0.750	75,000	125,000	8.53 years	\$0.750
	471,830			190,610	240,610	4.96 years	\$0.555

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9. Dividend

On September 11, 2014, the Company announced that the board of directors approved the payment of a one-time special dividend of \$0.59 per common share (the "Special Dividend"). The Special Dividend was payable to shareholders of record as of the close of business on September 19, 2014, resulting in a dividend declaration of \$1,466,536 on October 2, 2014.

During the year ended July 31, 2019, the Company derecognized \$112,852 (2018 - \$Nil) in dividend payable. These dividends were outstanding for more than four years since the date of declaration and as such are no longer payable under the terms of the dividend. The amount of dividends derecognized has been reflected as an adjustment to retained earnings. As of October 31, 2019, \$1,353,684 (2018 - \$1,353,566) of the dividends declared had been paid and \$Nil (July 31, 2019 - \$112,970) is recorded in accounts payable and accrued liabilities.

10. Related party transactions

The Company's related parties consist of 6 officers and directors (and their related companies), as follows:

<u>Position</u>	<u>Nature of Transaction</u>
Director	Director and member of audit committee
President, CEO and Director	Management services
Director	Director and member of audit committee
Director	Director
Director	Director and Chair of audit committee
CFO	Management services

There are standard compensation arrangements under which the directors of the Company are compensated for services in their capacity as directors (including any additional amounts payable for committee participation or special assignments). An annual payment of \$10,000 (2018 - \$10,000) is made to four directors, \$15,000 (2018 - \$10,000) is made to the Chairman and a fee of \$1,000 (2018 - \$1,000) is paid per board meeting attended. In addition to these amounts, the Chair of the Audit Committee is paid an additional \$4,000 (2018 - \$2,500) per year for the review of interim and annual financial reports. The directors did not receive compensation for services as consultants during the quarters ended October 31, 2019 and 2018.

<u>Nature of expenditures</u>	<u>Three months ended October 31, 2019</u>	<u>Three months ended October 31, 2018</u>
Accounting and administrative fees	\$ 9,000	\$ 9,000
Directors' fees	13,750	12,500
Salaries and benefits	68,434	70,045
Share-based payments	2,790	7,957
	\$ 93,974	\$ 99,502

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10. Related party transactions (Continued)

During the quarter ended October 31, 2019, \$13,750 (October 31, 2018 – \$12,500) was accrued or paid to the directors of the Company as directors' fees. At October 31, 2019, \$13,750 (July 31, 2019 - \$Nil) is due to the directors and is included in accounts payable and accrued liabilities.

During the quarter ended October 31, 2019, accounting fees of \$9,000 (October 31, 2018 - \$9,000) was accrued or paid to a Firm where a Partner in the Firm is an officer of the Company. At October 31, 2019, \$3,150 (July 31, 2019 - \$3,150) is owing to this officer and is included in accounts payable and accrued liabilities.

During the year ended July 31, 2019, \$50,400 was accrued to the President of the Company under an incentive bonus plan. At October 31, 2019, \$50,400 is owing to the President and is included in accounts payable and accrued liabilities. Subsequent to the quarter ended October 31, 2019, \$50,400 was paid to the President of the Company.

These transactions with related parties have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the parties. All amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms.

11. Key management compensation

Remuneration of key management comprises:

For three months ended	Accounting and administrative fees	Salaries and Directors' benefits	Directors' fees	Share-based payments	Total compensation
October 31, 2019	\$ 9,000	\$ 68,434	\$ 2,750	\$ 558	\$ 80,742
October 31, 2018	\$ 9,000	\$ 70,045	\$ 2,500	\$ 1,591	\$ 83,136

Share-based payments represent the cost to the directors' and officers' participation in the incentive stock option plan, as measured by the fair value of instruments granted accounted for in accordance with IFRS 2 *Share-based payments*. Refer to note 7(b) for details of this plan.

12. Income taxes

Income taxes expense is recognized based on management's best estimate of the combined federal and provincial statutory rate for the full financial year. The estimated combined tax rate used for the three months ended October 31, 2019 was 27% (27% at July 31, 2019).

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13. Fair value of financial instruments

At October 31, 2019 and July 31, 2019, the Company held financial instruments carried at fair value on the Statement of Financial Position. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, customer deposits and lease liability are valued using quoted market prices and have been included in Level 1 of the fair value hierarchy.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at October 31, 2019 and July 31, 2019:

October 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 2,418,786	-	-	\$ 2,418,786
Accounts receivables	254,793	-	-	254,793
Financial liabilities				
Accounts payable and accrued liabilities	254,436	-	-	254,436
Customer deposits	5,197	-	-	5,197
Lease liability	25,091	-	-	25,091
<hr/>				
July 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 2,194,824	-	-	\$ 2,194,824
Accounts receivables	291,554	-	-	291,554
Financial liabilities				
Accounts payable and accrued liabilities	226,595	-	-	226,595
Customer deposits	8,198	-	-	8,198

14. Commitments

The Company is committed under an agreement to lease office facilities to September 30, 2020. The Company is committed to making monthly payments of \$1,900 for these office facilities.