

JEMTEC Inc.

Condensed Interim Financial Statements
For the three months ended October 31, 2020 and 2019
(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, 2020	Three months ended October 31, 2019
Revenue			
Leasing, monitoring, activation and bail		\$ 610,184	\$ 601,005
Interest income		976	6,087
		611,160	607,092
Expenses			
Accounting and administrative fees	10, 11	9,000	9,000
Consulting fees		30,000	30,000
Depreciation	6	2,634	30,459
Directors' fees	10, 11	11,250	13,750
Equipment rent and installation		11,203	6,375
Foreign exchange loss		2,534	2,784
Lease interest		91	146
Monitoring and activation fees		211,690	219,206
Office		43,519	35,949
Professional fees		5,750	11,355
Repairs and maintenance		9,450	19,763
Salaries and benefits	10, 11	70,298	68,434
Share-based payments	10, 11	-	2,790
Shareholder communications		2,676	2,756
Travel		13,504	6,467
		423,599	459,234
Income before income taxes		187,561	147,858
Provision for income taxes		48,000	45,000
Net income and comprehensive income for the period		\$ 139,561	\$ 102,858
Earnings per share			
Basic		\$ 0.05	\$ 0.04
Diluted		\$ 0.05	\$ 0.04
Weighted-average number of shares outstanding			
Basic	8	2,716,874	2,716,874
Diluted	8	2,847,947	2,865,953

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, 2020	July 31, 2020
Assets			
Current assets			
Cash and cash equivalents		\$ 2,149,242	\$ 2,093,645
Accounts receivable		326,101	206,878
Prepaid expenses and deposits		12,160	18,290
Total current assets		2,487,503	2,318,813
Property and equipment	6	15,616	18,250
Total assets		\$ 2,503,119	\$ 2,337,063
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	7, 10	\$ 304,515	\$ 288,425
Deferred revenue		5,009	11,002
Income taxes payable		122,186	103,219
Current portion of lease liability	5	10,418	10,361
Total current liabilities		442,128	413,007
Lease liability	5	4,409	7,035
Total liabilities		446,537	420,042
Shareholders' equity			
Share capital	8	1,375,821	1,375,821
Share-based payments reserves	8	461,460	461,460
Retained earnings		219,301	79,740
Total shareholders' equity		2,056,582	1,917,021
Total liabilities and shareholders' equity		\$ 2,503,119	\$ 2,337,063

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 17, 2020.

/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, 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	-	-	-	(417)	(417)
Balance, October 31, 2019	2,716,874	\$ 1,375,821	\$ 458,555	\$ 452,764	\$ 2,287,140
Balance, July 31, 2020	2,716,874	\$ 1,375,821	\$ 461,460	\$ 79,740	\$ 1,917,021
Net income for the period	-	-	-	139,561	139,561
Balance, October 31, 2020	2,716,874	\$ 1,375,821	\$ 461,460	\$ 219,301	\$ 2,056,582

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, 2020	Three months ended October 31, 2019
Cash provided by (used for):		
Operating activities		
Net income for the period	\$ 139,561	\$ 102,858
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation	2,634	30,459
Share-based payments	-	2,790
Interest on lease liability	91	-
Changes in non-cash operating working capital		
Accounts receivable	(119,223)	36,761
Prepaid expenses and deposits	6,130	6,146
Accounts payable and accrued liabilities	16,090	4,354
Customer deposits	-	(3,001)
Deferred revenue	(5,993)	1,109
Income taxes payable	18,967	45,000
Net cash provided by operating activities	58,257	226,476
Financing activities		
Lease payment	(2,660)	(2,514)
Increase in cash during the period	55,597	223,962
Cash and cash equivalents, beginning of period	2,093,645	2,194,824
Cash and cash equivalents, end of period	\$ 2,149,242	\$ 2,418,786
Cash and cash equivalents		
Cash	\$ 621,804	\$ 904,752
Short-term deposits	1,527,438	1,514,034
	\$ 2,149,242	\$ 2,418,786
Supplementary Information		
Interest received	\$ 976	\$ 6,087
Interest paid	\$ -	\$ 146
Income taxes paid	\$ 29,000	\$ -

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, 2020 and October 31, 2019
(Unaudited)

1. Nature of operations

JEMTEC Inc. (“the Company”) was incorporated under the Ontario Business Corporations Act 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 2020 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, 2020.

These condensed interim financial statements were approved by the Board of Directors of the Company on December 17, 2020.

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.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

3. Selected significant accounting policies (Continued)

b) Revenue recognition (Continued)

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.

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"), fair value through other comprehensive income ("FVTOCI"), 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 FVTOCI: Financial assets carried at FVTOCI are initially recorded at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

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

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

3. Selected significant accounting policies (Continued)

c) Financial instruments – recognition and measurement (Continued)

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 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, 2020 for each of the Company's financial assets and financial liabilities:

Financial Instrument	
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	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 the Statements of Operations and Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

3. Selected significant accounting policies (Continued)

d) Share-based payments (Continued)

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

The Company has adopted IFRS 16 Leases effective August 1, 2019 using the modified retrospective method. 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 a lease liability (Note 5) in relation to a vehicle lease, which had previously been classified as operating lease under the principles of IAS 17 Lease with a corresponding right-of-use asset for the underlying vehicle. The Company applied the exemption not to recognize right-of-use assets and lease liabilities for short-term leases on its office space lease. On adoption of IFRS 16, there was no adjustment to the opening balance in retained earnings at August 1, 2019 under the modified retrospective approach.

f) Future accounting changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following standard is not expected to have a material effect on the financial statements of the Company and the Company intends to adopt it when it becomes effective:

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to clarify the guidance for the classification of liabilities as current or non-current. It could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

4. Financial instruments and financial risk management

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

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.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

4. Financial instruments and financial risk management (Continued)

a) Credit risk (Continued)

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, 2020, the Company had cash balances on deposit that exceeded federally insured limits by \$1,949,242 (July 31, 2020 - \$1,893,645). 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 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

All of the Company's financial liabilities are classified as current. The Company intends to settle these 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 short-term business requirements. As at October 31, 2020, the Company had cash of \$2,149,242 (July 31, 2020 - \$2,093,645) to settle \$442,128 (July 31, 2020 - \$413,007) in current liabilities which fall due for payment within 12 months of the Statement of Financial Position.

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.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

5. Right-of-Use Asset and Lease Liability

The Company has a lease agreement for a company vehicle. Upon transition to IFRS 16, the Company recognized \$27,531 for a right-of-use asset and \$27,531 for a lease liability. The continuity of the right-of-use asset and lease liability for the quarter ended October 31, 2020 is as follows:

	October 31, 2020	July 31, 2020
Right-of-Use Asset		
Value of right-of-use asset as at beginning	\$ 17,207	\$ 27,531
Depreciation for the period	(2,581)	(10,324)
	\$ 14,626	\$ 17,207
Lease Liability		
Lease liability recognized as at beginning	\$ 17,396	\$ 27,531
Lease payments	(2,660)	(10,641)
Lease interest	91	506
	\$ 14,827	17,396
Current portion	\$ 10,418	\$ 10,361
Non-current portion	4,409	7,035
	\$ 14,827	\$ 17,396

During the quarter, the Company incurred short-term lease expense for office space of \$5,024.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

6. Property and Equipment

	Right-of-use Asset	Furniture	Monitoring Equipment	Total
Costs, July 31, 2020	27,531	\$ 50,222	\$ 603,953	\$ 681,706
Additions	-	-	-	-
Costs, October 31, 2020	27,531	50,222	603,953	681,706
Accumulated depreciation, July 31, 2020	10,324	49,179	603,953	663,456
Depreciation for the period	2,581	53	-	2,634
Accumulated depreciation, October 31, 2020	12,905	49,232	603,953	666,090
Net book value, October 31, 2020	14,626	\$ 990	\$ -	\$ 15,616

	Right-of-use Asset	Furniture	Monitoring Equipment	Total
Costs, July 31, 2019	-	\$ 50,222	\$ 603,953	\$ 654,175
Additions	27,531	-	-	27,531
Costs, July 31, 2020	27,531	50,222	603,953	681,706
Accumulated depreciation, July 31, 2019	-	48,918	520,418	569,336
Depreciation for the year	10,324	261	83,535	94,120
Accumulated depreciation, July 31, 2020	10,324	49,179	603,953	663,456
Net book value, July 31, 2020	17,207	\$ 1,043	\$ -	\$ 18,250

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

7. Accounts payable and accrued liabilities

	October 31, 2020	July 31, 2020
Trade payable and accrued liabilities	\$ 225,661	\$ 187,814
Government service tax and remittance liabilities	78,854	100,611
	\$ 304,515	\$ 288,425

8. Share capital and reserves

a) Authorized

Common shares:	Unlimited, no par value
First preference shares:	Unlimited, no par value, issuable in series - None issued as at October 31, 2020 and July 31, 2020
Second preference shares:	25,000 Series A, no par value, redeemable, \$0.60 non-cumulative dividend - None issued as at October 31, 2020 and July 31, 2020

As at October 31, 2020, 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, 2020, 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.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

8. Share capital and reserves (Continued)

b) Stock options (Continued)

Subsequent to the quarter ended October 31, 2020, on December 2, 2020, 57,805 shares of these stock options granted were exercised at a price of \$0.345 per share for consideration totaling \$19,943. 57,805 shares of these stock options granted were expired at a price of \$0.345 per share.

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, 2020, \$nil (October 31, 2019 – \$2,790) was recognized as share-based payments in the Statements of Operations and Comprehensive Income. As at October 31, 2020, all of the options were vested.

A summary of changes in stock options is presented below:

	Number of Options	Weighted Averaged Exercise Price
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, October 31, 2019 and 2020	240,610	\$0.555

Options outstanding at October 31, 2020 are as follows:

Date of Grant	Number of Options Granted	Expiry	Exercise Price	Number Exercisable as at October 31, 2020	Number Outstanding as at October 31, 2020	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
December 3, 2015	346,830	December 2, 2020	\$0.345	115,610	115,610	0.09 years	\$0.345
May 14, 2018	125,000	May 13, 2028	\$0.750	125,000	125,000	7.53 years	\$0.750
	471,830			240,610	240,610	3.96 years	\$0.555

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

8. Share capital and reserves (Continued)

c) Earnings per share

The following is a reconciliation of the denominator in calculating basic and diluted earnings per share:

	October 31, 2020	October 31, 2019
Net income for the quarter	\$ 139,561	\$ 102,858
Basic weighted average number of shares outstanding	2,716,874	2,716,874
Effect on dilutive securities from stock options	131,073	149,079
Diluted weighted average number of shares outstanding	2,847,947	2,865,953
Earnings per share, basic	\$ 0.05	\$ 0.04
Earnings per share, diluted	\$ 0.05	\$ 0.04

9. Dividend

During the fiscal year ended July 31, 2020, the Company declared a one-time special dividend in the aggregate amount of \$679,219 (\$0.25 per share) (2019 - \$Nil) payable to the holders of the issued and outstanding common shares in the capital of the Company. The dividend was payable on February 10, 2020 to the shareholders on record of the Company as of January 17. On February 10, 2020, the Company distributed the dividend to a third-party company to release the dividend to shareholders. As of October 31, 2020, \$Nil (July 31, 2020 - \$Nil) of the dividend declared is recorded in accounts payable and accrued liabilities.

10. Related party transactions

The Company's related parties consist of five officers and directors (and companies controlled by them), as follows:

Position	Nature of Transaction
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 (2019 - \$10,000) is made to three (2019 - four) directors, \$15,000 (2019 - \$15,000) is made to the Chairman and a fee of \$1,000 (2019 - \$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 (2019 - \$4,000) 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, 2020 and 2019.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

10. Related party transactions (Continued)

Nature of expenditures	Three months ended October 31, 2020	Three months ended October 31, 2019
Accounting and administrative fees	\$ 9,000	\$ 9,000
Directors' fees	11,250	13,750
Salaries and benefits	70,298	68,434
Share-based payments	-	2,790
	\$ 90,548	\$ 93,974

During the quarter ended October 31, 2020, \$11,250 (October 31, 2019 – \$13,750) was accrued or paid to the directors of the Company as directors' fees. As at October 31, 2020, \$11,250 (July 31, 2020 - \$Nil) is due to the directors and is included in accounts payable and accrued liabilities.

During the quarter ended October 31, 2020, accounting fees of \$9,000 (October 31, 2019 - \$9,000) was accrued or paid to a Firm where a Partner in the Firm is an officer of the Company. As at October 31, 2020, \$3,150 (July 31, 2020 - \$3,150) is owing to this officer and is included in accounts payable and accrued liabilities.

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 benefits	Directors' fees	Share-based payments	Total compensation
October 31, 2020	\$ 9,000	\$ 70,298	\$ 2,500	\$ -	\$ 81,798
October 31, 2019	\$ 9,000	\$ 68,434	\$ 2,750	\$ 558	\$ 80,742

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 8(b) for details of this plan.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2020 and October 31, 2019
(Unaudited)

12. Fair value of financial instruments

At October 31, 2020 and July 31, 2020, 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 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, 2020 and July 31, 2020:

October 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 2,149,242	-	-	\$ 2,149,242
Accounts receivables	326,101	-	-	326,101
Financial liabilities				
Accounts payable and accrued liabilities	225,661	-	-	225,661
Lease liability	14,827	-	-	14,827
<hr/>				
July 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 2,093,645	-	-	\$ 2,093,645
Accounts receivables	206,878	-	-	206,878
Financial liabilities				
Accounts payable and accrued liabilities	187,814	-	-	187,814
Lease liability	17,396	-	-	17,396

13. Commitments

The Company is committed under an agreement to lease office facilities to September 30, 2022. The Company is committed to making minimum monthly payments of \$970 for these office facilities.

The Company also has a commitment under a vehicle lease agreement. The remaining lease period is 17 months and monthly payment commitment is \$887.