

JEMTEC Inc.

Condensed Interim Financial Statements
For the three months ended October 31, 2021 and 2020
(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, 2021	Three months ended October 31, 2020
Revenue			
Leasing, monitoring, activation and bail		\$ 767,371	\$ 610,184
Interest income		752	976
		768,123	611,160
Expenses			
Accounting and administrative fees	10, 11	10,500	9,000
Consulting fees		30,810	30,000
Depreciation	6	8,128	2,634
Directors' fees	10, 11	21,250	11,250
Equipment rent and installation		11,136	11,203
Foreign exchange loss		3,276	2,534
Lease interest		257	91
Monitoring and activation fees		236,650	211,690
Office		39,144	43,519
Professional fees		9,968	5,750
Repairs and maintenance		18,390	9,450
Salaries and benefits	10, 11	72,694	70,298
Shareholder communications		2,647	2,676
Travel		10,382	13,504
		475,232	423,599
Income before income taxes			
Current income tax expense		292,891	187,561
Deferred income tax expense		77,000	48,000
		2,000	-
Net income and comprehensive income for the period		\$ 213,891	\$ 139,561
Earnings per share			
Basic		\$ 0.077	\$ 0.051
Diluted		\$ 0.075	\$ 0.049
Weighted-average number of shares outstanding			
Basic	8	2,794,679	2,716,874
Diluted	8	2,855,617	2,847,947

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, 2021	July 31, 2021
Assets			
Current assets			
Cash and cash equivalents		\$ 2,023,154	\$ 1,662,606
Accounts receivable		293,739	364,154
Prepaid expenses and deposits		15,785	24,123
Total current assets		2,332,678	2,050,883
Property and equipment	6	25,590	33,718
Deferred income tax assets		49,000	51,000
Total assets		\$ 2,407,268	\$ 2,135,601
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	7, 10	\$ 307,848	\$ 274,644
Customer deposits		5,500	-
Deferred revenue		4,964	4,820
Income taxes payable		30,899	3,899
Current portion of lease liabilities	5	24,557	28,925
Total current liabilities		373,768	312,288
Lease liabilities	5	-	3,704
Total liabilities		373,768	315,992
Shareholders' equity			
Share capital	8	1,410,764	1,410,764
Share-based payments reserves	8	461,460	461,460
Retained earnings (Deficit)		161,276	(52,615)
Total shareholders' equity		2,033,500	1,819,609
Total liabilities and shareholders' equity		\$ 2,407,268	\$ 2,135,601

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 16, 2021.

/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 (Deficit)	Total Shareholders' Equity
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
Balance, July 31, 2021	2,794,679	\$ 1,410,764	\$ 461,460	\$ (52,615)	\$ 1,819,609
Net income for the period	-	-	-	213,891	213,891
Balance, October 31, 2021	2,794,679	\$ 1,410,764	\$ 461,460	\$ 161,276	\$ 2,033,500

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, 2021	Three months ended October 31, 2020
Cash provided by (used for):		
Operating activities		
Net income for the period	\$ 213,891	\$ 139,561
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation	8,128	2,634
Interest on lease liabilities	257	91
Deferred income tax expense	2,000	-
Changes in non-cash operating working capital		
Accounts receivable	70,415	(119,223)
Prepaid expenses and deposits	8,338	6,130
Accounts payable and accrued liabilities	33,204	16,090
Customer deposits	5,500	-
Deferred revenue	144	(5,993)
Income taxes payable	27,000	18,967
Net cash provided by operating activities	368,877	58,257
Financing activity		
Lease payment	(8,329)	(2,660)
Increase in cash and cash equivalents during the period	360,548	55,597
Cash and cash equivalents, beginning of period	1,662,606	2,093,645
Cash and cash equivalents, end of period	\$ 2,023,154	\$ 2,149,242
Cash and cash equivalents		
Cash	\$ 792,860	\$ 621,804
Short-term deposits	1,230,294	1,527,438
	\$ 2,023,154	\$ 2,149,242
Supplementary Information		
Interest received	\$ 752	\$ 976
Interest paid	\$ -	\$ -
Income taxes paid	\$ 50,000	\$ 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, 2021 and October 31, 2020
(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’s 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business.

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 2021 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, 2021.

These condensed interim financial statements were approved by the Board of Directors of the Company on December 16, 2021.

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.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
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3. Selected significant accounting policies (Continued)

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.

Monitoring and activation income is recognized pursuant to various lease and rental agreements which specify the terms and conditions of the equipment provided and of the services to be performed. Rental and bail income is recognized on a straight-line basis over the terms of the leases. Revenue from the sale of parts which are required to repair and maintain the monitoring equipment is recognized upon delivery to the customer. Maintenance and monitoring service income is recognized when the services are performed.

The Company recognizes sales, leasing and rental revenue over the term of the applicable operating services agreements. The usual term of service agreements is one to seven years. Generally, customers have the option to renew or cancel the lease. Rental and service agreements upon the expiration of each term or, in certain circumstances, may be cancelled upon specific notice provided to the Company. In situations where agreements are terminated, and the monitoring equipment is rented on a daily basis, it is returned to the Company with no further obligation on behalf of the customer.

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 statement of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of operations in the period in which they arise.

Financial assets at FVTOCI: Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs 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.

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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, 2021 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
Customer deposits	Amortized cost
Lease liabilities	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.

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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

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset (the "ROU"), the Company assesses whether the contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights, the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and whether the Company has the right to direct the use of the asset.

The Company applies the exemption not to recognize right-of-use assets and lease liabilities for leases relating to low-value assets and leases whose term ends within 12 months of the date of initial application. The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the end-of-the-useful-life or the lease term, whichever comes earlier, using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise the option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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, 2023.

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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 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, 2021, the Company had cash balances on deposit that exceeded federally insured limits by \$1,823,154 (July 31, 2021 - \$1,462,606). All of these funds are on deposit with Schedule I bank in Canada.

The Company is a Canadian distributor of Stop LLC, SuperCom 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 three 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, 2021, the Company had cash of \$2,023,154 (July 31, 2021 - \$1,662,606) to settle \$373,768 (July 31, 2021 - \$312,288) 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.

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Notes to the Condensed Interim Financial Statements
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4. Financial instruments and financial risk management (Continued)

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.

5. Lease liabilities

The Company has lease agreements for a company vehicle and office space. The continuity of the lease liabilities for the quarter ended October 31, 2021 is as follows:

	October 31, 2021	July 31, 2021
Lease liabilities		
Lease liabilities recognized as at beginning of year	\$ 32,629	\$ 17,396
Additions	-	43,100
Lease payments	(8,329)	(29,117)
Lease interest	257	1,250
	\$ 24,557	\$ 32,629
Current portion	\$ 24,557	\$ 28,925
Non-current portion	-	3,704
	\$ 24,557	\$ 32,629

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
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(Unaudited)

6. Property and equipment

	Right-of-use Assets	Furniture	Computer	Monitoring Equipment	Total
Costs, July 31, 2021	\$ 70,631	\$ 50,222	\$ 996	\$ 594,770	\$ 716,619
Additions	-	-	-	-	-
Costs, October 31, 2021	70,631	50,222	996	594,770	716,619
Accumulated depreciation, July 31, 2021	38,606	49,388	137	594,770	682,901
Depreciation for the period	7,968	42	118	-	8,128
Accumulated depreciation, October 31, 2021	46,574	49,430	255	594,770	691,029
Net book value, October 31, 2021	\$ 24,057	\$ 792	\$ 741	\$ -	\$ 25,590

	Right-of-use Assets	Furniture	Computer	Monitoring Equipment	Total
Costs, July 31, 2020	\$ 27,531	\$ 50,222	\$ -	\$ 603,953	\$ 681,706
Additions	43,100	-	996	-	44,096
Write-off of fully depreciated equipment	-	-	-	(9,183)	(9,183)
Costs, July 31, 2021	70,631	50,222	996	594,770	716,619
Accumulated depreciation, July 31, 2020	10,324	49,179	-	603,953	663,456
Depreciation for the year	28,282	209	137	-	28,628
Write-off of fully depreciated equipment	-	-	-	(9,183)	(9,183)
Accumulated depreciation, July 31, 2021	38,606	49,388	137	594,770	682,901
Net book value, July 31, 2021	\$ 32,025	\$ 834	\$ 859	\$ -	\$ 33,718

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
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(Unaudited)

7. Accounts payable and accrued liabilities

	October 31, 2021	July 31, 2021
Trade payable and accrued liabilities	\$ 218,290	\$ 191,057
Government service tax and remittance liabilities	89,558	83,587
	\$ 307,848	\$ 274,644

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, 2021 and July 31, 2021
Second preference shares:	25,000 Series A, no par value, redeemable, \$0.60 non-cumulative dividend - None issued as at October 31, 2021 and July 31, 2021

As at October 31, 2021, 2,794,679 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 instalments over a period of 18 months, with the first instalment 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 July 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. 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 and 57,805 shares of these stock options granted were expired at a price of \$0.345 per share.

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Notes to the Condensed Interim Financial Statements

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8. Share capital and reserves (Continued)

b) Stock options (Continued)

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 years ended July 31, 2019 and 2020, share-based payments were fully recognized in the Statement of Operations. As at July 31, 2021, all of the options were vested. On December 31, 2020, 20,000 shares of these stock options granted were exercised at a price of \$0.75 per share for consideration totaling \$15,000 and 5,000 options were forfeited. As at October 31, 2021, 100,000 shares of the options were outstanding.

A summary of changes in stock options is presented below:

	Number of Options	Weighted Averaged Exercise Price
Balance, July 31, 2020	240,610	\$0.555
Exercised, December 2, 2020	(57,805)	\$0.345
Expired, December 2, 2020	(57,805)	\$0.345
Exercised, December 31, 2020	(20,000)	\$0.750
Forfeited, December 31, 2020	(5,000)	\$0.750
Balance, October 31, 2021	100,000	\$0.750

Options outstanding at October 31, 2021 are as follows:

Date of Grant	Number of Options Granted	Expiry	Exercise Price	Number Exercisable as at October 31, 2021	Number Outstanding as at October 31, 2021	Weighted Average Remaining Contractual Life (years)
May 14, 2018	125,000	May 13, 2028	\$0.750	100,000	100,000	6.54 years

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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, 2021	October 31, 2020
Net income for the quarter	\$ 213,891	\$ 139,561
Basic weighted average number of shares outstanding	2,794,679	2,716,874
Effect on dilutive securities from stock options	60,938	131,073
Diluted weighted average number of shares outstanding	2,855,617	2,847,947
Earnings per share, basic	\$ 0.077	\$ 0.050
Earnings per share, diluted	\$ 0.075	\$ 0.049

9. Dividend

During the fiscal year ended July 31, 2021, the Company declared a special dividend in the aggregate amount of \$693,670 (\$0.25 per share) payable to the holders of the issued and outstanding common shares in the capital of the Company. The dividend was payable on February 10, 2021 to the shareholders on record of the Company as of January 6, 2021. On February 10, 2021, the Company distributed the dividend to a third-party company to release the dividend to shareholders. During the fiscal year ended July 31, 2021, \$295 of the 2019 derecognized dividends was claimed and paid to a shareholder. As of October 31, 2021, \$Nil (July 31, 2021 - \$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 Chairman of the Board
Director	Director and Chair of Audit Committee
Director	Director and member 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 \$20,000 (2020 - \$10,000) is made to three directors, \$25,000 (2020 - \$15,000) is made to the Chairman and a fee of \$1,000 (2020 - \$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 (2020 - \$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, 2021 and 2020.

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10. Related party transactions (Continued)

Nature of expenditures	Three months ended October 31, 2021	Three months ended October 31, 2020
Accounting and administrative fees	\$ 10,500	\$ 9,000
Directors' fees	21,250	11,250
Salaries and benefits	72,694	70,298
	\$ 104,444	\$ 90,548

During the quarter ended October 31, 2021, \$21,250 (October 31, 2020 – \$11,250) was accrued or paid to the directors of the Company as directors' fees. As at October 31, 2021, \$21,250 (July 31, 2021 - \$Nil) is due to the directors and is included in accounts payable and accrued liabilities.

During the quarter ended October 31, 2021, accounting fees of \$10,500 (October 31, 2020 - \$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, 2021, \$Nil (July 31, 2021 - \$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 fair value. 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	Total compensation
October 31, 2021	\$ 10,500	\$ 72,694	\$ 5,000	\$ 88,194
October 31, 2020	\$ 9,000	\$ 70,298	\$ 2,500	\$ 81,798

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2021 and October 31, 2020
(Unaudited)

12. Fair value of financial instruments

At October 31, 2021 and July 31, 2021, 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 liabilities 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, 2021 and July 31, 2021:

October 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 2,023,154	-	-	\$ 2,023,154
Accounts receivables	293,739	-	-	293,739
Financial liabilities				
Accounts payable and accrued liabilities	218,290	-	-	218,290
Customer deposits	5,500	-	-	5,500
Lease liabilities	24,557	-	-	24,557
July 31, 2021				
Financial assets				
Cash and cash equivalents	\$ 1,662,606	-	-	\$ 1,662,606
Accounts receivables	364,154	-	-	364,154
Financial liabilities				
Accounts payable and accrued liabilities	191,057	-	-	191,057
Lease liabilities	32,629	-	-	32,629

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 5 months and monthly payment commitment is \$887.