

**JEMTEC Inc.**

**Condensed Interim Financial Statements**  
**For the three months ended October 31, 2023 and 2022**  
*(Expressed in Canadian dollars)*  
*(Unaudited)*

## **Notice of No Review of Interim Financial Statements**

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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, 2023	Three months ended October 31, 2022
<b>Revenue</b>			
Leasing, monitoring, activation and bail		\$ 371,720	\$ 373,721
Interest income		13,658	5,471
		<b>385,378</b>	<b>379,192</b>
<b>Expenses</b>			
Accounting and administrative fees	9, 10	11,100	11,100
Consulting fees		21,450	25,215
Depreciation	6	6,949	7,634
Directors' fees	9, 10	21,722	21,425
Equipment rent and installation		75,037	34,232
Foreign exchange loss		3,563	7,319
Lease interest		491	18
Monitoring and activation fees		112,226	122,605
Office		15,190	16,915
Professional fees		7,935	6,250
Repairs and maintenance		7,753	27,316
Salaries and benefits	9, 10	67,413	70,991
Share-based payments		2,705	14,628
Shareholder communications		3,554	2,315
Shipping expenses		15,851	20,792
Travel		2,382	8,064
		<b>375,321</b>	<b>396,819</b>
<b>Income (loss) before income taxes</b>		<b>10,057</b>	<b>(17,627)</b>
Current income tax expense		2,050	-
Deferred income tax (recovery)		-	(1,000)
<b>Net income (loss) and comprehensive income (loss) for the period</b>		<b>\$ 8,007</b>	<b>\$ (16,627)</b>
<b>Earnings (loss) per share</b>			
<b>Basic</b>		<b>\$ 0.003</b>	<b>\$ (0.006)</b>
<b>Diluted</b>		<b>\$ 0.003</b>	<b>\$ (0.006)</b>
<b>Weighted-average number of shares outstanding</b>			
<b>Basic</b>	8	<b>2,794,679</b>	<b>2,794,679</b>
<b>Diluted</b>	8	<b>2,815,732</b>	<b>2,800,870</b>

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, 2023	July 31, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 2,219,999	\$ 2,131,728
Accounts receivable		128,520	227,201
Prepaid expenses and deposits		27,822	29,233
Income taxes recoverable		72,075	74,125
<b>Total current assets</b>		<b>2,448,416</b>	<b>2,462,287</b>
Property and equipment	6	38,482	45,431
<b>Total assets</b>		<b>\$ 2,486,898</b>	<b>\$ 2,507,718</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7, 9	\$ 158,273	\$ 186,133
Customer deposits		11,396	11,396
Deferred revenue		7,528	5,830
Current portion of lease liabilities	5	20,542	22,075
<b>Total current liabilities</b>		<b>197,739</b>	<b>225,434</b>
Lease liabilities	5	-	3,837
<b>Total liabilities</b>		<b>197,739</b>	<b>229,271</b>
<b>Shareholders' equity</b>			
Share capital	8	1,410,764	1,410,764
Share-based payments reserves	8	573,428	570,723
Retained earnings		304,967	296,960
<b>Total shareholders' equity</b>		<b>2,289,159</b>	<b>2,278,447</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 2,486,898</b>	<b>\$ 2,507,718</b>

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 20, 2023.

/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
<b>Balance, July 31, 2022</b>	2,764,679	\$ 1,410,764	\$ 525,494	\$ 498,342	\$ 2,434,600
Share-based payments	-	-	14,628	-	14,628
Net (loss) for the period	-	-	-	(16,627)	(16,627)
<b>Balance, October 31, 2022</b>	<b>2,764,679</b>	<b>\$ 1,410,764</b>	<b>\$ 540,122</b>	<b>\$ 481,715</b>	<b>\$ 2,432,601</b>
<b>Balance, July 31, 2023</b>	2,794,679	\$ 1,410,764	\$ 570,723	\$ 296,960	\$ 2,278,447
Share-based payments	-	-	2,705	-	2,705
Net income for the period	-	-	-	8,007	8,007
<b>Balance, October 31, 2023</b>	<b>2,794,679</b>	<b>\$ 1,410,764</b>	<b>\$ 573,428</b>	<b>\$ 304,967</b>	<b>\$ 2,289,159</b>

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, 2023	Three months ended October 31, 2022
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net income (loss) for the period	\$ 8,007	\$ (16,627)
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation	6,949	7,634
Interest on lease liabilities	491	18
Share-based payments	2,705	14,628
Deferred income tax (recovery) expense	-	(1,000)
Changes in non-cash operating working capital		
Accounts receivable	98,681	187,259
Prepaid expenses and deposits	1,411	9,402
Accounts payable and accrued liabilities	(27,860)	(3,707)
Customer deposits	-	-
Deferred revenue	1,698	455
Income taxes payable	2,050	-
<b>Net cash provided by operating activities</b>	<b>94,132</b>	<b>198,062</b>
<b>Investing activity</b>		
Purchase of equipment	-	(750)
<b>Financing activity</b>		
Lease payment	(5,861)	(5,648)
<b>Increase in cash and cash equivalents during the period</b>	<b>88,271</b>	<b>191,664</b>
Cash and cash equivalents, beginning of period	2,131,728	2,167,495
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,219,999</b>	<b>\$ 2,359,159</b>
<b>Cash and cash equivalents</b>		
Cash	\$ 436,134	\$ 1,119,011
Short-term deposits	1,783,865	1,240,148
	<b>\$ 2,219,999</b>	<b>\$ 2,359,159</b>
<b>Supplementary Information</b>		
Interest received	\$ 13,658	\$ 5,471
Interest paid	\$ 491	\$ 18
Income taxes paid	\$ -	\$ -

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, 2023 and October 31, 2022  
(Unaudited)

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## 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.

## 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 2023 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, 2023.

These condensed interim financial statements were approved by the Board of Directors of the Company on December 20, 2023.

### 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.

### c) Other comprehensive income (loss)

Other comprehensive income (loss) is the change in shareholders’ equity during a period from transactions and other events and circumstances from non-owner sources. The Company had no elements of other comprehensive income (loss) for the period ended October 31, 2023.

### d) Estimates and judgments

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
(Unaudited)

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## 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) Property and equipment

Property and equipment is stated at cost less accumulated depreciation. The cost of an item of property and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Property and equipment is depreciated over the estimated useful lives of the respective assets at the following rates:

- Vehicle 30% declining balance
- Computer 55% declining balance
- Furniture 20% declining balance
- Monitoring equipment straight-line over the contract period
- Right-of-use asset straight-line over the contract period

Useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively if appropriate. An impairment review is performed, either individually or at the cash-generating unit level, when there are indicators that the carrying amount of the asset may exceed its recoverable amount. To the extent that this occurs, the asset is written down to its estimated net realizable value.

### c) Revenue recognition

The Company recognizes revenues from customers applying the five-step model framework in IFRS 15, as follows:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize the revenue when the entity has satisfied the performance obligation(s).

Monitoring revenue is recognized as the services are provided to the customer pursuant to the underlying terms, conditions and rates included in the contracts. In cases where the performance obligations are not satisfied at the reporting period date, the related revenue is deferred to future periods and recognized as the services are provided.

Equipment rental revenue is recognized over the term of the agreement based on daily or monthly rates. Equipment servicing and repair revenue is recognized at the time the service is provided. Revenues from the sale of parts and supplies required to service, repair and maintain equipment are recognized when control of the goods has been transferred, which occurs when the goods are delivered to the customer.

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
(Unaudited)

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## 3. Selected significant accounting policies (Continued)

### c) Revenue recognition (Continued)

The usual term of customer contracts and 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 other circumstances, may be cancelled upon specific notice provided to the Company. In situations where contracts and 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.

### d) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

### e) 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.

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
(Unaudited)

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## 3. Selected significant accounting policies (Continued)

### e) 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, 2023 for each of the Company's financial assets and financial liabilities:

<b>Financial Instrument</b>	
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
(Unaudited)

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## 3. Selected significant accounting policies (Continued)

### f) 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 Statement of Operations and Comprehensive Income (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.

### g) Earnings per share

Basic earnings per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to redeem common shares at the prevailing market value. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive.

### h) Income taxes

#### Current income tax

Current income tax is recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
(Unaudited)

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## 3. Selected significant accounting policies (Continued)

### i) Leases

#### Lessee

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 asset"), 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.

#### Lessor

Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and rewards incidental to ownership of the underlying assets to the lessees are accounted for as finance leases. Upon initial recognition, the leased asset is recorded as an amount receivable and measured as the present value of the minimum lease payments. All other leases are accounted for as operating leases. All leases at October 31, 2023 and 2022 are classified as operating leases.

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
(Unaudited)

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## 3. Selected significant accounting policies (Continued)

### j) Current and future accounting changes

Certain pronouncements and amendments to existing standards were issued by the IASB that are mandatory for accounting periods commencing on or after January 1, 2023. The adoption of these 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.

#### Amendments to IFRS 16 — Lease Liability in a Sale and Leaseback

These amendments require a seller-lessee to account for variable lease payments that arise in a sale-and-leaseback transaction as follows: (i) on initial recognition, include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction; (ii) after initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognized. Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

These amendments are effective for reporting periods beginning on or after January 1, 2024.

#### Amendment to IAS 1 – Non-current Liabilities with Covenants

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

This amendment is effective for reporting periods beginning on or after January 1, 2024.

## 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 accounts receivable credit risk beyond such allowances is limited. As at October 31, 2023, the Company's allowance for uncollectible accounts was \$nil (July 31, 2023 - \$nil).

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, 2023, the Company had cash balances on deposit that exceeded federally insured limits by \$2,019,999 (July 31, 2023 - \$1,931,728). All of these funds are on deposit with Schedule I bank in Canada.

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
(Unaudited)

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## 4. Financial instruments and financial risk management (Continued)

### 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, 2023, the Company had cash of \$2,219,999 (July 31, 2023 - \$2,131,728) to settle \$197,739 (July 31, 2023 - \$225,434) 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, 2023 and October 31, 2022  
(Unaudited)

## 5. Lease liabilities

The Company has lease agreements for a company office space. The continuity of the lease liabilities for the quarter ended October 31, 2023 is as follows:

	October 31, 2023	July 31, 2023
<b>Lease liabilities</b>		
Lease liabilities recognized as at beginning of year	\$ 25,912	\$ 3,704
Additions	-	43,357
Lease payments	(5,861)	(23,180)
Lease interest	491	2,031
	<b>\$ 20,542</b>	<b>\$ 25,912</b>
Current portion	\$ 20,542	\$ 22,075
Non-current portion	-	3,837
	<b>\$ 20,542</b>	<b>\$ 25,912</b>

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
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(Unaudited)

## 6. Property and equipment

	Vehicle	Right-of-use Assets	Furniture	Computer	Monitoring Equipment	Total
Costs, July 31, 2023	\$ 32,091	\$ 43,357	\$ 50,222	\$ 1,746	\$ -	\$ 127,416
Additions	-	-	-	-	-	-
Costs, October 31, 2023	\$ 32,091	43,357	50,222	1,746	-	127,416
Accumulated depreciation, July 31, 2023	12,997	18,065	49,688	1,235	-	81,985
Depreciation for the period	1,432	5,420	27	70	-	6,949
Accumulated depreciation, October 31, 2023	14,429	23,485	49,715	1,305	-	88,934
<b>Net book value, October 31, 2023</b>	<b>\$ 17,662</b>	<b>\$ 19,872</b>	<b>\$ 507</b>	<b>\$ 441</b>	<b>\$ -</b>	<b>\$ 38,482</b>

	Vehicle	Right-of-use Assets	Furniture	Computer	Monitoring Equipment	Total
Costs, July 31, 2022	\$ 32,091	\$ 70,631	\$ 50,222	\$ 996	\$ 594,770	\$ 748,710
Additions	-	43,357	-	750	-	44,107
De-recognition	-	(70,631)	-	-	(594,770)	(665,401)
Costs, July 31, 2023	32,091	43,357	50,222	1,746	-	127,416
Accumulated depreciation, July 31, 2022	4,814	67,038	49,555	610	594,770	716,787
Depreciation for the year	8,183	21,658	133	625	-	30,599
De-recognition	-	(70,631)	-	-	(594,770)	(665,401)
Accumulated depreciation, July 31, 2023	12,997	18,065	49,688	1,235	-	81,985
<b>Net book value, July 31, 2023</b>	<b>\$ 19,094</b>	<b>\$ 25,292</b>	<b>\$ 534</b>	<b>\$ 511</b>	<b>\$ -</b>	<b>\$ 45,431</b>

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
(Unaudited)

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## 7. Accounts payable and accrued liabilities

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	October 31, 2023	July 31, 2023
Trade payable and accrued liabilities	\$ 115,424	\$ 150,502
Government service tax and remittance liabilities	42,849	35,631
	<b>\$ 158,273</b>	<b>\$ 186,133</b>

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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 - None issued as at October 31, 2023 and July 31, 2023
Second preference shares:	25,000 Series A, no par value, redeemable, \$0.60 non-cumulative dividend - None issued as at October 31, 2023 and July 31, 2023

As at October 31, 2023, 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 279,467. Options granted under the plan vest as determined by the Board when the Option is granted. 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 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, 2018, 2019 and 2020, share-based payments were fully recognized in the Statement of Operations and Comprehensive Income (Loss). 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, 2023, 100,000 shares of the options were outstanding.

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
(Unaudited)

## 8. Share capital and reserves (Continued)

### b) Stock options (Continued)

On February 1, 2022, the Company granted 139,000 stock options to officers and directors, at a price of \$2.09 per share, expiring 4 years after the date of grant and vest at a rate of 20% every six months from the date of grant to August 1, 2024. The fair value of the options granted was estimated on the date of grant at \$141,000 using the Black-Scholes option-pricing model with the following assumptions: i) risk-free interest rates ranging from 1.24% to 1.57%; ii) expected life ranging from 2.34 to 4.54 years; iii) expected annualized volatility ranging from 41.43% to 61.33%; and iv) no dividend yield. As at October 31, 2023, 139,000 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
Granted, March 4, 2022	139,000	\$2.090
<b>Balance, October 31, 2023</b>	<b>239,000</b>	<b>\$1.529</b>

Options outstanding at October 31, 2023 are as follows:

Date of Grant	Number of Options Granted	Expiry	Exercise Price	Number Exercisable as at October 31, 2023	Number Outstanding as at October 31, 2023	Weighted Average Remaining Contractual Life (years)
May 14, 2018	125,000	May 13, 2028	\$0.750	100,000	100,000	4.54 years
February 1, 2022	139,000	January 31, 2026	\$2.090	55,600	139,000	2.34 years
				155,600	239,000	3.26 years

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
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## 8. Share capital and reserves (Continued)

### b) Earnings (loss) per share

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

	<b>October 31, 2023</b>	October 31, 2022
Net income (loss) for the quarter	\$ 8,007	\$ (16,627)
Basic weighted average number of shares outstanding	<b>2,794,679</b>	2,794,679
Effect on dilutive securities from stock options	<b>21,053</b>	6,191
Diluted weighted average number of shares outstanding	<b>2,815,732</b>	2,800,870
Earnings (loss) per share, basic	\$ 0.003	\$ (0.006)
Earnings (loss) per share, diluted	\$ 0.003	\$ (0.006)

## 9. Related party transactions

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

<u>Position</u>	<u>Nature of Transaction</u>
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 (2022 - \$20,000) is made to three directors, \$25,000 (2022 - \$25,000) is made to the Chairman and a fee of \$1,000 (2022 - \$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 (2022 - \$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, 2023 and 2022.

<u>Nature of expenditures</u>	<u>Three months ended October 31, 2023</u>	<u>Three months ended October 31, 2022</u>
Accounting and administrative fees	\$ 11,100	\$ 11,100
Directors' fees	21,722	21,425
Salaries and benefits	67,413	70,991
Share-based payments	2,705	14,628
	<b>\$ 102,940</b>	<b>\$ 118,144</b>

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
For the three month periods ended October 31, 2023 and October 31, 2022  
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## 9. Related party transactions (Continued)

During the quarter ended October 31, 2023, \$21,722 (October 31, 2022 – \$21,425) was accrued or paid to the directors of the Company as directors' fees. As at October 31, 2023, \$Nil (July 31, 2023 - \$7,220) is due to the directors and is included in accounts payable and accrued liabilities.

During the quarter ended October 31, 2023, accounting fees of \$11,100 (October 31, 2022 - \$11,100) was accrued or paid to a Firm where a Partner in the Firm is an officer of the Company. As at October 31, 2023, \$Nil (July 31, 2023 - \$3,885) 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.

## 10. Key management compensation

Remuneration of key management comprises:

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<b>For three months ended</b>	<b>Share-based payments</b>	<b>Accounting and administrative fees</b>	<b>Salaries and benefits</b>	<b>Directors' fees</b>	<b>Total compensation</b>
<b>October 31, 2023</b>	<b>\$ 676</b>	<b>\$ 11,100</b>	<b>\$ 67,413</b>	<b>\$ 5,041</b>	<b>\$ 84,230</b>
October 31, 2022	\$ 3,657	\$ 11,100	\$ 70,753	\$ 5,041	\$ 90,551

# JEMTEC INC.

Notes to the Condensed Interim Financial Statements  
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## 11. Fair value of financial instruments

At October 31, 2023 and July 31, 2023, 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 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, 2023 and July 31, 2023:

<b>October 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	\$ 2,219,999	-	-	\$ 2,219,999
<b>July 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	\$ 2,131,728	-	-	\$ 2,131,728

## 12. Commitments

The Company is committed under an agreement to lease office facilities to September 30, 2024. The Company is committed to making minimum monthly payments of \$1,048 for these office facilities.