

**JEMTEC Inc.**

**Financial Statements**  
**Years Ended July 31, 2024 and 2023**  
*(Expressed in Canadian dollars)*

## Independent Auditor's Report

To the Shareholders of Jemtec Inc.

### Opinion

We have audited the financial statements of Jemtec Inc. (the "Company"), which comprise the statements of financial position as at July 31, 2024 and July 31, 2023 and the statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2024 and July 31, 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

### Emphasis of Matter - Comparative Information

We draw attention to Note 2(e) of the financial statements, which explains that certain comparative information presented for the year ended July 31, 2023 has been restated. Note 2(e) explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified

above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Todd Freer.

*Crowe MacKay LLP*

**Chartered Professional Accountants  
Calgary, Canada  
November 28, 2024**

# JEMTEC INC.

Statements of Operations and Comprehensive Income (Loss)  
(Expressed in Canadian Dollars)

For the years ended July 31, 2024 and 2023

	Notes	2024	2023 (Restated – Note 2(e))
<b>Revenue</b>			
Monitoring services		\$ 923,102	\$ 1,125,308
Equipment rental, servicing and repairs		480,553	45,196
Replacement and other		288,400	274,462
		<b>1,692,055</b>	<b>1,444,966</b>
<b>Direct costs</b>			
Monitoring and activation		455,824	497,888
Equipment rental and installation		330,409	246,765
Consulting		85,650	95,840
Depreciation		61,648	28,670
Shipping and other		50,541	108,917
Lease interest		20,798	11,104
Travel		7,075	33,293
		<b>1,011,945</b>	<b>1,022,477</b>
<b>Gross profit</b>		<b>680,110</b>	<b>422,489</b>
<b>Expenses</b>			
Accounting and administrative fees	11	45,800	45,900
Depreciation	7	27,795	30,599
Directors' fees	11	102,655	118,616
Foreign exchange loss		7,267	13,220
Lease interest	6	1,747	2,031
Office		65,702	73,732
Professional fees		42,442	38,187
Salaries and benefits	11	275,548	288,210
Share-based payments	11	22,870	45,229
Shareholder communications		19,977	18,972
Vehicle		5,803	5,856
		<b>617,606</b>	<b>680,552</b>
Income (loss) before other items		62,504	(258,063)
Interest income		56,331	36,157
Income (loss) before income taxes		118,835	(221,906)
Current income tax (expense) recovery	12	(30,534)	52,000
Deferred income tax (expense) recovery	12	2,000	(37,000)
		<b>(28,534)</b>	<b>15,000</b>
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ 90,301</b>	<b>\$ (206,906)</b>
<b>Earnings (loss) per share</b>			
Basic		\$ 0.032	\$ (0.075)
Diluted		\$ 0.032	\$ (0.075)
<b>Weighted-average number of shares outstanding</b>			
Basic	10	2,794,679	2,794,679
Diluted	10	2,812,639	2,794,679

The accompanying notes are an integral part of these financial statements

# JEMTEC INC.

Statements of Financial Position  
(Expressed in Canadian Dollars)

As at July 31, 2024 and 2023

	Notes	2024	2023 (Restated – Note 2(e))
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 2,406,673	\$ 2,131,728
Accounts receivable	4(a)	163,973	227,201
Prepaid expenses and deposits		25,763	29,233
Income taxes recoverable		-	74,125
<b>Total current assets</b>		<b>2,596,409</b>	<b>2,462,287</b>
Property and equipment	7	235,558	325,001
Deferred income tax assets	12	64,000	78,000
<b>Total assets</b>		<b>\$ 2,895,967</b>	<b>\$ 2,865,288</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9, 11	\$ 168,454	\$ 186,133
Deferred revenue		3,594	5,830
Customer deposit		6,696	11,396
Income taxes payable		34,400	-
Current portion of lease liabilities	6	62,536	76,277
<b>Total current liabilities</b>		<b>275,680</b>	<b>279,636</b>
Lease liabilities	6	175,193	237,729
Deferred income tax liabilities	12	59,000	75,000
<b>Total liabilities</b>		<b>509,873</b>	<b>592,365</b>
<b>Shareholders' equity</b>			
Share capital	10	1,410,764	1,410,764
Share-based payments reserves	10	593,593	570,723
Retained earnings		381,737	291,436
<b>Total shareholders' equity</b>		<b>2,386,094</b>	<b>2,272,923</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 2,895,967</b>	<b>\$ 2,865,288</b>

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

Approved on behalf of the Board and authorized for issue on November 28, 2024:

“Eric Caton” Director

“Leslie Markow” Director

# JEMTEC INC.

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

For the years ended July 31, 2024 and 2023

	Number of Common Shares	Share Capital	Share-Based Payments Reserves	Retained Earnings (Restated – Note 2(e))	Total Shareholders' Equity (Restated – Note 2(e))
Balance, July 31, 2022	2,794,679	\$ 1,410,764	\$ 525,494	\$ 498,342	\$ 2,434,600
Share-based payments	-	-	45,229	-	45,229
Net loss for the year – restated (Note 2 (e))	-	-	-	(206,906)	(206,906)
Balance, July 31, 2023	2,794,679	1,410,764	570,723	291,436	2,272,923
Share-based payments	-	-	22,870	-	22,870
Net income for the year	-	-	-	90,301	90,301
<b>Balance, July 31, 2024</b>	<b>2,794,679</b>	<b>\$ 1,410,764</b>	<b>\$ 593,593</b>	<b>\$ 381,737</b>	<b>\$ 2,386,094</b>

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

# JEMTEC INC.

Statements of Cash Flows  
(Expressed in Canadian Dollars)

For the years ended July 31, 2024 and 2023

	2024	2023 (Restated – Note 2(e))
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net income (loss) for the year	\$ 90,301	\$ (206,906)
Non-cash adjustments:		
Depreciation	89,443	59,269
Share-based payments	22,870	45,229
Interest on lease liabilities	22,545	13,134
Deferred income tax expense (recovery)	(2,000)	37,000
Changes in non-cash operating working capital		
Accounts receivable	63,228	91,005
Prepaid expenses and deposits	3,470	(853)
Accounts payable and accrued liabilities	(17,679)	21,742
Customer deposit	(4,700)	9,896
Deferred revenue	(2,236)	1,920
Income taxes	108,525	(52,023)
<b>Net cash provided by operating activities</b>	<b>373,767</b>	<b>19,413</b>
<b>Investing activity</b>		
Purchase of equipment	-	(750)
<b>Net cash used in investing activity</b>	<b>-</b>	<b>(750)</b>
<b>Financing activities</b>		
Lease payments	(98,822)	(54,430)
<b>Net cash used in financing activities</b>	<b>(98,822)</b>	<b>(54,430)</b>
<b>Increase (decrease) in cash</b>	<b>274,945</b>	<b>(35,767)</b>
Cash and cash equivalents, beginning of year	2,131,728	2,167,495
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,406,673</b>	<b>\$ 2,131,728</b>
<b>Cash and cash equivalents</b>		
Cash	\$ 580,134	\$ 361,520
Short-term deposits	1,826,539	1,770,208
	<b>\$ 2,406,673</b>	<b>\$ 2,131,728</b>
<b>Supplementary Information</b>		
Interest received	\$ 56,331	\$ 36,157
Interest paid	\$ 22,545	\$ 13,134
Income taxes paid	\$ -	\$ -
Initial recognition of right-of-use asset and lease liability	\$ -	\$ 351,597

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

# JEMTEC INC.

Notes to the Financial Statements  
Years Ended July 31, 2024 and 2023  
(Expressed in Canadian Dollars)

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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 financial statements were prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements were authorized for issue by the Board of Directors on November 28, 2024.

### 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) Comprehensive income (loss)

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 years ended July 31, 2024 and 2023.

### d) Estimates and judgments

The preparation of 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.

Significant areas requiring the use of management estimates and judgments relate to:

#### Recognition of deferred taxes

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its tax assets and liabilities and applies tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

# JEMTEC INC.

Notes to the Financial Statements  
Years Ended July 31, 2024 and 2023  
(Expressed in Canadian Dollars)

## 2. Basis of presentation (Continued)

### d) Estimates and judgments (continued)

#### Discount rate used for right-of-use asset/lease liability

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, right-of-use asset, specific to the asset, underlying currency and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar environment.

### e) Prior period restatement

In fiscal 2023, the Company entered into a lease with a third party and accounted for the contract as an operating lease as opposed to a finance lease in accordance with *IFRS 16 – Leases*. The Company has corrected the error and restated the carrying value of property and equipment and lease liabilities in the statement of financial position. In addition, depreciation expense, lease interest, and equipment rental and installation expense in the statement of operations and comprehensive loss have been restated to appropriately reflect the resulting impact on profit or loss.

The Company has restated its financial statements as noted below:

<b>For the year ended July 31, 2023</b>	<b>As reported</b>	<b>Adjustment</b>	<b>As restated</b>
<b>Statement of Financial Position</b>			
Property and equipment	\$ 45,431	\$ 279,570	\$ 325,001
Deferred income tax assets	-	78,000	78,000
Current portion of lease liability	22,075	54,202	76,277
Long-term portion of lease liability	3,837	233,892	237,729
Deferred income tax liabilities	-	75,000	75,000
Retained earnings	296,960	(5,524)	291,436
<b>Statement of Operations and Comprehensive Loss</b>			
Direct costs - depreciation	-	28,670	28,670
Direct costs - lease interest	-	11,104	11,104
Monitoring and activation fees	529,138	(31,250)	497,888
Deferred income tax expense	40,000	(3,000)	37,000
Net loss and comprehensive loss	(201,382)	(5,524)	(206,906)
<b>Loss per Share</b>			
Basic	(0.075)	-	(0.075)
Diluted	(0.075)	-	(0.075)
<b>Statement of Cash Flows</b>			
Cash flows used in operating activities	(11,837)	31,250	19,413
Cash flows used in financing activities	(23,180)	(31,250)	(54,430)

Retained earnings and net loss and comprehensive loss for the year on the statement of changes in equity have been adjusted for the above changes.

# JEMTEC INC.

Notes to the Financial Statements  
Years Ended July 31, 2024 and 2023  
(Expressed in Canadian Dollars)

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## 3. Material accounting policies

The material accounting policies adopted by the Company are as follows:

### 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 contracts with a customer;
- Identify the performance obligation 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 obligations.

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 Financial Statements  
Years Ended July 31, 2024 and 2023  
(Expressed in Canadian Dollars)

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## 3. Material accounting policies (Continued)

### d) Revenue recognition (Continued)

Replacement revenue is recognized at the time the goods are provided and control transfers to the customer, which is evidenced by the delivery of goods. Other revenue consists of miscellaneous services that are provided and invoiced monthly.

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.

### 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.

#### 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.

# JEMTEC INC.

Notes to the Financial Statements  
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## 3. Material accounting policies (Continued)

### d) Financial instruments – recognition and measurement (Continued)

#### 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 July 31, 2024 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

### e) 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 10(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.

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.

### f) Earnings (loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) 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.

# JEMTEC INC.

Notes to the Financial Statements  
Years Ended July 31, 2024 and 2023  
(Expressed in Canadian Dollars)

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## 3. Material accounting policies (Continued)

### g) Income taxes

#### i) 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.

#### ii) Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset under certain circumstances when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis. Deferred tax assets and liabilities that arise from a single transaction are recognized on a gross basis.

# JEMTEC INC.

Notes to the Financial Statements  
Years Ended July 31, 2024 and 2023  
(Expressed in Canadian Dollars)

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## 3. Material accounting policies (Continued)

### h) 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"), 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 where the Company is a lessor are classified as operating leases as at July 31, 2024 and 2023.

### i) Deferred revenue

Deferred revenue consists of payments received from customers for which services have not yet been provided.

# JEMTEC INC.

Notes to the Financial Statements  
Years Ended July 31, 2024 and 2023  
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## 3. Material accounting policies (Continued)

### j) Adoption of amendments to standards

During fiscal 2024, the Company adopted the amendments to *IAS 12*, which require the recognition of deferred tax related to assets and liabilities arising from a single transaction. The impact of this amendment on the Company's financial statements is included in Note 12 and has been applied retrospectively to the most recent comparative figures as if the standard was adopted effective August 1, 2022.

In addition, the Company adopted the amendments to *IAS 8* – Definition of Accounting Estimates, and the amendments to *IAS 1* and *IFRS Practice Statement 2* – Disclosure of Accounting Policies. The adoption resulted in disclosure of only material accounting policies in these financial statements.

### k) Future accounting changes

Certain pronouncements amendments to existing standards were issued by the IASB that are mandatory for annual periods commencing on or after January 1, 2024. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

#### **Amendments to IAS 1 – Classification of Liabilities as Current or Non-current**

The amendments to *IAS 1* provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

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.

#### **IFRS 18 Presentation and Disclosure in Financial Statements**

*IFRS 18* introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

1. Three defined categories for income and expenses—operating, investing and financing—to improve the structure of the income statement, and require all companies to provide new defined subtotals, including operating profit.
2. Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement.
3. Enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027.

# JEMTEC INC.

Notes to the Financial Statements  
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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 as the Company routinely assesses the financial strength of its customers and establishes an allowance for uncollectible accounts. As a consequence, the Company believes that its accounts receivable credit risk beyond such allowances is limited. As at July 31, 2024, the Company's allowance for uncollectible accounts was \$nil (2023 - \$nil). As at July 31, 2024, there is a concentration of credit risk in accounts receivable whereby two (2023 – three) customers account for 98% (2023 – 95%) of the outstanding balance.

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 and cash equivalents. At July 31, 2024, the Company had cash and cash equivalent balances on deposit that exceeded federally insured limits by \$2,206,673 (2023 – \$1,931,728). All of these funds are on deposit with Schedule I banks in Canada.

### b) Liquidity risk

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 July 31, 2024, the Company had cash and cash equivalents of \$2,406,673 (2023 - \$2,131,728) to settle \$275,680 (2023 - \$279,636) in current liabilities which fall due for payment within 12 months of the year end date.

### c) Market risk

The market risk exposure to which the Company is exposed is interest rate risk. The Company's bank accounts earn 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 not significant.

### 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.

# JEMTEC INC.

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

### f) Sensitivity analysis

Based on management's experience of the financial markets, the Company does not expect any movements in the underlying market risk variables to have a significant impact on the Company's values of assets and liabilities or on the Company's financial performance over a twelve-month period.

## 5. Capital management

The Board of Directors determines the Company's capital structure and makes adjustments to it based on funds available to the Company in order to support the Company's operations. The Board of Directors has not established quantitative return on capital criteria for capital management.

The Company has sufficient cash and cash equivalents on hand to meet its short-term obligations and fund its operations and administrative costs. The Company will use existing working capital and raise additional amounts as needed. The Board of Directors reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in the Statements of Changes in Shareholders' Equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt, or return capital to shareholders. The Company is not subject to any externally imposed capital requirements. There was no change to the Company's capital management policy during the year ended July 31, 2024.

## 6. Lease liabilities

The Company has lease agreements for right-of-use assets. The continuity of the lease liabilities for the years ended July 31, 2024 and 2023 are as follows:

	July 31, 2024	July 31, 2023 (Restated – Note 2(e))
Balance, beginning of year	\$ 314,006	\$ 3,704
Additions	-	351,597
Lease payments	(98,822)	(54,429)
Lease interest	22,545	13,134
<b>Balance, end of year</b>	<b>\$ 237,729</b>	<b>\$ 314,006</b>
Current portion	\$ 62,536	\$ 76,277
Non-current portion (within the next five years)	175,193	237,729
	<b>\$ 237,729</b>	<b>\$ 314,006</b>

During the year, the Company incurred short-term lease expense for office space of \$430 (2023 – \$106).

# JEMTEC INC.

Notes to the Financial Statements  
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## 7. Property and Equipment

	Vehicle	Right-of-use Assets	Furniture	Computer	Monitoring Equipment	Total
Cost, July 31, 2023 and 2024	\$ 32,091	\$ 351,597	\$ 50,222	\$ 1,746	\$ -	\$ 435,656
Accumulated depreciation, July 31, 2023	12,997	46,735	49,688	1,235	-	110,655
Depreciation for the year	5,728	83,326	107	282	-	89,443
Accumulated depreciation, July 31, 2024	18,725	130,061	49,795	1,517	-	200,098
<b>Net book value, July 31, 2024</b>	<b>\$ 13,366</b>	<b>\$ 221,536</b>	<b>\$ 427</b>	<b>\$ 229</b>	<b>\$ -</b>	<b>\$ 235,558</b>

(Restated – Note 2(e))	Vehicle	Right-of-use Assets	Furniture	Computer	Monitoring Equipment	Total
Cost, July 31, 2022	\$ 32,091	\$ 70,631	\$ 50,222	\$ 996	\$ 594,770	\$ 748,710
Additions	-	351,597	-	750	-	352,347
De-recognition	-	(70,631)	-	-	(594,770)	(665,401)
Cost, July 31, 2023	32,091	351,597	50,222	1,746	-	435,656
Accumulated depreciation, July 31, 2022	4,814	67,038	49,555	610	594,770	716,787
Depreciation for the year	8,183	50,328	133	625	-	59,269
De-recognition	-	(70,631)	-	-	(594,770)	(665,401)
Accumulated depreciation, July 31, 2023	12,997	46,735	49,688	1,235	-	110,655
<b>Net book value, July 31, 2023</b>	<b>\$ 19,094</b>	<b>\$ 304,862</b>	<b>\$ 534</b>	<b>\$ 511</b>	<b>\$ -</b>	<b>\$ 325,001</b>

# JEMTEC INC.

Notes to the Financial Statements  
Years Ended July 31, 2024 and 2023  
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## 8. Bank credit facility and loan agreement

The Company has a credit facility with an available borrowing limit of \$75,000. The loan is due on demand, bears interest at the bank's prime rate plus 1.3% per annum, and is secured by a general security agreement over all of the assets of the Company. As at and during the years ended July 31, 2024 and 2023, the loan has not been utilized.

## 9. Accounts payable and accrued liabilities

	July 31, 2024	July 31, 2023
Trade payables and accrued liabilities	\$ 128,988	\$ 150,502
Government service tax and remittance liabilities	39,466	35,631
	<b>\$ 168,454</b>	<b>\$ 186,133</b>

## 10. 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 July 31, 2024 and 2023
Second preference shares:	25,000 Series A, no par value, redeemable, \$0.60 non-cumulative dividend – None issued as at July 31, 2024 and 2023

As at July 31, 2024, 2,794,679 common shares (2023 - 2,794,679) 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 equal to 10% of the issued and outstanding common shares. Stock 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 TSX-V.

# JEMTEC INC.

Notes to the Financial Statements  
Years Ended July 31, 2024 and 2023  
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## 10. Share capital and reserves (Continued)

### b) Stock options (Continued)

On April 2, 2024, the Company granted 100,215 stock options to officers and directors, at a price of \$0.60 per share, expiring 4 years after the date of grant and vest at a rate of 25% every three months from the date of grant to April 30, 2025. The fair value of the options granted was estimated on the date of grant at \$28,000 using the Black-Scholes option-pricing model with the following assumptions: i) risk-free interest rate 3.64%; ii) expected life of 4.0 years; iii) expected annualized volatility 54.47%; and iv) no dividend yield.

In estimating the fair value of stock options issued using the Black-Scholes option pricing model, the Company is required to make assumptions. The expected volatility assumption is based on the historical volatility of the Company's common share price on the TSX-V. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model.

A summary of changes in stock options is presented below:

	<b>Number of Options</b>	<b>Weighted Averaged Exercise Price</b>
Balance, July 31, 2021	100,000	\$0.750
Granted, March 4, 2022	139,000	\$2.090
Forfeited, December 31, 2023	(25,000)	\$0.750
Forfeited, December 31, 2023	(34,750)	\$2.090
Granted, April 2, 2024	100,215	\$0.600
<b>Balance, July 31, 2024</b>	<b>279,465</b>	<b>\$1.196</b>

# JEMTEC INC.

Notes to the Financial Statements  
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## 10. Share capital and reserves (Continued)

### b) Stock options (Continued)

Options outstanding at July 31, 2024 are as follows:

Date of Grant	Number of Options Granted	Expiry	Exercise Price	Number Exercisable as at July 31, 2024	Number Outstanding as at July 31, 2024	Remaining Contractual Life (years)
May 14, 2018	125,000	May 13, 2028	\$0.750	75,000	75,000	3.79 years
February 1, 2022	139,000	January 31, 2026	\$2.090	83,400	104,250	1.50 years
April 2, 2024	100,215	July 31, 2028	\$0.600	25,054	100,215	4.00 years
				183,454	279,465	

The weighted average contractual life of the stock options outstanding is 3.04 years.

### c) Earnings (loss) per share

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

	July 31, 2024	July 31, 2023
Net income (loss) for the year	\$ 90,301	\$ (206,906)
Basic weighted average number of shares outstanding	2,794,679	2,794,679
Effect on dilutive securities from stock options	18,960	-
Diluted weighted average number of shares outstanding	2,812,639	2,794,679
Earnings (loss) per share, basic	\$ 0.032	\$ (0.075)
Earnings (loss) per share, diluted	\$ 0.032	\$ (0.075)

# JEMTEC INC.

Notes to the Financial Statements  
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## 11. Related party transactions

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

<b>Position</b>	<b>Nature of Transaction</b>
President, CEO and Director	Management services
Director	Director and Chairman of the Board
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 \$20,000 (2023 - \$20,000) is made to two directors, \$25,000 (2023 - \$25,000) is made to the Chairman and a fee of \$1,000 (2023 - \$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 (2023 - \$4,000) per year for the review of interim and annual financial reports. The directors did not provide services as consultants or receive related compensation during the years ended July 31, 2024 and 2023.

<b>Key management compensation consists of:</b>	<b>July 31, 2024</b>	<b>July 31, 2023</b>
Accounting and administrative fees	\$ 45,800	\$ 45,900
Directors' fees	102,655	118,616
Salaries and benefits	275,548	288,210
Share-based payments	22,870	45,229
	<b>\$ 446,873</b>	<b>\$ 497,955</b>

During the year ended July 31, 2024, \$102,655 (2023 – \$118,616) was recorded as director fees to the directors of the Company.

During the year ended July 31, 2024, accounting fees of \$45,800 (2023 – \$45,900) were incurred with an accounting Firm where a Partner in the Firm is an officer of the Company.

During the year ended July 31, 2024, \$Nil (2023 – \$Nil) was accrued to the President of the Company under an incentive bonus plan.

As at July 31, 2024, there is \$Nil (2023 - \$3,885) owing to related parties, which 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 represents the amounts agreed to between the parties. All amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms.

# JEMTEC INC.

Notes to the Financial Statements  
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## 12. Income taxes

A reconciliation of the combined federal and provincial income taxes at the statutory rate of approximately 27% (2023 – 27%) and the Company's effective income tax expense is as follows:

	July 31, 2024	July 31, 2023 (Restated – Note 2(e))
Income (loss) before taxes	<u>\$ 118,835</u>	<u>\$ (221,906)</u>
Computed expected tax expense	32,086	(61,000)
Effect of non-deductible items	4,449	14,000
Other	(8,000)	-
Effect of non-recognition of deferred tax assets	<u>-</u>	<u>32,000</u>
Income tax expense (recovery)	<u>\$ 28,534</u>	<u>\$ (15,000)</u>

**Deferred tax assets and (liabilities) result from timing differences associated with the following financial statement items:**

Property and equipment	\$ (59,000)	\$ (75,000)
Lease liability	<u>64,000</u>	<u>78,000</u>
Net deferred tax assets	<u>\$ 5,000</u>	<u>\$ 3,000</u>

The following tax pools are deductible against future taxable income and have no expiry dates:

Property and equipment	<u>\$ 108,000</u>	<u>\$ 136,500</u>
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The adoption of the amendments to IAS 12 required the retrospective application of the standard to the earliest comparative period which resulted in the recognition of a deferred tax asset and liability of \$83,000, respectively, upon the initial recognition of the lease described in Note 2(e).

# JEMTEC INC.

Notes to the Financial Statements  
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## 13. Fair value of financial instruments

At July 31, 2024, the Company held financial instruments carried at fair value on the Statements 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 within the fair value hierarchy of the Company's financial instruments subsequently measured at fair value as at July 31, 2024 and 2023:

<b>July 31, 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	\$ 2,406,673	-	-	\$ 2,406,673
<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

## 14. Commitment

The Company is committed under an agreement to lease office facilities to September 30, 2026, with minimum monthly payments of \$1,153.

## 15. Segmented information

The Company currently has one reportable operating segment, being the provision of services and technologies for offender monitoring within Canada to Canadian federal and provincial correctional departments, and private customers. All of the Company's long-term assets are located in Canada.

## 16. Economic dependence

The Company earned the majority of its revenues from two (2023 – three) customers that individually exceeded 10% of trade revenues and, in aggregate, amounted to 93% (2023 – 93%) of trade revenues.

The Company is economically dependent on a limited number of key suppliers for the continued provision of monitoring services, monitoring equipment, replacement parts, and maintenance services. If one or more of these suppliers discontinued providing goods and services, the Company would be required to find new providers on similar economic terms in order to continue providing services and goods to its customers.

# JEMTEC INC.

Notes to the Financial Statements  
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## 17. Comparative figures

Certain comparative figures have been reclassified to comfort with current year presentation.

The reclassifications to the Statement of Operations and Comprehensive Income (Loss) for the year ended July 31, 2023 related to a change in the presentation of expenses based on their function, which resulted in the allocation of expenses between direct and indirect costs. The results of these reclassifications had no impact on net loss and comprehensive loss or retained earnings for the year ended July 31, 2023.