

JEMTEC Inc.

Condensed Interim Financial Statements
For the three months ended October 31, 2024 and 2023
(Expressed in Canadian dollars)
(Unaudited)

Notice of No Review of Interim Financial Statements

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

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

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

JEMTEC INC.

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

	Notes	Three months ended October 31, 2024	Three months ended October 31, 2023
Revenue			
Monitoring services		\$ 229,836	\$ 227,746
Equipment rental, servicing and repairs		154,136	88,218
Replacement and other		73,867	55,756
		457,839	371,720
Direct costs			
Equipment rental and installation		134,936	64,040
Monitoring and activation		107,220	112,226
Depreciation		15,412	15,412
Consulting		14,000	21,450
Shipping and other		10,817	15,851
Travel		8,857	1,374
Lease interest		4,566	5,653
		295,808	236,006
		162,031	135,714
Gross profit			
Expenses			
Accounting and administrative fees	11, 12	11,700	11,100
Depreciation		6,802	6,949
Directors' fees	11, 12	16,631	21,722
Foreign exchange loss		1,103	3,563
Lease interest		34	491
Office		17,596	15,190
Professional fees		8,000	7,935
Salaries and benefits	11, 12	67,858	67,413
Share-based payments		5,841	2,705
Shareholder communications		3,064	3,554
Vehicle		1,415	1,008
		140,044	141,630
		21,987	(5,916)
Income (loss) before other items			
		15,538	13,658
Interest income			
		37,525	7,742
Income before income taxes			
Income taxes			
Current income tax expense		11,000	2,050
Deferred income tax		1,000	-
		\$ 25,525	\$ 5,692
Net income and comprehensive income for the period			
Earnings per share			
Basic	10	\$ 0.009	\$ 0.002
Diluted	10	\$ 0.009	\$ 0.002
Weighted-average number of shares outstanding			
Basic	10	2,794,679	2,794,679
Diluted	10	2,808,995	2,815,732

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

JEMTEC INC.

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

	Notes	October 31, 2024	July 31, 2024
Assets			
Current assets			
Cash and cash equivalents		\$ 2,435,662	\$ 2,406,673
Accounts receivable		177,475	163,973
Prepaid expenses and deposits		17,342	25,763
Total current assets		2,630,479	2,596,409
Property and equipment	7	262,476	235,558
Deferred income tax assets		59,000	64,000
Total assets		\$ 2,951,955	\$ 2,895,967
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 193,025	\$ 168,454
Customer deposits		6,696	6,696
Deferred revenue		3,594	3,594
Income taxes payable		10,400	34,400
Current portion of lease liabilities	6	82,837	62,536
Total current liabilities		296,552	275,680
Lease liabilities	6	182,943	175,193
Deferred income tax liabilities		55,000	59,000
Total liabilities		534,495	509,873
Shareholders' equity			
Share capital	10	1,410,764	1,410,764
Share-based payments reserves	10	599,434	593,593
Retained earnings		407,262	381,737
Total shareholders' equity		2,417,460	2,386,094
Total liabilities and shareholders' equity		\$ 2,951,955	\$ 2,895,967

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, 2024.

/s/ Eric Caton

Director

/s/ Leslie N. Markow

Director

JEMTEC INC.

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

	Number of Common Shares	Share Capital	Share-Based Payments Reserves	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance, July 31, 2023	2,764,679	\$ 1,410,764	\$ 570,723	\$ 291,436	\$ 2,272,923
Share-based payments	-	-	2,705	-	2,705
Net income for the period	-	-	-	5,962	5,962
Balance, October 31, 2023	2,764,679	\$ 1,410,764	\$ 573,428	\$ 297,398	\$ 2,281,590
Balance, July 31, 2024	2,794,679	\$ 1,410,764	\$ 593,593	\$ 381,737	\$ 2,386,094
Share-based payments	-	-	5,841	-	5,841
Net income for the period	-	-	-	25,525	25,525
Balance, October 31, 2024	2,794,679	\$ 1,410,764	\$ 599,434	\$ 407,262	\$ 2,417,460

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, 2024	Three months ended October 31, 2023
Cash provided by (used for):		
Operating activities		
Net income for the period	\$ 25,525	\$ 5,692
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation	22,214	22,361
Interest on lease liabilities	4,600	5,057
Share-based payments	5,841	2,705
Deferred income tax (recovery) expense	1,000	-
Changes in non-cash operating working capital		
Accounts receivable	(13,502)	98,681
Prepaid expenses and deposits	8,421	1,411
Accounts payable and accrued liabilities	24,571	(27,860)
Deferred revenue	-	1,698
Income taxes payable	(24,000)	-
Net cash provided by operating activities	54,670	109,745
Investing activity		
Purchase of equipment	(897)	-
Financing activity		
Lease payment	(24,784)	(21,474)
Increase in cash and cash equivalents during the period	28,989	88,271
Cash and cash equivalents, beginning of period	2,406,673	2,131,728
Cash and cash equivalents, end of period	\$ 2,435,662	\$ 2,219,999
Cash and cash equivalents		
Cash	\$ 594,658	\$ 436,134
Short-term deposits	1,841,004	1,783,865
	\$ 2,435,662	\$ 2,219,999
Supplementary Information		
Interest received	\$ 15,538	\$ 13,658
Interest paid	\$ 4,600	\$ 6,144
Income taxes paid	\$ 35,000	\$ -

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

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
For the three month periods ended October 31, 2024 and October 31, 2023
(Unaudited)

1. Nature of operations

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

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

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 2024 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, 2024.

These condensed interim financial statements were approved by the Board of Directors of the Company on December 20, 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) Other comprehensive income

Other comprehensive income 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 for the period ended October 31, 2024.

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.

JEMTEC INC.

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2. Basis of presentation (Continued)

d) Estimates and judgments (continued)

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.

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.

3. Material 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.

JEMTEC INC.

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3. Material accounting policies (Continued)

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.

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.

d) 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.

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3. Material accounting policies (Continued)

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.

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, 2024 for each of the Company's financial assets and financial liabilities:

Financial Instrument	
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost

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(Unaudited)

3. Material accounting policies (Continued)

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 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.

f) 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.

g) Deferred revenue

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

h) 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.

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Notes to the Condensed Interim Financial Statements
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(Unaudited)

3. Material accounting policies (Continued)

i) 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.

j) 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.

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
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(Unaudited)

3. Material accounting policies (Continued)

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, 2024 and 2023 are classified as operating leases.

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.

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.

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3. Material accounting policies (Continued)

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.

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 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 October 31, 2024, the Company's allowance for uncollectible accounts was \$Nil (2023 - \$Nil). As at October 31, 2024, there is a concentration of credit risk in accounts receivable whereby two (2023 – two) customers account for 98% (2023 – 97%) 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 October 31, 2024, the Company had cash and cash equivalent balances on deposit that exceeded federally insured limits by \$2,235,622 (July 31, 2024 – \$2,206,673). 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.

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4. Financial instruments and financial risk management (Continued)

As at October 31, 2024, the Company had cash and cash equivalents of \$2,435,662 (July 31, 2024 - \$2,406,673) to settle \$296,552 (July 31, 2024 - \$275,680) 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 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 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.

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6. Lease liabilities

The Company has lease agreements for a company office space. The continuity of the lease liabilities for the quarter ended October 31, 2024 is as follows:

	October 31, 2024	July 31, 2024
Lease liabilities		
Lease liabilities recognized as at beginning of year	\$ 237,729	\$ 314,006
Additions	48,235	-
Lease payments	(24,784)	(98,822)
Lease interest	4,600	22,545
	\$ 265,780	\$ 237,729
Current portion	\$ 82,837	\$ 62,536
Non-current portion	182,943	175,193
	\$ 265,780	\$ 237,729

During the period, the Company incurred short-term lease expense for office space of \$4,796 (2023 – \$Nil).

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7. Property and Equipment

	Vehicle	Right-of-use Assets	Furniture	Computer	Monitoring Equipment	Total
Costs, July 31, 2024	\$ 32,091	\$ 351,597	\$ 50,222	\$ 1,746	\$ -	\$ 435,656
Additions	-	48,234	-	897	-	49,131
De-recognition	-	(43,356)	-	-	-	(43,356)
Costs, October 31, 2024	\$ 32,091	356,475	50,222	2,643	-	441,431
Accumulated depreciation, July 31, 2024	18,725	130,061	49,795	1,517	-	200,098
Depreciation for the period	1,004	21,034	21	154	-	22,213
De-recognition	-	(43,356)	-	-	-	(43,356)
Accumulated depreciation, October 31, 2024	19,729	107,739	49,816	1,671	-	178,955
Net book value, October 31, 2024	\$ 12,362	\$ 248,736	\$ 406	\$ 972	\$ -	\$ 262,476
	Vehicle	Right-of-use Assets	Furniture	Computer	Monitoring Equipment	Total
Costs, July 31, 2023	\$ 32,091	\$ 351,597	\$ 50,222	\$ 1,746	\$ -	\$ 435,653
Additions	-	-	-	-	-	-
Costs, July 31, 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
Net book value, July 31, 2024	\$ 13,366	\$ 221,536	\$ 427	\$ 229	\$ -	\$ 235,558

JEMTEC INC.

Notes to the Condensed Interim Financial Statements
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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 period ended October 31, 2024 and 2023, the loan has not been utilized.

9. Accounts payable and accrued liabilities

	October 31, 2024	July 31, 2024
Trade payable and accrued liabilities	\$ 150,327	\$ 128,988
Government service tax and remittance liabilities	42,698	39,466
	\$ 193,025	\$ 168,454

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

As at October 31, 2024, 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 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.

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.

JEMTEC INC.

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10. Share capital and reserves (Continued)

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:

	Number of Options	Weighted Averaged Exercise Price
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
Balance, October 31, 2024	279,465	\$1.196

Options outstanding at October 31, 2024 are as follows:

Date of Grant	Number of Options Granted	Expiry	Exercise Price	Number Exercisable as at October 31, 2024	Number Outstanding as at October 31, 2024	Weighted Average Remaining Contractual Life (years)
May 14, 2018	125,000	May 13, 2028	\$0.750	75,000	75,000	3.54 years
February 1, 2022	139,000	January 31, 2026	\$2.090	87,570	104,250	1.34 years
April 2, 2024	100,215	July 31, 2028	\$0.600	50,108	100,215	3.75 years
				212,678	279,465	

JEMTEC INC.

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(Unaudited)

10. Share capital and reserves (Continued)

c) Earnings per share

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

	October 31, 2024	October 31, 2023
Net income for the quarter	\$ 25,525	\$ 5,692
Basic weighted average number of shares outstanding	2,794,679	2,794,679
Effect on dilutive securities from stock options	14,316	21,053
Diluted weighted average number of shares outstanding	2,808,995	2,815,732
Earnings per share, basic	\$ 0.009	\$ 0.002
Earnings per share, diluted	\$ 0.009	\$ 0.002

11. Related party transactions

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

Position	Nature of Transaction
President, CEO and Director	Management services
Director	Director and Chairman of the Board
Director	Director and Chair of Audit Committee
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 three 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 receive compensation for services as consultants during the quarters ended October 31, 2024 and 2023.

Nature of expenditures	Three months ended October 31, 2024	Three months ended October 31, 2023
Accounting and administrative fees	\$ 11,700	\$ 11,100
Directors' fees	16,631	21,722
Salaries and benefits	67,858	67,413
Share-based payments	5,841	2,705
	\$ 102,030	\$ 102,940

JEMTEC INC.

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11. Related party transactions (Continued)

During the quarter ended October 31, 2024, \$16,631 (October 31, 2023 – \$21,722) was accrued or paid to the directors of the Company as directors' fees. As at October 31, 2024, \$Nil (July 31, 2023 - \$Nil) is due to the directors and is included in accounts payable and accrued liabilities.

During the quarter ended October 31, 2024, accounting fees of \$11,700 (October 31, 2023 - \$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, 2024, \$Nil (July 31, 2024 - \$Nil) 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.

12. Key management compensation

Remuneration of key management comprises:

For three months ended	Share-based payments	Accounting and administrative fees	Salaries and benefits	Directors' fees	Total compensation
October 31, 2024	\$ 1,946	\$ 11,700	\$ 67,858	\$ 5,041	\$ 86,545
October 31, 2023	\$ 676	\$ 11,100	\$ 67,413	\$ 5,041	\$ 84,230

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

At October 31, 2024 and July 31, 2024, 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, 2024 and July 31, 2024:

October 31, 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 2,435,662	-	-	\$ 2,435,662
July 31, 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 2,406,673	-	-	\$ 2,406,673

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 – two) customers that individually exceeded 10% of trade revenues and, in aggregate, amounted to 97% (2023 – 91%) 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.

17. Comparative figures

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