JEMTEC Inc.

Condensed Interim Financial Statements
For the three and six months ended January 31, 2015 and 2014

(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 Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	**Three months ended January 31, 2015**	Three months ended January 31, 2014	**Six months ended January 31, 2015**	Six months ended January 31, 2014
Revenues					
Leasing, monitoring, activation and bail		**$ 166,618**	$ 160,381	**$ 323,362**	$ 353,437
Interest income		**4,262**	9,377	**12,709**	18,729
		170,880	169,758	**336,071**	372,166
Expenses					
Accounting and administrative fees	8,9	**7,500**	7,500	**15,000**	15,000
Consulting fees		**25,140**	34,500	**52,140**	69,000
Depreciation	5	**16,265**	16,379	**32,539**	32,770
Directors' fees	8,9	**17,750**	22,390	**24,000**	28,640
Equipment rent and installation		**21,553**	17,944	**36,030**	40,970
Foreign exchange loss		**3,379**	2,633	**5,284**	3,693
Monitoring and activation fees		**37,379**	36,969	**70,368**	79,983
Office		**16,710**	15,820	**34,220**	35,830
Professional fees		**7,050**	20,579	**27,777**	40,754
Repairs and maintenance		**6,942**	3,324	**11,999**	11,587
Salaries and benefits	8,9	**67,964**	68,017	**134,692**	134,950
Shareholder communications		**7,333**	9,706	**9,914**	12,145
Travel		**5,989**	5,426	**12,643**	11,643
		240,954	261,187	**466,606**	516,965
Net loss and comprehensive loss for the period		**$ (70,074)**	$ (91,429)	**$ (130,535)**	$ (144,799)
Basic and diluted loss per share		**$ (0.03)**	$ (0.04)	**$ (0.05)**	$ (0.06)
Basic and diluted weighted-average number of shares outstanding		**2,485,654**	2,395,654	**2,476,850**	2,395,654

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

JEMTEC INC.

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

	Notes	January 31, 2015	July 31, 2014
Assets			
Current assets			
Cash and cash equivalents		**$ 1,325,915**	$ 2,879,032
Accounts receivable		**113,524**	75,312
Prepaid expenses and deposits		**9,033**	17,296
Total current assets		**1,448,472**	2,971,640
Equipment	5	**58,367**	85,557
Total assets		**$ 1,506,839**	$ 3,057,197
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	**$ 87,624**	$ 75,927
GST/HST payable		**7,366**	4,107
Payroll taxes payable		**8,432**	19,172
Provincial sales taxes payable		**2,274**	2,670
Customer deposits		**23,198**	39,335
Deferred revenue		**3,054**	4,324
Total liabilities		**131,948**	145,535
Shareholders' equity			
Share capital	6(a)	**1,296,050**	1,235,750
Share-based payments reserve	6(b)	**337,113**	337,113
(Deficit) Retained earnings		**(258,272)**	1,338,799
Total shareholders' equity		**1,374,891**	2,911,662
Total liabilities and shareholders' equity		**$ 1,506,839**	$ 3,057,197

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

Approved on behalf of the Board and authorized for issue on March 27, 2015.

/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	Reserves	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance, August 1, 2013	2,395,654	$ 1,235,750	$ 337,113	$ 1,629,258	$ 3,202,121
Net loss for the period	-	-	-	(144,799)	(144,799)
Balance, January 31, 2014	**2,395,654**	**$ 1,235,750**	**$ 337,113**	**$ 1,484,459**	**$ 3,057,322**
Balance, August 1, 2014	2,395,654	$ 1,235,750	$ 337,113	$ 1,338,799	$ 2,911,662
Stock options exercised	90,000	60,300	-	-	60,300
Dividends paid	-	-	-	(1,466,536)	(1,466,536)
Net loss for the period	-	-	-	(130,535)	(130,535)
Balance, January 31, 2015	**2,485,654**	**$ 1,296,050**	**$ 337,113**	**$ (258,272)**	**$ 1,374,891**

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)

	Six months ended January 31, 2015	Six months ended January 31, 2014
Cash used for:		
Operating activities		
Net loss for the period	**$ (130,535)**	$ (144,799)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation	**32,539**	32,770
Changes in non-cash operating working capital		
Accounts receivable	**(38,212)**	33,377
Prepaid expenses and deposits	**8,263**	10,986
Accounts payable and accrued liabilities	**11,697**	(29,330)
GST/HST payable	**3,259**	(9,736)
Payroll taxes payable	**(10,740)**	4,972
Provincial sales taxes payable	**(396)**	(687)
Customer deposits	**(16,137)**	(2,031)
Deferred revenue	**(1,270)**	1,054
	(141,532)	(103,424)
Investing activities		
Purchase of equipment	**(5,349)**	(1,760)
Financing activities		
Proceeds from options exercised	**60,300**	-
Payments of dividends	**(1,466,536)**	-
	(1,406,236)	-
Decrease in cash during the period	**(1,553,117)**	(105,184)
Cash and cash equivalents, beginning of period	**2,879,032**	3,098,604
Cash and cash equivalents, end of period	**$ 1,325,915**	$ 2,993,420
Cash and cash equivalents		
Cash	**$ 13,926**	$ 85,618
Short-term deposits	**1,311,989**	2,907,802
	$ 1,325,915	$ 2,993,420

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

1. Nature of operations

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

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

2. Basis of presentation

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee (IFRICs). They do not include all of the information required by International Financial Reporting Standards ("IFRS") for complete annual financial statements, and should be read in conjunction with the Company's 2014 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, 2014.

These condensed interim financial statements were approved by the Board of Directors of the Company on March 27, 2015.

b) Functional and presentation currency

The Company's functional and reporting currency is the Canadian dollar. Monetary assets and liabilities denominated in another currency are translated at the prevailing period-end exchange rates. Other non-monetary assets and liabilities denominated in another currency are translated at historical exchange rates. Revenues and expenses are translated at the exchange rates in effect at the time of the transaction. Gains and losses arising from fluctuations in exchange rates are included in operations for the periods in which they occur.

3. Selected significant accounting policies

a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash deposits in the bank and highly liquid investments with original maturities of three months or less that is readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

b) Revenue recognition

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

3. Selected significant accounting policies (Continued)

b) Revenue recognition (Continued)

The Company recognizes sales and leasing revenue over the term of the applicable operating services agreements. The term of existing service agreements is between one to five years. Generally, the lessees have the option to renew or cancel the lease and service agreements upon the expiration of each lease term or, in certain circumstances, the agreements may be cancelled upon specific notice provided to the Company.

In situations where leases are terminated, the leased monitoring equipment would be returned to the Company or the Company's lessors with no further obligation on behalf of the lessee.

Interest income is recorded when received.

c) Financial instruments – recognition and measurement

Financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities, as described below:

i) Fair value through profit or loss

Financial assets and financial liabilities that are purchased or incurred with the intention of generating profits in the near term are classified as fair value through profit or loss. Any financial instrument can be designated as fair value through profit or loss as long as the fair value can be reliably measured. These instruments are measured at fair value with subsequent changes in fair value included in earnings.

The Company has classified cash and cash equivalents as assets at fair value through profit or loss, which accordingly, are carried at their fair values.

ii) Held-to-maturity

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets are included in earnings.

Currently, the Company has no held-to-maturity financial assets.

iii) Loans and receivables

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in earnings. The Company has classified accounts receivable as loans and receivables. Due to the short-term nature of these assets, their fair values approximate their carrying values.

iv) Available-for-sale

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity or loans or receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect other-than-temporary impairment.

Cumulative gains and losses arising upon the sale of the instrument are included in earnings. Transaction costs related to the purchase or sale of available-for-sale securities will be added to or deducted from the cost or proceeds of the relevant securities.

Currently, the Company has no available-for-sale financial assets.

3. Selected significant accounting policies (Continued)

c) Financial instruments – recognition and measurement (Continued)

v) Other financial liabilities
Financial liabilities that are not classified as held for trading are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are included in earnings.

The Company has classified accounts payable and accrued liabilities, and customer deposits as other financial liabilities. Due to the short-term nature of these assets, their fair values approximate their carrying values.

vi) Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income or loss.

Subsequent measurement at fair value of financial assets and liabilities are recorded through profit and loss.

d) Future accounting changes
A number of new standards, amendments to standards and interpretations are not yet effective as of January 31, 2015 and have not been applied in preparing these financial statements. These new standards and interpretation are not expected to have a material effect on the financial statements of the Company. The Company intends to adopt the following standards when they become effective:

i) IFRS 9 - Financial instruments, classification and measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 9 on its financial statements.

ii) IFRS 15 – Revenue from contracts with customers
IFRS 15 applies to all contracts with customers and provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, except for: leases, insurance contracts and financial instruments. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2017 and is available for early adoption. The Company has not yet determined the impact of IFRS 15 on its financial statements.

4. Financial instruments and financial risk management

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

a) Credit risk

The Company's principal business activities are located in Canada. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company routinely assesses the financial strength of its customers, and based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts and, as a consequence, believes that its account receivable credit risk beyond such allowances is limited.

The Company maintains cash deposits with financial institutions, which from time to time may exceed federally insured limits. The Company believes it is not exposed to any significant credit risk from cash. At January 31, 2015, the Company had cash balances on deposit that exceeded federally insured limits by $1,125,915 (July 31, 2014 - $2,679,032). All of these funds are on deposit with Schedule I banks in Canada.

The Company is a Canadian distributor of Omnilink Systems Inc. ("Omnilink") and the Canadian distributor of BI Inc.'s (both U.S. companies) offender monitoring and tracking devices, the sales and leasing of which account for substantially all of the Company's revenues, equipment additions and replacement parts purchased. The Company is economically dependent on Omnilink and BI Inc. for the continued supply of monitoring equipment, replacement parts, and maintenance services provided by Omnilink and BI Inc. for resale or rental by the Company.

b) Liquidity risk

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its working capital position.

Cash resources, repayment obligations and spending plans are monitored and actions are taken with the objective of ensuring that there is sufficient capital in order to meet short-term business requirements. As at January 31, 2015, the Company had cash of $1,325,915 (July 31, 2014 - $2,879,032) to settle $131,948 (July 31, 2014 - $145,535) in current liabilities which fall due for payment within twelve months of the Statement of Financial Position.

c) Market risk

The market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The Company's future interest income is exposed to short-term rate fluctuations. This is not a significant risk to the Company.

d) Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rate. Only insignificant balances of the Company's cash, 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.

4. Financial instruments and financial risk management (Continued)

f) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company does not expect any material movements in the underlying market risk variables over a three-month period.

5. Equipment

	Furniture	Monitoring Equipment	Total
Costs, August 1, 2014	$ 50,222	$ 325,503	$ 375,725
Additions	-	5,349	5,349
Costs, January 31, 2015	50,222	330,852	381,074
Accumulated depreciation, August 1, 2014	46,402	243,766	290,168
Depreciation for the period	372	32,167	32,539
Accumulated depreciation, January 31, 2015	46,774	275,933	322,707
Net book value, January 31, 2015	**$ 3,448**	**$ 54,919**	**$ 58,367**

	Furniture	Monitoring Equipment	Total
Costs, July 31, 2013	$ 50,222	$ 321,751	$ 371,973
Additions	-	3,752	3,752
Costs, July 31, 2014	50,222	325,503	375,725
Accumulated depreciation, July 31, 2013	45,532	179,041	224,573
Depreciation for the year	870	64,725	65,595
Accumulated depreciation, July 31, 2014	46,402	243,766	290,168
Net book value, July 31, 2014	**$ 3,820**	**$ 81,737**	**$ 85,557**

6. Share capital and reserves

a) Authorized

Common shares:	Unlimited, no par value
First preference shares:	Unlimited, no par value, issuable in series
Second preference shares:	25,000 Series A, no par value, redeemable, $0.60 non-cumulative dividend

b) Stock options

The Company adopted a fixed stock option plan that permits the directors of the Company to grant incentive stock options to employees, directors and consultants of the Company. The maximum number of shares issuable under the plan, which follows the policies of the TSXV regarding stock option awards is 471,188. Options granted under the plan vest in 6 equal installments over a period of 18 months, with the first installment vesting immediately, and the remaining options vesting upon 6, 9, 12, 15 and 18 months after the date of grant. The option exercise price is generally set as the market price at the time of grant; however, a discount from the market price is permitted under the plan, subject to the policies of the TSXV.

On September 17, 2009, the Company granted 195,000 stock options to officers and directors, at a price of $0.67 per share, expiring September 17, 2014. The options were subject to an 18 month vesting schedule. As at July 31, 2011, the options were fully vested.

During the quarter ended October 31, 2012, 15,000 options for a former officer had not been exercised and are no longer outstanding as a result of this departure.

As at July 31, 2014, 180,000 shares were issuable upon the exercise of outstanding stock options and 256,904 shares were available for future stock option grants.

On August 19, 2014, 90,000 shares of these stock options granted were exercised at a price of $0.67 per share for consideration totaling $60,300. The remaining stock options granted expired on September 17, 2014.

As at January 31, 2015, there were no stock options outstanding.

7. Dividend

On September 11, 2014, the Company announced that the board of directors approved the payment of a one-time special dividend of $0.59 per common share (the “Special Dividend”). The Special Dividend was payable to shareholders of record as of the close of business on September 19, 2014, resulting in a distribution of $1,466,536 on October 2, 2014.

8. Related party transactions

The Company's related parties consist of 6 officers and directors (and their related companies), as follows:

Position	Nature of Transaction
Director	Director and member of audit committee
President, CEO and Director	Management services
Director	Director and member of audit committee
Director	Director
Director	Director and Chair of audit committee
CFO	Management services

There are standard compensation arrangements under which the directors of the Company are compensated for services in their capacity as directors (including any additional amounts payable for committee participation or special assignments). An annual payment of $5,000 is made to each director, and a fee of $500 is paid per board meeting attended. In addition to these amounts, the Chair of the Audit Committee is paid an additional $2,500 per year for the review of interim and annual financial reports. The directors did not receive compensation for services as consultants during the three and six month periods ended January 31, 2015 and 2014.

Nature of expenditure	Three months ended January 31, 2015	Three months ended January 31, 2014	Six months ended January 31, 2015	Six months ended January 31, 2014
Accounting and administrative fees	$ 7,500	$ 7,500	$ 15,000	$ 15,000
Directors' fees	17,750	22,390	24,000	28,640
Salary and benefits	67,964	68,017	134,692	134,950
	$ 93,214	**$ 97,907**	**$ 173,692**	**$ 178,590**

During the quarter ended January 31, 2015, $17,750 (January 31, 2014 - $22,390) was accrued or paid to the directors of the Company as directors' fees. At January 31, 2015, $16,000 (July 31, 2014 - $Nil) is due to the directors and is included in accounts payable and accrued liabilities.

During the quarter ended January 31, 2015, $7,500 (January 31, 2014 - $7,500) was accrued or paid to a Firm where a Partner in the Firm is an officer of the Company. At January 31, 2015, $2,625 (July 31, 2014 - $2,625) is owing to this officer and is included in accounts payable and accrued liabilities.

These transactions with related parties have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the parties.

9. Key management compensation

Remuneration of key management comprises:

	Accounting and administrative fees	Salaries & Benefits	Directors' fees	Share-based payments	Total compensation
Three months ended January 31, 2015	$ 7,500	$ 67,964	$ 3,250	-	**$ 78,714**
Three months ended January 31, 2014	$ 7,500	$ 68,017	$ 3,750	-	**$ 79,267**
Six months ended January 31, 2015	$ 15,000	$ 134,692	$ 4,500	-	**$ 154,192**
Six months ended January 31, 2014	$ 15,000	$ 134,950	$ 5,000	-	**$ 154,950**

Share-based payments represent the cost to the directors' and officers' participation in the incentive stock option plan, as measured by the fair value of instruments granted accounted for in accordance with IFRS 2 *Share-based payments*. Refer to note 6(b) for details of this plan.

10. Income taxes

As at July 31, 2014, the Company has non-capital losses of $429,000 (July 31, 2013 - $205,000), which may be applied to reduce taxable income in future years. These non-capital losses expire after 2032.

11. Fair value of financial instruments

At January 31, 2015 and July 31, 2014, the Company held financial instruments carried at fair value on the Statement of Financial Position. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and customer deposits 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.

11. Fair value of financial instruments (Continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at January 31, 2015 and July 31, 2014:

January 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets held-for-trading				
Cash and cash equivalents	$ 1,325,915	-	-	$ 1,325,915
Loans and receivables				
Accounts receivables	113,524	-	-	113,524
Other financial liabilities				
Accounts payable and accrued liabilities	87,624	-	-	87,624
Customer deposits	23,198	-	-	23,198

July 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets held-for-trading				
Cash and cash equivalents	$ 2,879,032	-	-	$ 2,879,032
Loans and receivables				
Accounts receivables	75,312	-	-	75,312
Other financial liabilities				
Accounts payable and accrued liabilities	75,927	-	-	75,927
Customer deposits	39,335	-	-	39,335

12. Commitments

The Company is committed under an agreement to lease office facilities to September 30, 2015. The Company is committed to making monthly payments of $1,792 for these office facilities.