

JEMTEC INC.

FINANCIAL STATEMENTS

APRIL 30, 2005 and 2004

(Unaudited)

JEMTEC INC.
Suite 200-38 Fell Avenue
North Vancouver, B.C. V7P 3S2

Notice to Reader

The accompanying unaudited interim financial statements of Jemtec Inc. for the period ended April 30, 2005 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's independent auditors.

DATED the 23rd day of June 2005.

“Eric Caton”

Eric Caton
President and Chief Executive Officer

JEMTEC INC.
Balance Sheets
(Unaudited)

	April 30, 2005	July 31, 2004
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,385,596	\$ 697,998
Accounts receivable	467,309	242,394
Prepaid expense	1,500	4,328
	<u>1,854,405</u>	<u>944,720</u>
Property, Plant And Equipment	421,042	59,085
Future Income Taxes	<u>47,305</u>	<u>52,291</u>
	<u>\$ 2,322,752</u>	<u>\$ 1,056,096</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 202,004	\$ 174,026
Due to related parties (note 4)	18,750	54,250
Deferred revenue	10,000	10,500
Current portion of capital lease obligation	80,405	27,766
Income taxes payable	341,974	103,483
	<u>653,133</u>	<u>370,025</u>
Capital lease obligation	<u>302,118</u>	<u>9,735</u>
	<u>955,251</u>	<u>379,760</u>
SHAREHOLDERS' EQUITY		
Share capital (note 3)	1,168,993	1,112,993
Contributed surplus (note 2)	18,374	-
Retained earnings	<u>180,134</u>	<u>(436,657)</u>
	<u>1,367,501</u>	<u>676,336</u>
	<u>\$ 2,322,752</u>	<u>\$ 1,056,096</u>

Approved by the Board of Directors:

“Eric Caton”

Director

“Leslie Markow”

Director

JEMTEC INC.
Statements of Operations and Deficit
(Unaudited)

	Three Months Period Ended April 30,		Nine Months Period Ended April 30,	
	2005	2004	2005	2004
Revenue				
Leasing, monitoring and activation	\$ 641,232	\$ 435,032	\$ 1,906,868	\$ 786,770
Parts, sales and other	6,663	72	8,396	1,226
	<u>647,895</u>	<u>435,104</u>	<u>1,915,264</u>	<u>787,996</u>
Expenses				
Salaries and benefits	78,139	41,248	191,339	117,500
Amortization	24,780	6,503	47,072	48,885
Repairs and maintenance	15,742	4,656	34,451	9,239
Monitoring and activation fees	102,214	94,545	271,476	243,017
Equipment rent and installation	30,197	7,227	93,674	48,323
Consulting fees	43,176	23,430	98,212	85,135
Travel	5,647	12,150	23,539	20,486
Shareholder communications	9,165	4,180	22,833	16,670
Professional fees	4,250	5,435	11,262	11,632
Office	21,808	13,145	74,042	52,070
Interest on capital leases	6,447	923	14,721	3,074
Other interest expense	419	2,124	1,767	3,568
Accounting and administrative fees	4,500	6,000	16,000	19,300
Stock-based compensation	13,659	-	18,374	-
Directors' fees	8,750	-	32,750	-
	<u>368,893</u>	<u>221,566</u>	<u>951,512</u>	<u>678,899</u>
Net Earnings for the Period before Income Taxes	279,002	213,538	963,752	109,097
Provision for Income Taxes (note 5)	100,451	-	346,961	-
Net Earnings for the Period	178,551	213,538	616,791	109,097
Retained Earnings- Beginning of Period	1,583	(955,215)	(436,657)	(850,774)
Retained Earnings - End of Period	180,134	(741,677)	\$ 180,134	\$ (741,677)
Earnings per share				
Basic	\$ 0.08	\$ 0.11	\$ 0.27	\$ 0.05
Diluted	\$ 0.08	\$ 0.11	\$ 0.26	\$ 0.05
Weighted average number of common shares outstanding				
Basic	2,321,659	2,071,659	2,321,659	2,071,659
Diluted	2,398,891	2,071,659	2,391,732	2,071,659

JEMTEC INC.
Statement of Cash Flows
(Unaudited)

	Three Months Period Ended April 30,		Nine Months Period Ended April 30,	
	2005	2004	2005	2004
Cash flows from (used in) operating activities:				
Net earnings for the period	\$ 178,551	\$ 213,538	\$ 616,791	\$ 109,097
Adjusted for items not requiring cash:				
Amortization	24,780	6,503	47,072	48,885
Stock-based compensation	13,659	-	18,374	-
Future income taxes	-	-	4,986	-
Change in non-cash working capital balances related to operations				
Decrease (increase) in accounts receivable	16,608	169,659	(224,915)	67,546
Decrease in prepaid expenses	739	-	2,828	-
Increase (decrease) in accounts payable and accrued liabilities	26,413	(8,802)	27,978	33,581
Increase (decrease) in deferred revenue	(2,343)	5,500	(500)	5,500
Increase (decrease) in due to related parties	3,750	-	(35,500)	-
Increase in income tax payable	100,450	-	238,491	22,472
Net cash flows provided by operating activities	<u>362,607</u>	<u>386,398</u>	<u>695,605</u>	<u>287,081</u>
Cash flows provided by (used in) financing activities				
Bank loan (repayments made) funds received	-	(34,000)	-	21,000
Share issued for cash	56,000	-	56,000	-
Payment on capital lease obligation	(22,149)	(6,494)	(64,007)	(19,117)
Net cash flows provided by (used in) financing activities	<u>33,851</u>	<u>(40,494)</u>	<u>(8,007)</u>	<u>1,883</u>
Net cash increase in cash and cash equivalents	396,458	345,904	687,598	288,964
Cash and cash equivalents - Beginning of Period	<u>989,138</u>	<u>(4,845)</u>	<u>697,998</u>	<u>52,095</u>
Cash and cash equivalents - End of Period	<u>1,385,596</u>	<u>341,059</u>	<u>\$ 1,385,596</u>	<u>\$ 341,059</u>

SUPPLEMENTARY INFORMATION ON NON-CASH FINANCING AND INVESTING ACTIVITIES:

During the nine month period ended April 30, 2005, the Company entered into a capital lease for monitoring equipment in the amount of \$409,029.

JEMTEC INC.
Notes to Financial Statements
April 30, 2005 and 2004

1. Nature of Operations and Basis of Presentation

The Company's core business is the sales and leasing of electronic monitoring equipment to Canadian provincial and federal government correctional departments.

The interim financial statements of Jemtec Inc. (the "Company") have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended July 31, 2004, except as described below. The disclosures included below are incremental to those included with the annual financial statements. The interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's annual report for the year ended July 31, 2004.

2. Summary of Significant Accounting Policies

Change In Accounting Policy

Effective August 1, 2003, the Company adopted, the fair value based method of accounting for stock based compensation for all grants of option to employees, non-employees and directors in accordance with the prospective application provision of amended Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870. All options granted beginning August 1, 2003 are accounted for using the fair value based method, and stock based compensation expense is calculated using the Black-Scholes pricing method ("Black-Scholes").

Stock based compensation

The Company uses the fair value based method of accounting for all stock-based awards. During the nine months ended April 30, 2005, the Company granted 50,000 stock options with a compensation cost of \$18,374. The Company calculated the compensation cost by using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 3.96%, a dividend yield of nil, an expected volatility of 131.51% and expected lives of the stock options of five years.

Accordingly, the fair value of the stock options at the date of grant is charged to operations on a straight-line basis over the vesting period. Any consideration paid on exercise of stock options together with the related portion previously recognized as stock based compensation is credited to share capital.

3. Share capital

- a) Authorized
 - Unlimited common shares
 - Unlimited first preference shares, issuable in series

Unlimited second preference shares, issuable in series, of which the directors of the Company have authorized the issuance of 25,000, \$0.60 non-cumulative, redeemable, preference shares designated as Series A.

JEMTEC INC.
Notes to Financial Statements
April 30, 2005 and 2004

3. Share capital, continued

b) Issued and allotted

	Number of Shares	Amount
Balance, July 31, 2004	2,071,659	\$1,112,993
Issued for cash during the period		
Exercise of stock options	250,000	56,000
Balance, April 30, 2005	2,321,659	\$1,168,993

c) Options

During the year ended July 31, 2003, the Company entered into a fixed stock option plan which follows the policies of the TSX Venture Exchange ("TSXV") regarding stock option awards granted to employees, directors and consultants. According to the policies of the TSXV, the Company may grant incentive stock options up to a total of 20% of the Company's issued and outstanding common shares issued.

As at April 30, 2005, 100,000 options to purchase common shares of the Company were outstanding as follows:

Number Outstanding	Exercise Price	Expiry Date
50,000	\$0.11	February 24, 2008
50,000	\$0.30	September 21, 2009

A summary of the status of the Company's fixed stock option plan as of April 30, 2005, is as follows:

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price
Balance July 31, 2004	300,000	\$0.21
Granted	50,000	0.30
Exercised	(250,000)	0.21
Balance April 30, 2005	100,000	\$0.22

The table below summarizes information about fixed stock options outstanding at April 30, 2005:

	Options Outstanding			Options Exercisable	
	Range Of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable
\$0.11-0.30	100,000	3.61 years	\$0.22	66,666	\$0.26

JEMTEC INC.
Notes to Financial Statements
April 30, 2005 and 2004

4. Due to related parties

Due to related parties includes \$18,750 (2004 - \$Nil) owing to directors accrued as directors' fee.

5. Tax Provision

In previous years due to losses and tax loss carry forwards the Company was rarely required to pay income tax. Now due to more stable revenues the Company feels it is appropriate to provide for income taxes, and as such has incorporated a tax provision starting in the second quarter of this fiscal year.