



INEO Tech Corp.

(Formerly Metron Capital Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at and for the years ended June 30, 2020 and 2019

PREFACE

The following is a management's discussion and analysis ("MD&A") of INEO Tech Corp. (formerly Metron Capital Corp.), prepared as of **October 14, 2020**. This MD&A should be read in conjunction with the Company's audited consolidated financial statements as at and for the years ended June 30, 2020 and 2019

INEO Tech Corp. is a Canadian company, originally incorporated as Metron Capital Corp ("Metron") under the laws of the Province of British Columbia on March 4, 2008. Metron Capital Corp. was previously an exploration stage business engaged in the acquisition and exploration of mineral properties located in Canada and the US.

Except as otherwise indicated or where the context so requires, references to "INEO" or the "Company" include INEO Tech Corp. and its subsidiaries. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") – see note 2 of the consolidated financial statements for the year ended June 30, 2020 and 2019 for further information. All dollar figures stated herein are expressed in Canadian dollars (\$ or Cdn\$), unless otherwise specified

On January 24, 2020, Metron Capital Corp. completed its previously announced reverse takeover transaction with INEO Solutions Inc. ("INEO Solutions" formerly Flashgate Technology Inc), carried out by way of a share exchange (RTO Transaction). As part of the transaction Metron changed its name to "INEO Tech Corp." INEO Tech Corp transacts all of its business through its wholly-owned subsidiary INEO Solutions Inc. ("INEO Solutions"). With the acquisition of INEO Solutions, the Company's principal business activity changed to providing services and products to connect advertisers with customers through its patented *INEO Welcoming Network* that combines digital advertising, predictive Artificial Intelligence ("AI") and loss prevention into a single, innovative, patented system.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol INEO. The corporate head office and records office of the Company is located at 105 – 19130 24th Ave Surrey, BC, V3Z 3S9.

This MD&A contains forward-looking statements. See Forward-Looking Statements below for further information. See section "Operational Highlights" below for information on the calculation of EBITDA and adjusted EBITDA. See section "Overall Performance and Discussion of Operations – Gross Profit and Gross Margin" for information on the calculation of Gross Profit and Gross Margin.

Completion of the Reverse Takeover (RTO)

On January 24, 2020, Metron Capital Corp. completed its reverse takeover transaction with INEO Solutions Inc. ("INEO Solutions") (the "Transaction"), carried out by way of a share exchange.

Pursuant to a share exchange agreement dated November 4, 2019, Metron acquired all of the issued and outstanding common shares of the INEO Solutions in consideration for an aggregate of 19,626,407 post-consolidation shares at a deemed value of \$0.35 per share.

Metron also issued options to purchase 175,863 post-consolidation shares at a price of \$0.088 per share in exchange for existing outstanding options of INEO Solutions.

As part of the RTO Transaction, Metron also completed a private placement resulting in the issuance of 8,048,498 subscription receipts (the "Subscription Receipts") of the Company at a purchase price of \$0.35 per share for gross proceeds of \$2,816,974 (the "Offering"). On completion of the Transaction, the Subscription Receipts were automatically converted in accordance with their terms into one Share of Metron and the net proceeds of the Offering were released to Metron from escrow. In addition, Metron issued 262,181 warrants to finders in connection with the Offering, each entitling the holder to acquire one Share of Metron at a price of \$0.35 per Share for a period of 24 months from their date of issue. On completion of the Transaction, Metron repaid certain outstanding bridge loans of \$305,866.

In connection with the RTO Transaction, Metron consolidated its common shares on the basis of one (1) post-consolidation share for every 1.6191 pre-consolidation shares (the "Consolidation").

With the acquisition of INEO Solutions, the Company's principal business activity changed to providing services and products to connect advertisers with customers through its patented *Retail Welcoming Network* that combines digital advertising, predictive Artificial Intelligence ("AI") and loss prevention into a single, innovative, patented system.

BUSINESS OVERVIEW

INEO operates the *INEO Welcoming Network*, a patented in-store and online advertising platform that enhances the customer experience, monetizes the entrances of retail stores and protects against retail theft. The *INEO Welcoming Network* is a revolutionary cloud-based digital advertising and data analytics system, which sends customized advertising to digital screens integrated with theft detection sensor gates at the entrance of retail stores.

INEO's patented technology integrates high-resolution, advertising-ready LCD screens with an advanced theft-detection sensor system. INEO's security gates replace antiquated anti-shoplifting or loss prevention systems and are used in deterring and catching shoplifters. In addition, INEO's security gates incorporate high-definition camera technology which captures video surveillance to record any incidents or security breaches. The company's cloud-based servers deliver targeted ads, informing customers about products, sales, in-store experiences and specials. Furthermore, INEO provides retailers with a wealth of data related to store traffic and machine-learning powered advanced analytics.

The replacement of retail loss prevention systems with the *INEO Welcoming Network* is a large market. Research reports estimate that the worldwide retail loss prevention market is worth \$9 billion annually (State of Loss Prevention – 2015). More specifically, reports estimate that the loss prevention antenna aspect of the market is worth nearly \$2 billion each year (Marketresearchfuture.com – 2018).

Currently, there are over 2.38 million loss prevention pedestals in North America. There are over 528,000 retail locations across North America, spanning a variety of industry verticals, providing a massive market for INEO to distribute and install its products.

As of the date of this report, INEO had installed sixty *Welcoming Systems* in B.C. and Alberta. These installations are all within independent liquor store locations.

Significant Events and Milestones

On February 3, 2020, INEO announced the appointment of Steve Matyas to the Company's Board of Directors. Matyas brings vast retail management, operations and executive leadership experience to INEO, including 27 years at STAPLES where he previously was the Chief Executive Officer of STAPLES® Retail.

On March 23, 2020 the Company temporarily reassigned all capacity at its manufacturing subsidiary, FG Manufacturing, to produce clear acrylic barriers to provide separation between cashiers and customers and keep retail businesses open amidst the threat of the COVID-19 pandemic.

On April 7, 2020, INEO announced it received a Notice of Allowance from the United States Patent and Trademark Office ("USPTO") for its patent entitled "COMBINATION MEDIA DISPLAY AND ELECTRONIC ARTICLE SURVEILLANCE PEDESTAL". Subsequently, on April 23, 2020, the Company announced the USPTO granted this patent to INEO under Patent no. US 10,614,691.

On May 5, 2020, the Company acquired Newman Loss Prevention ("Newman"), an independent reseller of loss prevention products and services in Calgary, Alberta. This was approved by the TSX-V on May 12, 2020. The Company's acquisition of Newman includes acquiring ongoing contracts, customer lists and inventory assets, in exchange for 200,000 common shares (issued on May 13, 2020) in the Company with a future earn-out consideration of another 200,000 INEO common shares upon achievement of certain agreed to milestones.

The transaction resulted in management compensation of \$50,990 which represents the value of the customer relationships, intellectual property and expertise that came with the acquisition.

On July 15, 2020, INEO announced the launch and commercial availability of the industry's first wireless *Welcoming System*, which significantly simplifies the installation process, reducing in-store installation time from over four hours down to less than one hour. The new wireless enabled *Welcoming System* allows INEO to swap out and replace the retailers' legacy loss prevention systems with minimal disruption to store operations.

On August 19, 2020, INEO announced the appointment of Serge Gattesco to the Company's Board of Directors. Gattesco has immense audit, strategy, profitability and operations experience as the former Canadian Managing Partner of Strategy and Operations for PwC Canada and as the Canadian Managing Partner for PwC Canada's Audit and Assurance Group.

On September 2, 2020, announced that it has retained PI Financial Corp. ("PI") to provide market making services in accordance with TSX-V policies. PI will trade the securities of INEO on the TSX-V for the purposes of maintaining an orderly market. In consideration of the services provided by PI, the Company will pay PI a monthly cash fee of \$5,000 for minimum term of three months and renewable thereafter. INEO and PI are unrelated and unaffiliated entities. PI will not receive shares or options as compensation. The capital used for market making will be provided by PI.

On September 29, 2020, INEO announce a partnership with Consumer Media Solutions Inc., a Toronto-based media sales organization. Consumer Media Solutions has been successfully selling digital and traditional advertising on a national level since 2005 with a staff of seasoned sales reps and will now

represent INEO. Consumer Media Solutions will take over the day to day activities of selling the advertising inventory on the INEO Welcoming Systems placed in the retail stores.

COVID-19 Business Update

As a result of the COVID-19 pandemic, INEO implemented its business continuity plan, which included instituting a work from home policy for its employees. Starting in mid-March, the Company had all technology and sales employees working from home to minimize personal interactions between employees. This resulted in an acceleration of INEO's product development schedule as the Company shifted its focus from installations of its *Welcoming Systems* to instead enhancing its Research and Development (R&D) efforts. As a result, the R&D team successfully completed development of INEO's new wirelessly enabled *Welcoming System*, which significantly reduces installation time from over four hours down to one hour. The new version of the Welcoming System was successfully launched on July 15, 2020. Furthermore, the Company made significant enhancements on its data analytics platform and improvements to its facial detection algorithms. The traffic generated from the Company's installed systems has given INEO a large dataset to continue to train its proprietary machine learning algorithms leading to improved customer traffic detection.

Despite the emergence of the Covid-19 pandemic, INEO's *Welcoming Network* deployed across B.C. and Alberta continued to be operational throughout the fourth quarter as they were located within independent liquor stores that remained open throughout this period. This resulted in the Company recording aggregate foot traffic of over 3 million individuals across its entire network during the fourth quarter ending June 30, 2020. INEO's *Welcoming Systems* have been delivering advertisements and public service announcements to customers and collecting valuable foot traffic data metrics while also protecting retailers against theft. Social distancing restrictions have caused a major decline in most other Out-of-Home advertising locations; however, INEO's focus on essential retail has positioned the Company to be one of the few Digital-Out-of-Home advertising options available that allows brands to display their messaging in an impactful way.

Shortly after the onset of the Covid-19 pandemic, INEO reallocated its engineering and production resources to design and develop an adjustable Sneeze-Guard product to provide separation between customers and cashiers for its customer base. The Sneeze-Guard product is a clear acrylic cashier protection barrier for retailers and healthcare facilities, which provides the cashier with some protection from inadvertent contact with customers who may have the COVID-19 virus and allows the retailer to remain open. Within seven days of initiating this project, the Company had completed its design and prototyping and began shipping and installing production quality systems. INEO shipped and installed several hundred Sneeze-Guard products in the fourth quarter which contributed to the Company achieving record quarterly revenue.

Beginning in May, the Company gradually brought employees back into the Company's office environment. Health and safety protocols, as outlined by the BC Ministry of Health, are being followed including spacing and distancing of workstations. The Company resumed normal office hours in June although outside visitors are only allowed via appointment and must wear masks while keeping 2m in distance from all staff.

With Western Canada now well into Phase 3 of its economic restart plan, INEO has once again started expanding its *Welcoming Network*. While there have been some slow-downs in INEO's supply-chain, the

Company has been able to secure commitments for the delivery of components required for the *Welcoming Systems* and production resumed fully by the end of June.

SELECTED ANNUAL INFORMATION

SELECTED ANNUAL INFORMATION	June 30, 2020		June 30, 2019	
Total Assets	\$	1,988,110	\$	311,550
Working capital		1,274,926		(209,731)
Shareholder's equity (deficiency)		1,192,388		(367,876)
Sales		526,954		424,312
Loss and comprehensive loss		(5,763,004)		(170,853)
Basic and diluted loss per share		(0.25)		(0.01)

OPERATIONAL HIGHLIGHTS

The following selected financial information for the year ended June 30, 2020 and the year ended June 30, 2019 has been derived from the audited consolidated financial statements and should be read in conjunction with the statements and related notes.

OPERATIONAL HIGHLIGHTS	June 30, 2020		June 30, 2019	
Sales	\$	526,954	\$	424,312
Cost of Sales		(241,731)		(150,694)
Gross Profit	\$	285,223	\$	273,618
Gross Margin		54.1%		64.5%
Net loss before other income (expenses)	\$	(1,110,883)	\$	(151,830)
Net loss and comprehensive loss		(5,763,004)		(170,853)
Basic and diluted loss per share		(0.25)		(0.01)
Weighted average number of common shares outstanding (basic and diluted)		23,497,848		12,117,347

Of note, \$4,804,407 of the net and comprehensive loss for the year ended June 30, 2020 (2019 – \$Nil) is related to the non-cash loss on completion of the RTO transaction.

ANNUAL PERFORMANCE AND DISCUSSION OF OPERATIONS

Sales

The following table shows the details of the Company's sales for the year ended June 30, 2020 and 2019:

SALES	June 30, 2020		June 30, 2019	
Loss Prevention	\$	390,291	\$	310,873
Fabrication		136,663		113,439
Total	\$	526,954	\$	424,312

The Company generated \$526,954 of revenue for the year ended June 30, 2020. This represented an increase of \$102,642 (24.19%) as compared to the year ended June 30, 2019. The increase in revenue is primarily attributable to an increase in the Company's online sales of loss prevention products and product sales revenue from the new Sneeze-Guard products. Shortly after the onset of the COVID-19 pandemic, INEO reallocated its engineering and production resources to design and develop an adjustable Sneeze-Guard product to provide separation between customers and cashiers for its customer base. The Sneeze-Guard product is a clear acrylic cashier protection barrier for retailers and healthcare facilities, which provides the cashier with some protection from inadvertent contact with customers who may have the COVID-19 virus and allows the retailer to remain open.

Gross Profit and Gross Margin

The following table summarizes gross profit and gross margin for the year ended June 30, 2020 and 2019:

GROSS PROFIT/GROSS MARGIN	June 30, 2020		June 30, 2019	
	Loss Prevention	Fabrication	Loss Prevention	Fabrication
Sales	\$ 390,291	\$ 136,663	\$ 310,873	\$ 113,439
Cost of Sales	(186,452)	(55,279)	(148,905)	(1,789)
Gross Profit	\$ 203,839	\$ 81,384	\$ 161,968	\$ 111,650
Gross Margin	52.2%	59.6%	52.1%	98.4%

The Company generated gross profit of \$285,223 for the year ended June 30, 2020. This represented an increase of \$11,605 (4.24%) as compared to the year ended June 30, 2019. The Company attributes this increase in gross profit to higher annual revenue for both the Loss Prevention and Fabrication segments. However, gross margin for the year ended June 30, 2020 decreased to 54.1%, as compared to gross margin of 64.5% for the year ended June 30, 2019. The reduction in the Company's gross margin is attributable to a decrease in sales of the Company's higher margin loss prevention products as a result of the social distancing restrictions in response to the COVID-19 pandemic and due to the higher cost to purchase inventory from Asian suppliers as COVID-19 had a negative impact on the rate of USD/CAD while also causing shipping costs to increase substantially.

Expenses

The following is the breakdown of the Company's expenses for the year ended June 30, 2020 and 2019:

General and administrative expenses	For the year ended	
	June 30, 2020	June 30, 2019
Accounting and legal	\$ 227,993	\$ 76,552
Amortization on property and equipment	32,902	18,277
Bad debt	-	18,000
Insurance	5,254	4,204
Lease interest	6,213	-
Office expenses	69,391	40,575
Rent	49,232	50,201
Remuneration and benefits	351,716	-
Stock-based compensation	45,256	34,917
Supplies	23,691	21,333
	<u>\$ 811,648</u>	<u>\$ 264,059</u>

Selling expenses	For the year ended	
	June 30, 2020	June 30, 2019
Freight and delivery	\$ 10,286	\$ 9,928
Investor relations	16,032	6,787
Marketing and research	59,776	-
Remuneration and benefits	202,352	73,609
Stock-based compensation	6,590	-
Travel	9,304	3,025
	<u>\$ 304,340</u>	<u>\$ 93,349</u>

Research and development expenses	For the year ended	
	June 30, 2020	June 30, 2019
Consulting fees	\$ 37,479	\$ 53,266
Remuneration and benefits	237,367	14,774
Stock-based compensation	5,272	-
	<u>\$ 280,118</u>	<u>\$ 68,040</u>

Accounting and legal expenses increased to \$227,993 (2019 - \$76,552). The increased expense primarily relates to legal and accounting expenses incurred in finalizing the RTO transaction and increased compliance expenses of being publicly listed.

Marketing and research and investor relations posed a combined increase of \$75,808 as the Company expanded its customer base and explored new opportunities to further grow the business. Increases are also attributable to business development and market awareness of the Company

Total remuneration and benefits increased to \$791,435 (2019 - \$88,383) as the Company increased its efforts on development and deployment of its current products and system (see Transactions with Related Parties).

All expenses for the year period, generally increased, as the Company ramped up operations on its development and deployment of current products and systems.

Net and comprehensive Loss

Net loss for the year ended June 30, 2020 was \$5,763,004 or \$0.25 per share compared to net loss of \$170,853 or \$0.02 per share for the year ended June 30, 2019. The Company had a greater loss in 2020 due to a non-cash loss of \$4,804,407 attributable to the RTO transaction. For accounting purposes, the transaction is measured at the fair value of the equity issued to the shareholders of INEO (12,805,835 shares issued at \$0.35 per share) amounting to \$4,842,042 and related transaction costs amounting to \$110,273.

Cash and cash equivalents

As at June 30, 2020 the Company had \$1,252,638 of cash and cash equivalents, compared to \$72,836 of cash and cash equivalents at June 30, 2019. For the year ended June 30, 2020, the Company experienced an increase in its cash position of \$1,179,803 (2019 – decrease by \$22,886). This increase is mainly attributed to the funds received on completion of the RTO.

Operating activities

Cash used in operating activities amounted to \$1,028,103 (2019 -\$212,429) mainly driven by repayment of amounts owing to related parties, increased inventory purchases to produce and deploy Welcoming Systems and an accounts receivable balance increase resulting from Sneeze-Guard sales.

Investing activities

Cash used in investing activities amounted to \$103,249 (2019 - \$3,886). This pertains to amounts incurred for additional installed units and computer hardware.

Financing activities

Cash provided by financing activities amounted to \$2,311,154 (2019 – \$193,429). This mostly pertains to net amount received from the completion of the RTO. This amount was offset by repayment of loans received from private lenders and acquisition of Newman Loss Prevention.

Receivables

The following table shows the details of the Company's receivables for the year ended June 30, 2020.

RECEIVABLES	June 30, 2020	June 30, 2019
Accounts receivable	\$221,555	\$69,877
Other receivables	-	24,371
GST recoverable	14,115	803
Receivables	\$235,670	\$95,051

Receivables increased following the increase in sales of Sneeze-guards and a GST recoverable of \$14,115 compared to only \$803 last year.

Inventory

As at June 30, 2020 and 2019, the Company held inventory of \$234,329 and \$98,451, respectively. The increased inventory relates to the purchase of trade-consumables that are sold in the normal course to the company's customers. Readily available inventory of all key products resulting in faster fill rates of orders placed by customers is a strategy management believes gives the Company an edge in the marketplace.

Prepaid expenses

As at June 30, 2020 and June 30, 2019, the Company's prepaid expenses amounted to \$5,037 and \$19,883, respectively. These costs were related the prepayment of supplies from overseas suppliers.

Accounts payable and other current liabilities

The following table summarizes the Company's accounts payable and accrued liabilities as at June 30, 2020 and 2019:

ACCOUNTS PAYABLE and OTHER CURRENT LIABILITIES	June 30, 2020	June 30, 2019
Accounts payable and accrued liabilities	\$ 234,788	\$ 97,223
Bank overdraft	-	13,922
Current portion of loan payable	185,270	202,116
Accounts payable and other current liabilities	\$ 420,058	\$ 313,261

The increase in accounts payable and other current liabilities from June 30, 2019 to 2020 was driven by increases in payroll expenses and liabilities.

Loans

During the year ended June 30, 2020, the company had two loans from Business Development Bank of Canada ("BDC") and three loans from private lenders. The first BDC loan for \$200,000 was taken on Sept 26, 2017 and had an outstanding balance of \$160,660 as of June 30, 2020. The second BDC loan for \$50,000 was taken on April 8, 2019 and had an outstanding balance of \$46,920 as of June 30, 2020. The private lender loan of \$150,000 taken on April 15, 2019 and another private loan of \$100,000, taken on October 3, 2019 were both paid including accrued interest, from funds received upon completion of the RTO. One private loan for \$100,000 and accrued interest, taken out on December 16, 2016 remains outstanding and has a balance of \$143,750 as at June 30, 2020.

SUMMARY OF QUARTERLY RESULTS

SELECTED INFORMATION	\$	\$	\$	\$
	Q4 30-Jun-20	Q3 31-Mar-20	Q2 31-Dec-19	Q1 30-Sep-19
Total revenues, including interest income	247,509	80,020	98,536	100,889
Net Loss and comprehensive loss	2,029,809	(7,536,367)	(168,619)	(87,827)
Basic and diluted loss per common share	0.01	(0.23)	(0.02)	(0.01)
	Q4 30-Jun-19	Q3 31-Mar-19	Q2 31-Dec-18	Q1 30-Sep-18
Total revenues, including interest income	119,678	121,543	99,591	83,500
Net Loss and comprehensive loss	(44,395)	(11,634)	(57,438)	(57,386)
Basic and diluted loss per common share	(0.00)	(0.00)	(0.01)	(0.01)

FOURTH QUARTER

Revenue for the fourth quarter ended June 30, 2020 was \$247,509, and increased 107% compared to revenue of \$119,678 in the fourth quarter ended June 30, 2019, and an increase of 209% compared to revenue of \$80,020 in the third quarter ended March 31, 2020. The increase in the current quarterly revenue was primarily driven by the addition of new product sales of the Sneeze-Guard product.

The reversal of net loss in the comparative period last year to the net income in fourth quarter of this year is mainly due to the adjustment of previously recognized non-cash loss on the completion of RTO from \$7.2 million to \$4.8 million in quarter four. This was partly countered by the higher share-based payments resulting from the vested options issued during the period ended June 30, 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2020, the Company had not achieved profitable operations and had an accumulated deficit since inception of \$6,383,249. During the year ended June 30, 2020, the Company had a net loss of \$5,763,004 and spent \$1,028,103 of cash on operating activities. The Company expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that

may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, its ability to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to develop and/or acquire business projects and to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. To date, the Company has relied on equity and debt financing to fund its acquisitions. Upon completion of the RTO transaction, the Company was able to raise \$2,816,974 which will be used to fund its continued growth and to build a critical mass of its Welcoming Systems. The Company believes that additional funding may still be required and could come in the form of equity, debt and or convertible debt; however, there is no assurance that such additional funding will be available when and as needed. The Company’s access to sufficient capital will impact its ability to continue its Mergers & Acquisitions activities. For further information, see section “Financial Instruments and Other Instruments” below.

TRANSACTIONS BETWEEN RELATED PARTIES AND KEY MANAGEMENT

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company’s Board of Directors and corporate officers.

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured, unless specified.

As at June 30, 2020, the Company has \$9,750 due to related parties (June 30, 2019 - \$182,691).

DUE TO RELATED PARTIES	June 30, 2020		June 30, 2019	
President, Director and Corporate Secretary	\$	-	\$	75,096
Spouse of President		-		107,595
Chief Financial Officers (“CFO”)		9,750		-
	\$	9,750	\$	182,691

The loan to a related party recognized in June 30, 2019 as part of due to related party with balance of \$131,250 (principal and interest) as at June 30, 2020 was reclassified to Loans payable (Note 11 of the Consolidated Financial Statements).

During the periods ended June 30, 2020 and 2019, the Company had the following transactions with related parties:

Type of Service	June 30, 2020	June 30, 2019
Accounting fees	\$ 31,116	\$ 9,559
Management fees	25,000	-
Remuneration and benefits	208,841	-
Stock-based compensation	33,392	-
Total	\$ 298,349	\$ 9,559

- Accounting and management fees of \$56,116 (2019 - \$Nil) was paid to a company controlled by the CFO.
- Remuneration and benefits consist of \$104,421 paid to the President, Director and Corporate Secretary (2019 - \$Nil) and \$104,420 paid to the CEO (2019 - \$Nil).
- Share-based compensation consists of \$13,181 to the CEO, \$13,181 to the President and Corporate Secretary and \$7,030 to two directors (2019 – \$Nil).

Under the terms of their management agreements certain offices of the Company are entitled to 24 months of base pay in the event of their agreements being terminated without cause.

COMMITMENTS

Surrey Warehouse

On February 4, 2020, the Company through its subsidiary, INEO Solutions Inc, entered into a 5-year lease agreement for leased premises (3,360 sq. ft.) in Surrey, British Columbia, commencing April 1, 2020 and ending on March 31, 2025. The minimum base rent is \$11.75 per sq. ft. per month with escalation rate of \$0.25 per sq. ft. per month per annum. In accordance with IFRS 16, the Company recognized right-of-use asset of \$155,260 as at April 1, 2020 equal to the present value of all remaining lease payments. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term.

Consequently, the Company recognized a lease liability equal to the present value of the lease payments to be made over the lease term, using the borrowing rate on the Company's existing loans. As at June 30, 2020, the balance of the lease liability – current is \$22,940 and lease liability – noncurrent is \$121,802.

Consulting agreement

On September 2, 2020, the Company entered into an agreement with PI (see section on BUSINESS OVERVIEW). In connection thereto, the Company will pay PI a monthly cash fee of \$5,000 for minimum term of three months and renewable thereafter.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 2 of the audited consolidated financial statements as at and for the year ended June 30, 2019 and the notes to the unaudited consolidated financial statements as at and for the year ended June 30, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any material off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company has no proposed transactions as of reporting date.

FINANCIAL RISK MANAGEMENT

Fair value risk

The Company's financial instruments consist of cash, trade receivables, other receivables, bank overdraft, accounts payable, due to related parties and loans payable.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data

Trade receivables, other receivable, bank overdraft, accounts payable and due to related party approximate their fair value due to their short-term maturities. Cash and bank overdraft under the fair value hierarchy are based on Level 1 quoted prices in active markets for identical assets or liabilities. The fair value of the loan payable also approximates its carrying value due to the fact that interest rates approximate market rates.

Market risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and price risk and are disclosed as follows:

i. Currency risk

Currency risk is the risk of change in profit or loss that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company has only a nominal amount of assets or liabilities denominated in foreign currencies and engaged in very few transactions denominated in a foreign currency; therefore, its exposure to currency risk is limited.

ii. Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. The Company is subjected to the risks of fluctuation of the variable interest rates ("Prime") of certain of its loans payable. The Company continue monitoring its exposure to the Prime and it is comfortable to this exposure given the relative low fluctuation of the bank interest rates in Canada.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

All the Company's cash is held through a Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered to be limited. The Company's GST recoverable and other receivable are refunds due from the Government of Canada and the exposure to credit risk on these amounts are considered to be limited.

The Company's accounts receivable consists of amounts due from various customers. The maximum exposure to credit risk is equal to the carrying value of accounts receivable. The business models of the Company's respective segments require analysis of credit risk specific to each business line. The Company's historic rate of bad debts is low.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables are assessed primarily on days past due combined with the Company's knowledge of past bad debts. During the year ended June 30, 2020, the Company has recognized a bad debts expense of \$nil (June 30, 2019 - \$18,000).

Liquidity risk

As at June 30, 2020, the Company's cash balance was \$1,252,638. The Company manages its liquidity risk by attempting to maintain sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. Accounts payable, loans payable and accrued liabilities and amounts payable to related parties are all current. As the Company has limited sources of revenue, it may require additional financing to accomplish its long-term strategic objectives.

Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

CAPITAL STOCK

The authorized capital of the Company consists of an unlimited number of common shares without par value.

During the period ended June 30, 2020, the Company had the following capital stock transactions:

- i) On September 15, 2019, 600,000 common shares were issued for 600,000 stock options exercised at \$0.001.
- ii) As part of the RTO, the Company completed a private placement resulting in the issuance of 8,048,498 common shares at \$0.35 per share proceeds. In addition, the Company issued 262,181 warrants and paid \$90,466 to finders in connection with the transaction.
- iii) Upon completion of the RTO, the Company also issued 19,626,407 shares to shareholders of INEO (Note 4).
- iv) On May 13, 2020, pursuant to the acquisition of Newman's assets, the Company issued 200,000 common shares at \$0.285 per share (Note 4).

As at June 30, 2020, the Company has 40,680,740 common shares issued and outstanding (June 30, 2019 – 10,560,000).

The Company had no capital stock transactions during the year ended June 30, 2019.

Options

On January 24, 2020, pursuant to the RTO, the Company granted 175,863 options to stockholders of INEO in exchange of the existing INEO options held by said shareholders. Each option is exercisable to acquire one common share at a price of \$0.089. The options vest immediately and have an expiry date of January 23, 2025.

On April 15, 2020, the Company granted 2,750,000 options to directors, officers and employees of the Company with an exercise price of \$0.26 per share. The Company also granted 500,000 options to a consultant with an exercise price of \$0.35 per share.

On August 18, 2020, the Company granted 200,000 options to a director of the Company with an exercise price of \$0.26 per share. The Options shall vest on the basis of twenty-five percent (25%) on August 18, 2021, twenty-five percent (25%) on August 18, 2022, twenty-five percent (25%) on August 18, 2023 and twenty percent (25%) on August 18, 2024. The Option shall expire at the end of the term of the Company Stock Option Plan or 30 days after the Optionee is no longer a director, employee or contractor of the Company, whichever comes first. The Option must be exercised, if at all, on or before the expiration date.

Warrants

On January 24, 2020, the Company issued 262,181 warrants valued at \$4,262 in connection with the RTO (Note 4). The warrants have an exercise price of \$0.35 and expire on January 23, 2022. The fair value of the warrants granted were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions: volatility rate of 100%, risk-free rate of 1.49%, dividend yield of 0% and weighted average life of 2 years. The fair value of the share warrants is recorded as share issuance costs charged against share capital.

There were no warrants issued during the year ended June 30, 2019.

RISKS AND UNCERTAINTIES

The Company's management believes that the following risks are among the most important in order to understand the issues that face its financial performance, business and its approach to risk management. The risks presented below may not be all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The market in which the Company currently competes is competitive and can change rapidly. Sometimes new risks emerge, and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results.

Limited Operating History

INEO Solutions began carrying on business in 2016 and to date, has generated all revenue from its legacy businesses. The Company, is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees such as Greg Watkin and Kyle Hall, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Factors which may Prevent Realization of Growth Targets

The Company is currently in the early development stage. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- non-performance by third party contractors;
- developing technology is subject to change;

- competition;
- inability to acquire sufficient financing to fund operations;
- cyber-attacks on the Company's operating systems;
- loss of intellectual property rights on its proprietary software;
- increases in materials or labor costs;
- foreign exchange risks and currency fluctuation;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labor disputes, disruptions or declines in productivity;
- inability to defend and costs in defending potential breaches of intellectual property rights;
- inability to attract sufficient numbers of qualified workers; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that the Company may not have product or sufficient product to meet the anticipated demand or to meet future demand when it arises.

Additional Financing

As of report date, the Company has enough funds to meet its current obligations.

In order to execute the further growth strategy, the Company may require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cashflows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Inability to achieve or obtain profitability

The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

Competition

Numerous factors will affect the Company's competitive position, including price. Other companies may decide to enter the space and could have substantially greater financial, marketing and other resources. Several of these companies may have greater name recognition and well-established relationships with some of the Company's target customers. Furthermore, these potential competitors may be able to adopt more aggressive pricing policies and offer more attractive terms to customers than the Company is able to offer. The Company may face increasing price pressure from competitors and customers. In addition, current and potential competitors have established or may establish cooperative relationships amongst themselves or with third parties to compete more effectively. Existing and potential competitors may also develop enhancements to, or future generations of, competitive products and services that will have better performance features than the Company's system.

It is possible that the Company will face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and customer support. The Company may not have sufficient resources to maintain research and development, marketing, sales and customer support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Dependence on Personnel

Due to the technical nature of its business and the dynamic market in which the Company competes, its success depends on its ability to attract and retain highly skilled developers, technology, engineering, managerial, marketing and sales personnel. In particular, the Company's future success depends in part on the continued services of each of its current executive officers and other key employees. Competition for qualified personnel in the technology space is intense. Management believes that there are only a limited number of persons with the requisite skills to serve in many key positions and it is difficult to hire and retain these persons. The loss of one or more of these key personnel may have a significant adverse effect on the Company's sales, operations, technological development and profits.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Variable Revenues / Earnings

The revenues and earnings of the Company may fluctuate from quarter to quarter, which could affect the market price of the Company's Common Shares. Revenues and earnings may vary quarter to quarter as a result of a number of factors, including the timing of releases of new products or services, the timing of substantial sales orders or deliveries, activities of the Company's competitors, cyclical fluctuations related to the evolution of technology, possible delays in the manufacture or shipment of current or new products, concentration in the Company's customer base, and possible delays or shortages in component supplies.

Suppliers

The Company has relationships with suppliers and service providers upon which it depends to provide critical components for its products and services. In the event that the Company is unable to maintain these relationships or establish relationships with new suppliers or service providers as required, the availability, pricing and quality of its products and services may be adversely affected causing an adverse effect on the Company's business, operating results and financial condition. Relationships with third-party suppliers and service providers expose the Company to risks associated with the integrity, quality, reputation, solvency and performance of such parties.

Operating Risk and Insurance Coverage

The Company has insurance to protect its assets, operations and employees. While Management believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company may be exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If they were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if it were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of Interest

Certain of the proposed directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Privacy

The Company may be subject to scrutiny and regulation from legislative bodies with regards to the information that is collected within its systems. To reduce this risk, the Company has taken a proactive approach to consumer and data privacy with its "Transparent Privacy Philosophy" that clearly spells out what is done with personal information:

- The Company does not sell, trade or give away your personal data. That includes your name, address, cell-phone information, credit cards, facial recognition or other biometric imprints.
- The Company anonymizes any limited data it collects. That means, no matter what, anyone who gets our data when you enter or leave a store won't be able to tie it to any person.

- The Company uses our anonymized data to try and build insights into how people shop, how stores operate and what both parties in that equation might want. But we stick to our promise to keep individual identities totally private.
- The Company adheres to the legislative standards of the privacy acts in all jurisdictions in Canada:
 - a. British Columbia - *Personal Information Protection Act*.
 - b. Alberta - *Personal Information Protection Act*.
 - c. Quebec - *The Privacy Act*
 - d. Canadian *Personal Information Protection and Electronic Documents Act* (PIPEDA) for all other jurisdictions in Canada
- The Company follows the foundational principles of *Privacy by Design*, the Canada-made data privacy protocols set out by former Ontario Privacy Minister Anne Cavoukian, Ph.D.
- When you contact or enter into a discussion with the Company your identity and what you discuss will always be held in complete confidence, following all the above standards.
- the Company constantly seeks to be on the forefront of progressive privacy policies. And we will be transparent about where we sit on this important and evolving public interest issue.
- Your privacy matters to you. And that means it matters to the Company.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The market price of the Company's Common Shares may be subject to wide price fluctuations

The market price of the Company's Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Company's Common Shares.

Dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Limited Market for Securities

Upon completion of the Acquisition, the Company's Common Shares will be listed on the Exchange, however, there can be no assurance that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Technology

The Company operates in a highly competitive environment where its hardware and other products and services are subject to rapid technological change and evolving industry standards. The Company's future success depends on its ability to design and produce new products and services, deliver enhancements to its existing products and services, accurately predict and anticipate evolving technology and respond to technological advances in its industry and its customers' increasingly sophisticated needs. The Company's products embody complex technology that may not meet those standards, changes and preferences. If the Company is unable to respond to technological changes, fails or delays to develop products in a timely and cost-effective manner, its products and services may become obsolete, and the Company may be unable to recover its research and development expenses which could negatively impact sales, profitability and the continued viability of the business.

Intellectual Property

In spite of the patent on the Company's proprietary technology, unauthorized parties may attempt to copy aspects of its products or to obtain information that is proprietary. Policing unauthorized use of proprietary technology, if required, may be difficult, time-consuming and costly. If a third-party misappropriates the Company's intellectual property, the Company may be unable to enforce its rights. If the Company is unable to protect its intellectual property against unauthorized use by others, it could have an adverse effect on its competitive position. The Company may be challenged by allegations of its infringement of the intellectual property of others. There is no assurance that the Company will be successful in defending such claims and, if it is unsuccessful, there is no assurance that the Company will be successful in obtaining a license for the intellectual property in question. Intellectual property claims are expensive and time consuming to defend and, even if they are without merit, may cause delay in the introduction of new products or services. In addition, the Company's managerial resources could be diverted in order to defend its rights, which could disrupt its operations.

Proprietary Protection

The Company's success will depend, in part, on its ability to enforce patent rights, maintain the confidentiality of trade secrets and unpatented know-how, and to operate without infringing on the proprietary rights of third parties or having third parties circumvent the Company's rights. The Company relies on a combination of patented technology, contract, copyright, trademark and trade secret laws, confidentiality procedures and other measures to protect its proprietary information. There can be no assurance that the steps taken will prevent misappropriation of the Company's proprietary rights. The Resulting Issue's competitors could also independently develop technology similar to its technology. Although the Company does not believe that its products or services infringe on the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against us, or that any such assertions or prosecutions will not materially adversely affect our business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Company could incur significant costs and diversion of resources with respect to the defense thereof, which could have a material adverse effect on its business.

Liability Claims

The Company may be subject to claims arising from the use of its products and services. The Company's products are complex and sophisticated and, from time to time, may contain design defects that are difficult to detect and correct. There can be no assurance that errors will not be found in the Company's products or, if discovered, that we will be able to successfully correct such errors in a timely manner or at all. Correcting such errors and failures could require significant expenditure of capital. The sale and support of the Company's products and services may entail the risk of substantial product liability or warranty claims in the event of errors or failures. A product liability claim could adversely impact the Resulting Issue's business due to the cost of settlements and due to the costs of defending such claims.

Credit Concentration and Credit Risk

The Company intends to provide credit to its customers in the normal course of operations. Credit risk arises from the potential that a customer or counterparty will fail to meet its contractual obligations. The Company is exposed to credit risk from its customers on its trade receivables and unbilled revenue. Accounts receivable include amounts due from its retail customers, which exposes the Company to risk of non-payment. The Company estimates probable losses on a continuing basis and records a provision for such losses based on the estimated realizable value. Although the Company will attempt to manage its credit risk exposure, there is no assurance that this provision will be adequate.

Foreign Exchange

As Management anticipates that the Company's business will expand with increased global sales, it is expected that it may be necessary to transact sales in foreign currencies other than Canadian dollars, thus exposing the Company to foreign currency risk.

General Economic Conditions

The Company's results could be adversely affected by changing economic conditions in the countries in which it operates. The market turmoil and tightening of credit in the United States and Europe in 2008 and 2009 led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, cuts in government spending, increased market volatility and widespread reduction of business activity generally. There can be no guarantees that the countries in which the Company operates will not experience similar economic conditions, and to the extent such markets experience an economic deterioration, the resulting economic pressure on the Company's customers may cause them to end their relationship with the Company, reduce or postpone current or expected purchase orders for its products, or suffer from business failure, resulting in a decline in our revenues and profitability that could be material. Continued difficult or uncertain economic conditions could adversely affect the Company's revenue and profitability.

Market Demand for the Product and Services

The Company's success is dependent on its ability to market its products and services. There is no guarantee that its products and services will remain competitive. There is no guarantee the Company will be able to respond to market demands. If the Company is unable to effectively develop and expand the market for its products and services, its growth may be adversely affected.

Stock Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's securities will be affected by such volatility. the Company's stock price may also experience significant fluctuations due to operating performance, performance relative to analysts' estimates, disposition or acquisition by a large shareholder, a lawsuit against the Company, the loss or acquisition of a significant customer or distributor, industry-wide factors and factors other than the operating performance of the Company. These factors, among others, may cause decreases in the value of the Company's Common Shares.

Government Regulations

Although Management believes that the Company has obtained the necessary approvals for the products that it currently sells, it may not be able to obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or the Company may not be able to obtain regulatory approvals from countries in which it may desire to sell products in the future. the Company may be required to incur additional costs in order to comply with foreign and state government regulations as it might pertain to certain issues concerning compliance with local regulations governing its devices, content, privacy, taxation and other considerations.

Industry Growth

There can be no assurance that the Company's targeted vertical and geographic markets will grow, or that the Company will be successful in establishing ourselves in new vertical and geographic markets. If the various markets in which its products compete fail to grow, or grow more slowly than is currently anticipated, or if the Company is unable to establish itself in new markets, its growth plans could be materially adversely affected.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. the Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they become due. the Company facilitates this in part by maintaining a line of credit with a major Canadian bank.

Accounting Estimates

The Company prepares its financial statements in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS"). Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses for each year presented. The significant estimates include testing for impairment of goodwill and provision for warranty. Changes in estimates and assumptions will occur based on the passage of time and the occurrence of certain events.

Internal Controls

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. However, the system of internal controls over financial reporting is not guaranteed to provide absolute assurance with regard to the reliability of financial reporting and financial statements.

Public Health Crisis

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In December 2019, novel coronavirus ("COVID-19") surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020. The outbreak has spread throughout the world. The escalating cases of COVID-19 in Canada and the United States, caused companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time. Such public health crises can result in volatility and disruptions in global supply chains, business operation and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect, interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, labor shortages, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business and financial condition. If the Company is unable to mitigate the impacts of the COVID-19 outbreak on its operations, they may be unable to fulfill their product delivery obligations to customers, their costs may increase, and their revenues and margins could decrease.

CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to pursue the development of its projects and products; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that may be engaged in the similar business of developing technologies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with

a view to the best interests of the Company and to disclose any interest they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

On February 3, 2020, Steve Matyas was appointed as a Director (see section on BUSINESS OVERVIEW).

On August 19, 2020, Serge Gattesco was appointed as a Director (see section on BUSINESS OVERVIEW).

Current Directors and Officers of the Company are as follows:

Greg Watkin, President, Chairman and Corporate Secretary

Kyle Hall, Chief Executive Officer, Director

Steve Matyas, Director

Gurminder Sangha, Director

Serge Gattesco, Director

Zara Kanji, Chief Financial Officer

OUTLOOK

Since British Columbia and Alberta entered into Phase 3 of their respective re-opening plans, INEO has aggressively ramped up installations of its recently launched wireless-enabled *Welcoming Systems*. The Company now has sixty locations operating on the INEO Welcoming Network. INEO is now booking advertising on these newly installed systems and has a healthy pipeline of additional retail locations ready for installation throughout the fall. The addition of Consumer Media Solutions (see section on BUSINESS OVERVIEW) as the Company's advertising sales representatives will provide scale without having to add payroll headcount in this area.

The Company's objective is to maximize the value of the Company for our shareholders, and our strategy to obtain this result is to focus on project evaluations and project generation. To proceed with this strategy, additional financings may be required during the current fiscal year. The company continues to execute on its 2020 growth strategy by focusing on the following:

- Organic growth
 - o deploying more *Welcoming Systems* into the Company's existing legacy loss prevention customer base which was obtained through the acquisitions of Provent and Newman
 - o increasing digital media advertising sales on the Company's network of *Welcoming Systems*
 - o increasing sales of supplies (tags & labels) through INEO's web-based sales channel
- Inorganic growth
 - o the acquisition of additional EAS vendors and resellers similar to Provent and Newman across North America
 - o the potential acquisition of technologies or patents that would be complementary to INEO's internally developed intellectual property

INEO is honored to have contributed to the safety of front-line workers during the COVID-19 pandemic with its Sneeze-Guard product which resulted in strong revenue growth in the fourth quarter; however,

the Company has since shifted its focus and resources back to the development and installation of its *Welcoming Systems*. INEO plans on continuing to innovate in the areas of integrated digital screen and loss prevention technology, improving data analytics with machine learning algorithms and optimizing its cloud based digital advertising network.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, the Company's operational goals, expected costs, objectives, growth strategies, merger and acquisition program, customer deployment schedule, advertising and analytics revenue uptake, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include the highly competitive nature of the Company's industry, government regulation and funding and other such risk factors described herein and in other disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change.

Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements in this MD&A are qualified by these cautionary statements. Other than specifically required by applicable laws, we are under obligation and we expressly disclaim any such obligation to update or alter the forward-looking statements whether as a result of new information, future events or otherwise except as may be required by law. These forward-looking statements are made as of the date of this MD&A.