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**INEO Tech Corp.**

**Interim Condensed Consolidated Financial Statements**

As at and for the three months ended September 30, 2023, and 2022

(Unaudited - Expressed in Canadian Dollars)

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

Management of the Company is responsible for the preparation of the accompanying unaudited interim condensed consolidated financial statements. The unaudited interim condensed consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") for the preparation of interim condensed financial statements and are in accordance with *International Accounting Standard ("IAS") 34 – Interim Financial Reporting*.

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

# INEO Tech Corp.

Interim Condensed Consolidated Statements of Financial Position

Unaudited - Expressed in Canadian dollars)

As at

	Notes	September 30, 2023	June 30, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 232,626	\$ 362,510
Accounts receivable	5	210,187	252,599
Inventory	4, 6	289,873	263,962
Prepaid expenses	7	69,398	96,380
Note Receivable	8	26,141	25,393
GST recoverable		9,829	14,415
		<b>838,054</b>	<b>1,015,259</b>
<b>Non-current assets</b>			
Property and equipment	9	1,695,801	1,509,388
Right-of-use asset	20	43,990	51,753
Intangibles	4	2,711	3,254
		<b>1,742,502</b>	<b>1,564,395</b>
<b>Total assets</b>		<b>\$ 2,580,556</b>	<b>\$ 2,579,654</b>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 996,948	\$ 674,537
Loans payable	11	184,375	181,250
Government grant	14	115,610	111,380
Current portion of lease liability	21	37,712	36,352
Interest payable	12	44,219	13,973
Due to related parties	17	-	9,950
		<b>1,378,864</b>	<b>1,027,442</b>
<b>Non-current liabilities</b>			
Notes Payable	12	868,366	856,112
Bank Loan Payable	13	350,000	-
Non-current portion of lease liability	21	17,305	27,266
		<b>1,235,671</b>	<b>883,378</b>
<b>Total liabilities</b>		<b>2,614,535</b>	<b>1,910,820</b>
<b>Shareholders' equity</b>			
Share capital	15	14,968,979	14,968,979
Reserves	15	992,909	945,182
Deficit		(15,995,867)	(15,245,327)
		<b>(33,979)</b>	<b>668,834</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 2,580,556</b>	<b>\$ 2,579,654</b>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements. Nature and continuance of operations (Note 1)

Approved on behalf of the Board on November 23, 2023:

Steve Matyas - Director

Eugene Syho – Director

## INEO Tech Corp.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss  
(Unaudited - Expressed in Canadian dollars)

	Notes	For the three months ended September 30	
		2023	2022
<b>Sales</b>	22	\$ 365,931	\$ 416,086
<b>Cost of Sales</b>	22	(222,196)	(208,440)
<b>Gross Profit</b>		<b>143,735</b>	207,646
<b>Expenses</b>			
General and administrative expenses	16	437,527	339,087
Selling		203,487	278,051
Research and development		198,344	187,686
		<b>839,358</b>	804,824
<b>Net Income (loss) before other income (expenses)</b>		<b>(695,623)</b>	(597,178)
<b>Other Income (Expenses)</b>			
Other income	8	748	-
Foreign exchange gain (loss)		(3,299)	13,919
Interest expense	11,12,13,14	(52,366)	(7,355)
		<b>(54,917)</b>	6,564
<b>Loss and comprehensive loss</b>		<b>\$ (750,540)</b>	\$ (590,614)
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<b>76,143,709</b>	60,190,138
<b>Basic and diluted loss per share</b>		<b>(0.01)</b>	(0.01)

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

## INEO Tech Corp.

Interim Condensed Consolidated Statements of Shareholders' Equity  
(Unaudited - Expressed in Canadian dollars)

	Notes	Number of shares	Amount	Reserves	Deficit	Total Shareholders' Equity
Balance, June 30, 2022		60,190,138	\$ 13,535,082	\$ 727,115	\$ (11,913,836)	\$ 2,348,361
Share issuance during the period						
Private placement	15	14,525,000	1,743,000	-	-	1,743,000
Bonus Shares	15	1,428,571	171,429	-	-	171,429
Stock-based compensation		-	-	156,564	-	156,564
Share issuance costs	15	-	(419,029)	-	-	(419,029)
Warrants issued for Short Form prospectus	15	-	(61,503)	61,503	-	-
Net loss and comprehensive loss		-	-	-	(3,331,491)	(3,331,491)
Balance, June 30, 2023		76,143,709	\$ 14,968,979	\$ 945,182	\$ (15,245,327)	\$ 668,834
Stock-based compensation		-	-	47,727	-	47,727
Net loss and comprehensive loss		-	-	-	(750,540)	(750,540)
<b>Balance, September 30, 2023</b>		<b>76,143,709</b>	<b>\$ 14,968,979</b>	<b>\$ 992,909</b>	<b>\$ (15,995,867)</b>	<b>\$ (33,979)</b>

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

# INEO Tech Corp.

## Interim Condensed Consolidated Statements of Cash Flow (Unaudited - Expressed in Canadian dollars)

	For the three months ended	
	September 30	
	2023	2022
Cash flows used in operating activities:		
Net loss for the period	\$ (750,540)	\$ (590,614)
Items not involving cash:		
Depreciation and amortization on property, equipment, and intangible asset	90,506	35,968
Interest expense, net	53,517	10,243
Stock-based compensation	47,727	27,243
Bad Debts Expense	12,766	-
Provision for inventory write-down	14,261	-
Amortization of right-of-use asset	7,763	7,762
Change in non-cash operating working capital:		
Accounts receivable	29,646	(155,299)
Prepaid expenses	26,982	205,904
Inventory	(40,172)	(185,814)
Accounts payable and accrued liabilities	322,411	(56,504)
Due to related parties	(9,950)	(1,595)
GST recoverable	4,586	8,768
	<b>(190,497)</b>	<b>(693,938)</b>
Cash flows used in investing activities:		
Purchase of equipment	(276,376)	(63,080)
	<b>(276,376)</b>	<b>(63,080)</b>
Cash flows provided by (used in) financing activities:		
Proceeds from bank loan	350,000	-
Payments for lease obligations	(10,500)	(10,290)
Interest paid	(2,511)	-
	<b>336,989</b>	<b>(10,290)</b>
Change in cash	<b>(129,884)</b>	<b>(767,308)</b>
Cash, beginning of period	<b>362,510</b>	1,706,048
Cash, end of period	<b>\$ 232,626</b>	<b>\$ 938,740</b>

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

# INEO Tech Corp.

Notes to the Interim Condensed Consolidated Financial Statements  
As at and for the three months ended September 30, 2023, and 2022  
(Unaudited - Expressed in Canadian dollars)

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## 1. NATURE AND CONTINUANCE OF OPERATIONS

INEO Tech Corp. (the “Company” or “INEO”) is a Canadian company incorporated under the laws of the Province of British Columbia on March 4, 2008. The Company’s shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol ‘INEO.’ The Company’s corporate head office and records office are located at 105 – 19130 24 Avenue, Surrey, BC, V3Z 3S9.

INEO is the inventor and operator of the *INEO Media Network* for retailers, which provides retail analytics and targeted advertising through its cloud-based IoT (Internet of Things) and AI (Artificial Intelligence) technology. The Company operates the *INEO Media Network* using a SaaS-based model for retail stores.

These consolidated financial statements, including comparatives (the ‘Financial Statements’), have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the going concern assumption, which assumes that the Company will continue operations for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company’s ability to realize its assets and discharge its liabilities depends upon the Company obtaining the necessary financing and, ultimately, upon its ability to achieve profitable operations.

For significant expenditures, the Company will depend on external capital. Such external capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company’s operating commitments and development plans. The issuance of additional equity securities by the Company may result in the dilution of current shareholders’ equity interests.

The Company’s future capital requirements will depend on many factors, including the cash flows from its operating activities, costs of research and developing its products, operating costs, the current capital market environment, and global market conditions.

The continued operations of the Company are dependent on its ability to generate revenues, develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, and ultimately generate profitable operations in the future. The Company has no assurance that it will be successful in its efforts. If the Company cannot obtain financing in the amounts and on terms deemed acceptable, the business's future success could be adversely affected. These matters result in material uncertainties, which may cast significant doubt on whether the Company will continue as a going concern.

# INEO Tech Corp.

Notes to the Interim Condensed Consolidated Financial Statements  
As at and for the three months ended September 30, 2023, and 2022  
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## 2. BASIS OF CONSOLIDATION AND PREPARATION

The Financial Statements, including comparatives, have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments, measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for the cash flow information.

These Financial Statements were authorized for issue by the Board of Directors on November 23, 2023.

These Financial Statements, except as otherwise stated, are presented in Canadian dollars and include the accounts of the Company and its wholly-owned subsidiaries, each having a Canadian functional currency.

Entity	Parent	Country of Incorporation	Effective Interest
INEO Solutions Inc.	INEO Tech Corp.	Canada	100%
FG Manufacturing Inc. ("FG")	INEO Solutions Inc.	Canada	100%

These Financial Statements include the accounts of the Company and its subsidiaries of which it has control. All intercompany balances, transactions, and any unrealized gains and losses arising from intercompany transactions have been eliminated.

### Use of estimates and judgments

The preparation of these Financial Statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues, and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors, including other sources that are believed to be reasonable under the circumstances but are not necessarily readily apparent or recognizable when such estimate or assumption is made. Actual results may differ from these estimates.

The information about significant areas of estimation uncertainty considered by management in preparing the Financial Statements is as follows:

#### *Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories) and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business, less the estimated completion costs and costs necessary to make the sale. Provisions are made in profit or loss in the period for any difference between book value and net realizable value.

#### *Equipment*

The estimated useful lives of assets are reviewed by management and adjusted if necessary. To estimate equipment's useful life, management uses its experience with the same or similar assets and may review industry practices for similar pieces of equipment and apply statistical methods to assist in its determination of useful life.

# INEO Tech Corp.

Notes to the Interim Condensed Consolidated Financial Statements  
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## 2. BASIS OF CONSOLIDATION AND PREPARATION (CONTINUED)

### Use of estimates and judgments (continued)

#### *Income taxes*

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves assessing when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets and the amounts recognized in profit or loss in the year in which the change occurs.

#### *Share-based compensation*

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in Note 3. The fair value of stock options granted is measured using the Black-Scholes option pricing model, which was created to estimate the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

The information about significant areas of judgment considered by management in preparing these Financial Statements is as follows:

#### *Going concern*

The assessment of the Company's ability to continue as a going concern, as discussed in Note 1, involves judgment regarding future funding available for its operations and working capital requirements.

#### *Business combinations*

Business combinations require management to exercise judgment in determining whether a group of assets constitutes a business and measuring the fair value of assets acquired and liabilities and contingent liabilities incurred or assumed. Judgment is also required in determining what qualifies as part of consideration paid.

# INEO Tech Corp.

Notes to the Interim Condensed Consolidated Financial Statements  
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### 3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these Financial Statements, the significant accounting policies and judgements made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited financial statements for the year ended June 30, 2023.

Interim results are not necessarily indicative of the results expected for the financial year. Annual results may differ from interim estimates. The significant judgments made by management applied in the preparation of these Financial Statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended June 30, 2023.

### 4. VITTAGE ASSET ACQUISITION

On December 22, 2021, the Company acquired all of the assets of Vittage Ltd. in exchange for US\$35,000 in cash. The purpose of the acquisition was primarily to acquire the Securitytags.com domain name and its inventories for resale.

In accordance with IFRS 3, using the asset concentration test, the acquisition met the definition of an asset acquisition as substantially all of the fair value is in the inventories.

The following table summarizes the fair value of the consideration transferred and the fair values assigned to each asset acquired on the acquisition date:

<b><u>Consideration transferred</u></b>	
Cash	<b>\$43,939</b>
<b><u>Identifiable assets required</u></b>	
Inventories	\$37,431
Intangible assets	\$ 6,508
<b>Total identifiable assets acquired</b>	<b>\$43,939</b>

Intangible assets acquired include domain names, websites, social media accounts, and customer listings, which are amortized over their estimated useful life of 3 years. During the three months ended September 30, 2023, the Company recognized \$543 (September 30, 2022 - \$542) in amortization related to the intangible assets.

### 5. ACCOUNTS RECEIVABLE

Accounts receivable as at September 30, 2023, amounted to \$210,187 (June 30, 2023 - \$252,599). The Company generally does not hold any collateral as security for accounts receivables. During the three months ended September 30, 2023, the Company recognized expected credit losses of \$12,766, (September 30, 2022 - \$Nil). As of September 30, 2023, cumulative expected credit losses totalled \$23,214 (June 30, 2023 - \$10,448).

# INEO Tech Corp.

Notes to the Interim Condensed Consolidated Financial Statements  
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## 6. INVENTORY

Inventory of finished goods held by the Company as at September 30, 2023, was \$289,873 (June 30, 2023 - \$263,962). Finished goods inventory consists of EAS products held for resale. During the three months ended September 30, 2023, INEO made a provision for the inventory write-down of \$14,261 (September 30, 2022 - \$Nil). The cumulative provision for inventory write-down as at September 30, 2023 totalled \$14,261 (June 30, 2023 - \$Nil). During the three months ended September 30, 2023, the Company recognized \$98,082 of inventory in cost of sales (September 30, 2022 - \$138,463).

## 7. PREPAID EXPENSES

The components of prepaid expenses are as follows:

	September 30, 2023	June 30, 2023
Prepaid Insurance	\$ 41,422	\$ 31,861
Security deposit	615	615
Other prepaids	27,361	63,904
<b>Total</b>	<b>\$ 69,398</b>	<b>\$ 96,380</b>

Other prepaid consist of vendor prepayments for goods and services delivered subsequent to the quarter-ending September 30, 2023.

## 8. NOTE RECEIVABLE

On May 3, 2023, a third party issued a promissory note in favor of the Company amounting to \$25,000, with maturity date on April 4, 2024. The unsecured promissory note bears an annual interest rate of 12% in the first year of the commitment period and 15% after that. During the three months ended September 30, 2023, the interest income accrued from the note receivable amounted to \$748 (September 30, 2022 - \$Nil).

The reconciliation of opening and closing balances of notes receivable follows:

	<u>Amount</u>
Balance, June 30, 2022	\$ -
Note receivable during the year	25,000
Interest accrued	393
Balance, June 30, 2023	<u>\$ 25,393</u>
<b>Interest accrued</b>	<b>748</b>
<b>Balance, September 30, 2023</b>	<b><u>\$ 26,141</u></b>

# INEO Tech Corp.

Notes to the Interim Condensed Consolidated Financial Statements  
As at and for the three months ended September 30, 2023, and 2022  
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## 9. EQUIPMENT

The movements in the balance of equipment follows:

	Furniture and Equipment	Computer Hardware	Motor Vehicle	Welcoming Pedestals - Installed Units	WIP Installed Units	Total
<b>Costs:</b>						
Balance, June 30, 2022	\$ 108,134	\$ 79,256	\$ 13,800	\$ 621,667	\$ 314,429	\$ 1,137,286
Additions	43,796	1,071	-	447,972	425,138	917,977
Transfer of WIP to Installed units	-	-	-	455,695	(455,695)	-
Balance, June 30, 2023	151,930	80,327	13,800	1,525,334	283,872	2,055,263
Additions	-	-	-	168,254	108,122	276,376
Transfer of WIP to Installed units	-	-	-	99,588	(99,588)	-
<b>Balance, September 30, 2023</b>	<b>151,930</b>	<b>80,327</b>	<b>13,800</b>	<b>1,793,176</b>	<b>292,406</b>	<b>2,331,639</b>
<b>Accumulated Depreciation:</b>						
Balance, June 30, 2022	95,136	59,872	4,205	197,364	-	356,577
Amortization	5,381	3,943	1,773	178,201	-	189,298
Balance, June 30, 2023	100,517	63,815	5,978	375,565	-	545,875
Amortization	4,350	903	385	84,325	-	89,963
<b>Balance, September 30, 2023</b>	<b>104,867</b>	<b>64,718</b>	<b>6,363</b>	<b>459,890</b>	<b>-</b>	<b>635,838</b>
<b>Net Book Value:</b>						
June 30, 2023	\$ 51,413	\$ 16,512	\$ 7,822	\$ 1,149,769	\$ 283,872	\$ 1,509,388
<b>September 30, 2023</b>	<b>\$ 47,063</b>	<b>\$ 15,609</b>	<b>\$ 7,437</b>	<b>\$ 1,333,286</b>	<b>\$ 292,406</b>	<b>\$ 1,695,801</b>

# INEO Tech Corp.

Notes to the Interim Condensed Consolidated Financial Statements  
As at and for the three months ended September 30, 2023, and 2022  
(Unaudited - Expressed in Canadian dollars)

## 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities are as follows:

	September 30, 2023	June 30, 2023
Accounts payable	\$ 690,505	\$ 394,529
Accrued liabilities	306,443	280,008
<b>Total</b>	<b>\$ 996,948</b>	<b>\$ 674,537</b>

Accounts payable are generally non-interest bearing and are settled on 30 to 60-day payment terms. Accrued liabilities include accruals for remuneration and benefits, other expenses billed, and collections received from customers for sales delivered after the reporting date. Accrued liabilities are generally settled within 12 months from year-end.

## 11. LOANS PAYABLE

On December 16, 2016, INEO received \$100,000 as a loan, bearing an annual interest rate of 12.5% from a related party. This loan is due on demand and unsecured. The loan balance as at September 30, 2023, amounted to \$184,375 (June 30, 2023 - \$181,250). During the three months ended September 30, 2023, the Company incurred \$3,125 in interest expense (September 30, 2022 – \$3,125). The reconciliation of opening and closing balances of loan payable follows:

	Amount
Balance, June 30, 2022	\$ 168,750
Interest accrued	12,500
Balance, June 30, 2023	181,250
<b>Interest accrued</b>	<b>3,125</b>
<b>Balance, September 30, 2023</b>	<b>\$ 184,375</b>

## 12. NOTE PAYABLE

On November 17, 2022, INEO received a \$1,000,000 unsecured promissory note bearing an annual interest rate of 12.0% from Pathfinder Asset Management Limited. Repayment of this note is due November 17, 2025. In connection with the note, the Company issued 1,428,571 common shares with a fair value of \$171,428 (Note 15). The shares issued were considered debt issuance costs resulting in a discount and amortized using the effective interest method over the credit term of three (3) years with an effective annual interest rate of 19.6%. During the three months ended September 30, 2023, the Company incurred \$42,500 in interest expense (September 30, 2022 – \$Nil). The reconciliation of opening and closing balances of note payable follows:

	Note Payable	Accrued Interest	Total
Balance, June 30, 2022	\$ -	\$ -	\$ -
Proceeds	1,000,000	-	1,000,000
Debt issuance cost	(171,428)	-	(171,428)
Interest Expense	27,540	73,973	101,513
Interest paid	-	(60,000)	(60,000)
Balance, June 30, 2023	\$ 856,112	\$ 13,973	\$ 870,085
Interest Expense	12,254	30,246	42,500
<b>Balance, September 30, 2023</b>	<b>\$ 868,366</b>	<b>\$ 44,219</b>	<b>\$ 912,585</b>

# INEO Tech Corp.

Notes to the Interim Condensed Consolidated Financial Statements  
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## 13. BANK LOAN PAYABLE

On September 14, 2023, the Company received a secured bank loan amounting to \$350,000 from Business Development Bank of Canada (BDC). The loan is payable in 72 equal monthly installments starting July 31, 2024 to June 30, 2030. The interest on the loan is equivalent to BDC's Floating Base Rate plus a variance of 7.50% per year. During the three months ended September 30, 2023, the BDC's Floating Base rate is at 9.3% and the Company incurred \$2,416 in interest expense (September 30, 2022 - \$Nil). The reconciliation of opening and closing balances of bank loan follows:

	Principal	Interest	Total
Balance, June 30, 2023 and 2022	\$ -	\$ -	\$ -
Proceeds	350,000	-	350,000
Interest Expense	-	2,416	2,416
Payment	-	(2,416)	(2,416)
<b>Balance, September 30, 2023</b>	<b>\$ 350,000</b>	<b>\$ -</b>	<b>\$ 350,000</b>

## 14. GOVERNMENT GRANT

Due to the global outbreak of the Novel Coronavirus ("COVID-19"), the federal government of Canada introduced the Canada Emergency Business Account ("CEBA"). CEBA provides eligible businesses an interest-free loan ("CEBA Loan") of \$40,000. The CEBA Loan has an initial term that expires on December 31, 2022, throughout which the CEBA Loan remains interest-free—repayment of \$30,000 by December 31, 2022, results in a \$10,000 loan forgiveness. If the balance is not paid before December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly, effective January 1, 2023. The entire balance must be repaid by December 31, 2025. On May 6, 2020, INEO Solutions and FG Manufacturing each received \$40,000 in loans from the Government as part of the CEBA.

On December 4, 2020, the federal government of Canada expanded CEBA, and eligible businesses facing financial hardship due to the pandemic could access a second loan of up to \$20,000. Half of this additional financing, up to \$10,000, will be forgivable if the loan is repaid by December 31, 2022. If the balance is not paid before December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly, effective January 1, 2024. The entire balance must be repaid by December 31, 2026. On April 7, 2021, INEO Solutions and FG Manufacturing each received an additional \$20,000 in loans from the Government as part of CEBA.

Under *IAS 20, Accounting for Government Grant and Disclosure of Government Assistance*, the benefit of a government loan at a below-market rate is treated as a government grant and measured in accordance with *IFRS 9, Financial Instruments*. The benefit of below-market-rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of each initial CEBA loan at \$26,880 and additional loans at \$15,408, using a discount rate of 15%, which was the estimated rate for a similar loan without the interest-free component. The difference will be accreted to each CEBA loan liability over the term of the CEBA Loan and offset to other income on the statements of loss and comprehensive loss.

# INEO Tech Corp.

Notes to the Interim Condensed Consolidated Financial Statements  
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## 14. GOVERNMENT GRANT (CONTINUED)

On January 12, 2022, the government extended the loan repayment deadline to December 31, 2023. If the loan balance remains unpaid after December 31, 2023, the outstanding loans will convert to two-year term loans with an interest of 5% per annum commencing on January 1, 2024, with the loans entirely due by December 31, 2025. The Company has estimated the new carrying value of the CEBA loan at \$103,381, using a discount rate of 15%, which was the estimated rate for a similar loan without the interest-free component. Furthermore, the Company has estimated that the loan remeasurement resulted in a gain of \$8,620. The difference will be accreted to each CEBA loan liability over the term of the CEBA Loan and offset to other income (expenses) on the statements of loss and comprehensive loss.

On September 14, 2023, the government extended the loan repayment deadline to January 18, 2024. Additionally, repaying the balance of the loan on or before said date will result in loan forgiveness of up to 33% or up to \$20,000. Furthermore, CEBA loan holders who submit a refinancing loan application to their financial institution provider by January 18, 2024, requiring a grace period can still qualify for partial loan forgiveness if the outstanding principal of their CEBA loan, plus any applicable interest is repaid by March 28, 2024. The Government of Canada also extended the final loan maturity date from December 31, 2025, to December 31, 2026, with the same interest rate of 5% per annum.

During the three months ended September 30, 2023, the total interest expense recognized for the CEBA grants amounted to \$4,230 (September 30, 2022 - \$4,228). The reconciliation of opening and closing balances of government grants follows:

	<b>September 30, 2023</b>	June 30, 2023
Beginning balance	\$ 111,380	\$ 111,382
Interest accrued	4,230	8,618
Discount on loan due to remeasurement	-	(8,620)
<b>Ending balance</b>	<b>\$ 115,610</b>	<b>\$ 111,380</b>

## 15. SHARE CAPITAL AND RESERVES

### Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

### Shares held in escrow

On January 24, 2023, all common shares held in escrow were released to shareholders. As of September 30, 2023, nil shares were held in escrow. (June 30, 2023 – nil shares held in escrow).

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## 15. SHARE CAPITAL AND RESERVES (CONTINUED)

### Issued share capital

The Company had no capital stock transactions during the period ended September 30, 2023.

During the year ended June 30, 2023, the Company had the following capital stock transactions:

On November 17, 2022, the Company completed a brokered short-form prospectus offering (the 'Offering'), issuing 14,525,000 units for \$0.12 per unit for aggregate proceeds of \$1,743,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.19 per common share for a period of 36 months from the date of issuance. The warrants were allocated a value of \$nil using the residual value allocation method. In connection with the Offering, the Company incurred \$419,029 in share issuance cost and issued 923,721 broker warrants with a fair value of \$61,503. The broker warrants were valued using the Black Scholes option pricing model with the following assumptions: volatility rate of 83.04%, risk-free rate of 3.86%, weighted average life of 3 years. Each broker warrant entitles the holder to purchase one common share at a price of \$0.12 per share for a period of three years. The Company also issued 1,428,571 bonus shares in connection with a non-brokered private placement of the \$1,000,000 unsecured promissory note. The bonus shares have a fair value of \$171,428 and were considered debt issuance costs (Note 12).

### Stock options

The Company has adopted a stock option plan that allows the Company to issue options to certain directors, officers, employees, and consultants to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option cannot be less than the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Stock options granted under the plan vest immediately subject to vesting terms, which may be imposed at the directors' discretion.

The summary of changes in stock options during the three months ended September 30, 2023, and the year ended June 30, 2023, are as follows:

	September 30, 2023		June 30, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	6,930,863	\$ 0.204	4,350,863	\$ 0.262
Options granted	815,000	0.120	2,855,000	0.120
Options forfeited	(165,000)	0.200	(275,000)	0.260
Options outstanding, ending	7,580,863	\$ 0.186	6,930,863	\$ 0.204
Options exercisable, ending	2,719,613	\$ 0.261	2,732,113	\$ 0.261

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## 15. SHARE CAPITAL AND RESERVES (CONTINUED)

### Stock options (continued)

Details of options outstanding as at September 30, 2023, are as follows:

Expiry date	Number of options	Weighted average exercise price	Weighted average contractual life	Number of Options exercisable
January 23, 2025	175,863	0.089	1.32	175,863
April 14, 2030	2,250,000	0.260	6.55	1,687,500
April 14, 2030	500,000	0.350	6.55	375,000
October 16, 2030	175,000	0.260	7.05	87,500
June 16, 2031	500,000	0.260	7.72	250,000
July 26, 2031	250,000	0.260	7.82	125,000
October 25, 2031	75,000	0.260	8.07	18,750
February 28, 2033	2,840,000	0.120	9.42	-
September 18, 2033	815,000	0.050	9.98	-
	<b>7,580,863</b>	<b>0.186</b>	<b>8.02</b>	<b>2,719,613</b>

During the three months ended September 30, 2023, the Company recognized stock-based compensation related to stock options of \$47,727 (September 30, 2022 - \$27,244). The fair value of stock options granted was determined using the Black-Scholes Option Pricing Model using the following assumptions:

	September 30, 2023	June 30, 2023
Expected life of options	<b>10 years</b>	10 years
Annualized volatility	<b>106%</b>	106%
Risk-free interest rate	<b>3.75%</b>	3.33%
Dividend rate	<b>0%</b>	0%
Weighted average fair value per option granted	<b>0.05</b>	0.11
Stock Price	<b>0.05</b>	0.12

### Warrants

The summary of changes in warrants during the three months ended September 30, 2023, and the year ended June 30, 2023 are as follows:

	September 30, 2023		June 30, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	<b>8,186,221</b>	<b>\$ 0.52</b>	11,209,508	\$ 0.52
Warrants issued	-	-	7,262,500	0.19
Broker Warrants issued	-	-	923,721	0.12
Warrants expired	-	-	(11,209,508)	0.52
Warrants outstanding, ending	<b>8,186,221</b>	<b>0.52</b>	8,186,221	0.52
Warrants exercisable, ending	<b>8,186,221</b>	<b>\$ 0.52</b>	8,186,221	\$ 0.52

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## 15. SHARE CAPITAL AND RESERVES (CONTINUED)

### Warrants (continued)

Details of warrants outstanding as at September 30, 2023, are as follows:

Expiry date	Number of warrants	Exercise price	Number of warrants exercisable
November 17, 2025	7,262,500	\$ 0.19	7,262,500
November 17, 2025	923,721	0.12	923,721
	8,186,221		8,186,221

## 16. BREAKDOWN OF EXPENSES

General and administrative expenses are composed of the following:

	For the three months ended September 30	
	2023	2022
Remuneration and benefits (Note 17)	\$ 158,394	\$ 153,936
Amortization and depreciation (Note 9,20)	98,269	43,730
Office expenses	83,761	64,975
Stock-based compensation (Note 15, 17)	34,053	15,063
Accounting and legal	26,115	41,125
Bad debt (Note 5)	12,766	-
Rent (Note 21)	11,974	9,731
Insurance	10,296	7,637
Lease interest (Note 21)	1,899	2,890
<b>Total</b>	<b>\$ 437,527</b>	<b>\$ 339,087</b>

## 17. RELATED PARTY TRANSACTIONS

### Key management personnel:

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

As at September 30, 2023, the Company has \$Nil due to an officer of the Company (June 30, 2023 - \$9,950).

During the three months ended September 30, 2023, and 2022, the Company incurred the following key management compensation:

	For the three months ended September 30	
	2023	2022
Remuneration and benefits	\$ 87,500	\$ 101,115
Stock-based compensation	40,713	12,889

# INEO Tech Corp.

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Total	\$ 128,213	\$ 114,004
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## 18. CAPITAL MANAGEMENT

The Company defines capital as consisting of shareholders' equity. The Company's objectives when managing capital are to support the further advancement of the Company's business objectives and existing product lines, as well as to ensure that the Company can meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility, adjusting it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the Company's relative size, is reasonable. The approach to capital management has not changed since the prior year, and the Company is not subjected to externally imposed capital requirements.

## 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### a) Fair value risk

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities due to related parties, loans payable, notes payable, interest payable, and government grants.

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

Cash under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities. Accounts receivable, notes receivable, accounts payable, and accrued liabilities due to related parties and loans payable approximate their fair value due to their short-term maturities. The fair value of notes payable, and government grant also approximates the carrying value due to the fact that they are discounted to fair value using market rates

### b) Market risk

Market risk is the risk that a financial instrument's fair value or future cash flows 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:

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## 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (i) Currency risk

Currency risk is the risk of change in profit or loss that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company's exposure to the risk of changes in foreign exchange rates relates to its operational activities. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company's international sales in the United States (US) and Mexico and purchases of goods and services from foreign companies are denominated in US Dollars and are exposed to foreign exchange fluctuations. Due to these fluctuations, operating results may differ materially from expectations, resulting in significant gains and losses on the remeasurements associated with these transactions. As the company continues its expansion in the US, the exposure to exchange rate fluctuations also increases.

As at September 30, 2023, and June 30, 2023, a summary of the quantitative information of the exposure due to foreign currencies is provided as follows:

	<b>September 30, 2023</b>	June 30, 2023
	<i>in US Dollar</i>	<i>in US Dollar</i>
Cash	\$ 15,347	\$ 36,381
Accounts receivable	65,396	56,258
Prepaid expenses	20,238	47,805
Accounts payable and accrued liabilities	<b>(265,784)</b>	(157,812)
Net liabilities denominated in foreign currency	<b>\$ (164,803)</b>	\$ (17,368)

The most significant closing exchange rates and the approximate average exchange rates of Canadian Dollar per US dollar used in these Financial Statements were as follows:

	<b>September 30, 2023</b>		June 30, 2023	
<b>Currency</b>	<b>Closing</b>	<b>Average</b>	Closing	Average
U.S. Dollar	<b>1.35</b>	<b>1.34</b>	1.32	1.34

A 5% change in the U.S. dollar would have increased or decreased the Company's profit or loss for the three months ended September 30, 2023 by \$11,124.

### (i) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate due to changes in market interest rates. As at September 30, 2023, the Company is exposed to interest rate risks primarily on the floating interest rate corresponding to \$350,000 long-term bank loan with BDC (see Note 13). A hypothetical 1% increase or decrease in interest rate, with all other variables held constant, would have a nominal impact on the Company's profit or loss.

### (iii) Price risk

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. The Company does not hold any securities or investments which could expose it to stock prices volatility.

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## 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### c) 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 of the Company's cash is held through Canadian chartered banks; accordingly, the Company's exposure to credit risk is limited. The Company's GST recoverable are refunds due from the Government of Canada, and the exposure to credit risk on these amounts is considered limited.

The Company's accounts receivable consist 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 credit risk analysis 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 using the lifetime expected loss provision for all accounts receivable. To measure the expected credit losses, accounts receivable are assessed primarily on days past due combined with the Company's knowledge of past bad debts. During the three months ended September 30, 2023, expected credit losses for the Company was \$12,766 (September 30, 2022 - \$Nil).

### d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at September 30, 2023, the Company has a cash balance of \$232,626 (June 30, 2023 - \$362,510) and current liabilities balance of \$1,378,864 (June 30, 2023 - \$1,027,442). The Company manages its liquidity risk by attempting to maintain sufficient cash balances to enable settlement of transactions on the due date. As the Company has limited sources of revenue, it may require additional financing to accomplish its long-term strategic objectives.

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## 20. RIGHT-OF-USE ASSET

On March 6, 2020, the Company entered into a 5-year lease agreement for leased premises in Surrey, British Columbia, commencing April 1, 2020, and ending on March 9, 2025. The minimum monthly base rent for years 1 to 5 of the 5-year lease is \$3,290 for year 1, \$3,360 for year 2, \$3,430 for year 3, \$3,500 for year 4, and \$3,570 for year 5, respectively. In accordance with IFRS 16, the Company recognized a right-of-use asset of \$155,260 as at March 6, 2020, equal to the present value of all remaining lease payments discounted at an incremental borrowing rate of 12.5%. The Company depreciates the right-of-use assets on a straight-line basis over the lease term.

<b>Cost</b>	<b>Amount</b>
Balance, June 30, 2022 and 2023	\$ 155,260
Additions	-
<b>Balance, September 30, 2023</b>	<b>155,260</b>
<b>Accumulated depreciation</b>	
Balance, June 30, 2022	\$ (72,455)
Additions	(31,052)
Balance, June 30, 2023	(103,507)
Additions	(7,763)
<b>Balance, September 30, 2023</b>	<b>(111,270)</b>
<b>Net Book Value</b>	
Balance, June 30, 2023	\$ 51,753
<b>Balance, September 30, 2023</b>	<b>\$ 43,990</b>

## 21. LEASE LIABILITY

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, using the effective interest method for the present value determination. As the rate implicit in the lease cannot be readily determined, the Company applied an average incremental borrowing rate. The Company used a discount rate of 12.5% to calculate the present value of its lease payments. Total interest expense on lease liabilities for the three months ended September 30, 2023, was \$1,899 (September 30, 2022 - \$2,890). The following table represents the lease obligation for the Company:

	<b>September 30, 2023</b>	June 30, 2023
Current	\$ 37,712	\$ 36,352
Non-current	17,305	27,266
<b>Total lease obligation</b>	<b>\$ 55,017</b>	<b>\$ 63,618</b>

The following table shows the roll forward of lease obligations for the three months ended September 30, 2023 and for the year ended June 30, 2023:

	<b>September 30, 2023</b>	June 30, 2023
Beginning balance	\$ 63,618	\$ 94,934
Interest expense	1,899	10,124
Lease payments	(10,500)	(41,440)
<b>Ending balance</b>	<b>\$ 55,017</b>	<b>\$ 63,618</b>

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Notes to the Interim Condensed Consolidated Financial Statements  
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## 21. LEASE LIABILITY (CONTINUED)

The following table presents the contractual undiscounted cash flows for lease obligation for the three months ended September 30, 2023 and for the year ended June 30, 2023:

	September 30, 2023	June 30, 2023
Less than one year	\$ 42,490	\$ 42,280
One to five years	17,850	28,560
<b>Total undiscounted lease obligation</b>	<b>\$ 60,340</b>	<b>\$ 70,840</b>

During the three months ended September 30, 2023, the Company expensed \$11,974 in short-term and low-value leases (September 30, 2022 – \$9,731).

## 22 SEGMENTED INFORMATION

The Company has the following reporting segments: corporate and administration, loss prevention, welcoming systems, and fabrication.

Reportable segments are defined as components of an enterprise for which separate financial information is available. They are evaluated regularly by the chief operating decision maker when deciding how to allocate resources and assess performance.

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## 22 SEGMENTED INFORMATION (CONTINUED)

The reportable segments were determined based on the nature of the services provided and goods sold. Loss Prevention refers to sales of security technology, electronic article surveillance systems, and supplies. Fabrication specializes in precision CNC cutting, routing, and drilling for various industries and sectors.

For the three months ended September 30, 2023					
	Loss Prevention	Fabrication	Welcoming Systems	Corporate and administration	Total
Sales	\$ 291,368	\$ 22,516	\$ 52,047	\$ -	\$ 365,931
Cost of Goods Sold	(196,256)	(15,731)	(10,209)	-	(222,196)
Gross Profit	95,112	6,785	41,838	-	143,735
Operating Expenses*	(70,659)	(6,073)	(276,681)	(387,676)	(741,089)
Interest expense, net	-	-	-	(51,618)	(51,618)
Amortization	(1,946)	(4,235)	(84,325)	-	(90,506)
Amortization Right of Use	(1,941)	-	(1,941)	(3,881)	(7,763)
Foreign exchange gain	(3,299)	-	-	-	(3,299)
	(77,845)	(10,308)	(362,947)	(443,175)	(894,275)
Net income (loss) and comprehensive income (loss)	\$ 17,267	\$ (3,523)	\$(321,109)	\$ (443,175)	(750,540)

For the three months ended September 30, 2022					
	Loss Prevention	Fabrication	Welcoming Systems	Corporate and administration	Total
Sales	\$ 354,843	\$ 27,229	\$ 34,014	\$ -	\$ 416,086
Cost of Goods Sold	(190,228)	(16,120)	(2,092)	-	(208,440)
Gross Profit	164,615	11,109	31,922	-	207,646
Operating Expenses*	(75,558)	(2,466)	(75,558)	(604,461)	(758,043)
Interest expense	(5,240)	(2,115)	-	-	(7,355)
Amortization	(2,233)	(1,106)	(32,595)	(3,085)	(39,019)
Amortization Right of Use	-	-	-	(7,762)	(7,762)
Foreign exchange loss	13,919	-	-	-	13,919
	(69,112)	(5,687)	(108,153)	(615,308)	(798,260)
Net income (loss) and comprehensive income (loss)	\$ 95,503	\$ 5,422	\$ (76,231)	\$ (615,308)	\$ (590,614)

\*Operating expenses include Administration, Selling, Marketing, and Research and Development costs.

Loss Prevention has five customers, accounting for 31% of revenue (September 30, 2022 – 4 customers accounting for 31%). Fabrication Operations has two customers, accounting for 74% of revenue (September 30, 2022 – one customer accounting for 54%).

The Company's chief operation decision makers are the CEO, President, Corporate Secretary, and CFO. They review the operations and performance of the Company. All of the Company's assets are in Canada.

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## 22 SEGMENTED INFORMATION (CONTINUED)

Sales by geographical locations are as follows:

	For the three months ended	
	September 30	
	2023	2022
Canada	186,741	215,333
USA	161,996	183,435
Mexico	17,194	17,318
	365,931	416,086