INEO Tech Corp.
(Formerly Metron Capital Corp.)

Interim Condensed Consolidated Financial Statements

As at and for the three months ended September 30, 2020

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Company is responsible for the preparation of the accompanying interim condensed consolidated financial statements. The 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 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. (Formerly Metron Capital Corp.)

Interim Condensed Consolidated Statements of Financial Position
(Unaudited - expressed in Canadian dollars)

	Note		**September 30, 2020**		June 30, 2020
Assets					
Current assets					
Cash and cash equivalents		**$**	**952,384**	$	1,252,638
Accounts receivable, net	5		**84,265**		221,555
GST recoverable			**18,006**		14,115
Inventory	6		**192,763**		234,329
Prepaid expenses	7		**48,361**		5,037
			1,295,779		1,727,674
Non-current assets					
Equipment	8		**219,156**		115,527
Right-of-use asset	18		**137,146**		144,909
			356,302		260,436
Total assets		**$**	**1,652,081**	$	1,988,110
Liabilities and Shareholders' Equity (Deficiency)					
Current liabilities					
Accounts payable and accrued liabilities	9	**$**	**200,073**	$	234,788
Due to related parties	14		**14,250**		9,750
Current portion of lease liability	19		**23,877**		22,940
Current portion of loans payable	10		**188,395**		185,270
			426,595		452,748
Non-current liabilities					
Non-current portion of lease liability	19		**115,463**		**121,802**
Non-current portion of loan payable	10		**155,680**		166,060
Government grant	11		**57,204**		55,112
			328,347		342,974
Total liabilities			**754,942**		795,722
Shareholders' equity					
Share capital	12		**7,505,487**		7,505,487
Reserves	12		**129,022**		70,150
Deficit			**(6,737,370)**		(6,383,249)
			897,139		1,192,388
Total liabilities and shareholders' equity		**$**	**1,652,081**	$	1,988,110

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

Nature of operations (Note 1)
Commitments (Note 21)

Approved on behalf of the Board on November 18, 2020:

"Steve Matyas"
Steve Matyas - Director

"Serge Gattesco"
Serge Gattesco – Director

INEO Tech Corp. (Formerly Metron Capital Corp.)

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - expressed in Canadian dollars)

		For the three months ended	
	Note	**September 30, 2020**	**September 30, 2019**
Sales	20	**$ 148,150**	$ 104,431
Cost of Sales	20	**(91,509)**	(27,496)
Gross Profit		**56,641**	76,935
Expenses			
General and administrative expenses	13	**254,155**	101,373
Selling	13	**127,481**	25,420
Research and development	13	**106,306**	39,753
		(487,942)	(166,546)
Other income (expenses)			
Other income	13	**86,141**	15,303
Foreign exchange gain (loss)		**345**	(30)
Interest expense	9, 11	**(9,306)**	(13,489)
		77,180	1,784
Loss and comprehensive loss		**$ (354,121)**	$ (87,827)
Weighted average number of common shares outstanding - basic and diluted	12	**40,680,740**	10,883,077
Basic and diluted loss per share		**$ (0.01)**	$ (0.01)

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

INEO Tech Corp. (Formerly Metron Capital Corp.)

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Unaudited - expressed in Canadian dollars)

	Share capital					
	Number of shares	Amount	Reserves	Deficit	Total Shareholders' Equity
Balance, June 30, 2019	**10,560,000**	**$ 150,960**	**$ 101,409**	**$ (620,245)**	**$ (367,876)**
Shares Issued for options	600,000	600	-	-	600
Fair value of options exercised	-	92,639	(92,639)	-	-
Net loss and comprehensive loss	-	-	-	(87,827)	(87,827)
Balance, September 30, 2019	**11,160,000**	**$ 244,199**	**$ 8,770**	**$ (708,072)**	**$ (455,103)**
Balance, June 30, 2020	**40,680,740**	**$ 7,505,487**	**$ 70,150**	**$ (6,383,249)**	**$ 1,192,388**
Share-based compensation	-	-	58,872	-	58,872
Net loss and comprehensive loss	-	-	-	(354,121)	(354,121)
Balance, September 30, 2020	**40,680,740**	**$ 7,505,487**	**$ 129,022**	**$ (6,737,370)**	**$ 897,139**

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

INEO Tech Corp. (formerly Metron Capital Corp.)

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited - expressed in Canadian dollars)

	For the period ended			
		September 30, 2020		**September 30, 2019**
Cash flows from operating activities:				
Net loss for the period	**$**	**(354,121)**	$	(87,826)
Items not involving cash:				
Amortization of right-of-use asset		**7,763**		-
Amortization on property and equipment		**17,312**		2,701
Interest expense accrued		**9,305**		3,124
Lease interest		**4,468**		-
Stock based compensation		**58,872**		-
Bad Debts		**149**		3,542
Change in non-cash operating working capital:				
Accounts receivable		**137,141**		22,982
Accounts payable and accrued liabilities		**(34,714)**		17,125
Amounts due to related parties		**4,500**		(4,945)
GST recoverable		**(3,891)**		(5,778)
Inventory		**41,566**		(42,662)
Prepaid expenses		**(43,324)**		17,223
		(154,974)		(74,514)
Cash flows from investing activities:				
Purchase of equipment		**(120,941)**		(2,241)
		(120,941)		(2,241)
Cash flows from financing activities:				
Loan repayment		**(14,469)**		620
Bank overdraft		**-**		28,498
Proceeds from the issuance of common shares		**-**		575
Payments for lease obligations		**(9,870)**		-
		(24,339)		29,693
Change in cash and cash equivalents		**(300,253)**		(47,062)
Cash and cash equivalents, beginning		**1,252,638**		72,836
Cash and cash equivalents, end	**$**	**952,384**	$	25,774

Supplemental cash flow information (Note 16)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

INEO Tech Corp. (formerly Metron Capital Corp.), (the “Company”) 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 corporate head office and records office of the Company is located at 105 – 19130 24 Avenue Surrey, BC, V3Z 3S9.

On January 24, 2020, the Company completed its reverse takeover transaction with INEO Solutions Inc. (formerly Flashgate Technology Inc. or “INEO”) based on which the Company acquired all of the issued and outstanding shares in the capital of INEO, via a reverse takeover transaction (the "Transaction") (Note 4). Upon completion of the Transaction, INEO became a wholly owned subsidiary of the Company, the resulting issuer and the Company carried on the business previously carried on by INEO. In connection with the Transaction, the Company changed its name to “INEO Tech Corp.” and consolidated the common shares of the Company (the “Shares”), on the basis of one (1) post-consolidation Share for every 1.6191 pre-consolidation Shares (the “Consolidation”). The Shares commenced trading on the TSX-V under the new ticker symbol “INEO” on January 29, 2020. Upon completion of the Transaction, the Board of Directors filed a change of year end to change the Company’s year end from May 31 to June 30, effective for the year ended June 30, 2020 to align its reporting periods with INEO.

On April 30, 2020, the Company acquired the assets of Newman Loss Prevention Solutions Inc. (“Newman”) which include inventory and a vehicle, in exchange for 200,000 common shares of the Company with a future earn-out consideration of another 200,000 common shares upon achievement of certain agreed to milestones (Note 4).

The Company was an exploration stage business engaged in the acquisition and exploration of mineral properties located in Canada and the US. With the acquisition of INEO, The Company’s principal business activity changed to provide services and products related to development and sales of advanced electronic article surveillance systems to retailers.

The Company incurred a net loss of $354,121 for the three months September 30, 2020 (September 30, 2019 - $87,827). As at September 30, 2020, the Company had a history of losses and an accumulated deficit of $6,737,370 (June 30, 2020 - $6,383,249). As of that date, the Company's current assets exceeded its current liabilities by $869,184 (June 30, 2020 - $1,274,926). Consequently, continuing business as a going concern is dependent upon the success of the Company’s sale of inventory, achieving profitable operations, generation of positive cash flows and the ability of the Company to obtain additional debt or equity financing, all of which are uncertain. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

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 dilution to the equity interests of current shareholders.

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.

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

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 is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. BASIS OF CONSOLIDATION AND PREPARATION

Basis of consolidation and preparation

The interim condensed consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The accounting policies applied in these financial statements are consistent with those used in the Company's audited consolidated financial statements for the year ended June 30, 2020. There have been no changes from the accounting policies applied in the June 30, 2020 financial statements. The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the related amounts of assets and liabilities, revenues and expenses. In management's opinion, all adjustments considered necessary for fair presentation have been included in these interim condensed consolidated financial statements.

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 interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended June 30, 2020. For a description of the critical accounting estimates and assumptions, please refer to the Company's audited consolidated financial statements for the year ended June 30, 2020.

These Financial Statements are authorized for issue by the Board of Directors on November 18, 2020.

Certain amounts have been reclassified from the interim consolidated financial statements previously presented to conform to the presentation of these interim consolidated financial statements in accordance with IFRS

These interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.
The functional and presentation currency of the Company is the Canadian dollar.

Basis of consolidation
The interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed or has right to variable returns from its involvements with the investee; and
- has the ability to use its power to affect its returns.

2. BASIS OF CONSOLIDATION AND PREPARATION (continued)

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control listed above.

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

The interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries of which it has control. All significant 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 interim consolidated 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 at the time 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 consolidated 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 costs of completion and the estimated 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 must use its past 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.

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 an assessment of 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 as well as the amounts recognized in profit or loss in the period in which the change occurs.

The information about significant areas of judgment considered by management in preparing the consolidated 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.

Stock options and warrants

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity (deficiency).

Business combinations

Business combinations require management to exercise judgment in 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and highly liquid short-term interest-bearing variable rate investments which are readily convertible into a known amount of cash. Cash and cash equivalents are held with Canadian financial institutions. As at September 30, 2020 and 2019, there were no cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

The Company values inventories at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring the inventories to their present location and condition. The Company uses the weighted average method to determine the cost of inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold while taking into consideration the estimated selling costs. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead, and certain selling costs related to inventories are expensed in the period incurred.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments:

Cash	FVTPL
Bank overdraft	FVTPL
Accounts receivable	Amortized cost
Other receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Due to related parties	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in the statements of loss and comprehensive loss.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition
Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Foreign currency translation
The consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are re-translated at the period-end exchange rate.

Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange gains and losses arising on translation are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss.

The amortization rates applicable to each category of property and equipment are as follows:

Furniture and equipment	- 20-50% declining balance
Computer hardware	- 55% declining balance
Motor vehicle	- 20% declining balance
Installed units	- 20% declining balance

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

At September 30, 2020 and June 30, 2020, the Company has not recognized any internally-generated intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share capital

The Company records proceeds from the issuance of its common shares as equity. Proceeds received on the issuance of common shares are allocated to the common share component. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted price on the issuance date. The remaining proceeds, if any, are allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. Management does not expect to record a value to the warrant in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes Option Pricing Model and recognized in equity as a deduction from the proceeds.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Net loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of options, warrants and convertible securities and that the assumed proceeds from the exercise of options, warrants and convertible securities are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during the periods in which a net loss is incurred as the effect is anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Parties are also considered to be related if they are subject to common control and related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

Revenue recognition

The Company derives revenues from the sales of consumable loss prevention products, electronic article surveillance systems (“EAS system”), services installation of EAS system and computer control router (“CNC”) cutting services. The installation services and CNC services are provided as separate services per customer request and billed by hours based on the Company’s rates. There are no services contracts attached to the sales of the consumable loss prevention products and EAS system. All products and services are sold on a standalone basis.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company’s activities as described below.

Revenue from the sales of consumable loss prevention products and EAS system is recognized when the products are shipped, or the products delivered and when all significant contractual obligations have been satisfied. Revenue from the sales of consumable loss prevention products and EAS system is recognized upon delivery where there is evidence of an arrangement, the selling price is fixed or determinable and there are no remaining performance obligations. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products.

Once products are delivered to the Company’s customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Since the installation services and CNC services are provided as separated services per customer request, the revenue for these services is recognized upon the completion of the services and all significant contractual obligations have been satisfied.

Warranties

Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period. The warranty period is usually one to two years. The Company records actual warranty expenditures when they are incurred as warranties are usually not provided. There were minimal warranty expenditures during the years ended September 30, 2020 and 2019.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to equity items, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting profit (loss) nor taxable profit (loss); and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

IFRIC 23, Uncertainty over income tax treatments ("IFRIC 23")

IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 became effective for fiscal years beginning on or after January 1, 2019, with earlier application permitted. The Company has adopted this interpretation as of July 1, 2019 and has assessed no significant impact as a result of the adoption of this interpretation.

Business combination

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition related costs are recognized in profit or loss as incurred. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill. Any gain on a bargain purchase is recorded in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

On January 2016, the IASB issued IFRS 16, which replaces IAS 17, Leases ("IAS 17") and related interpretations. The standard introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases with a term exceeding 12 months, unless the underlying asset is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17. The Company adopted the standard on July 1, 2019 using the modified retrospective method, with no effect initially recognized in deficit, and no restatement of prior comparative periods.

The Company did not have any leases prior to March 6, 2020, at which point a right-of-use asset and lease liability were recognized in accordance with IFRS 16 (Notes 18 and 19).

4. ACQUISITIONS

(a) Reverse takeover

In connection with the completion of the Transaction (Note 1), the Company consolidated its common shares on a 1.6191:1 basis, from 20,733,928 pre-consolidation shares to 12,805,835 post-consolidation shares ("post-consolidated shares") outstanding immediately prior to completion of the Transaction. In exchange for all of the outstanding securities of Ineo Solutions Inc., the Company issued 19,626,407 post-consolidated common shares and options to purchase an additional 175,863 post-consolidation shares at $0.0888 per post-consolidation share of the Company to the shareholders of Ineo Solutions Inc. pursuant to the share exchange between the Company and the shareholders of Ineo Solutions Inc.

As part of the Transaction, the Company 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 subscription receipt 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 common share of the Company and the net proceeds of the Offering were released to the Company from escrow. In addition, the Company issued 262,181 warrants to finders in connection with the Offering, each entitling the holder to acquire one common share of the Company at a price of $0.35 per common share for a period of 24 months from their date of issue (Note 12).

In accordance with IFRS 3 "Business Combinations", the substance of the Transaction was a reverse takeover of a non-operating company. The Transaction does not constitute a business combination since the Company does not meet the definition of a business under IFRS 3.

As a result, for accounting purposes, the Transaction is being accounted for as a reverse takeover asset acquisition identifying Ineo Solutions Inc. as the acquirer and the net assets of the Company being treated as the acquired assets and the share-based payment under IFRS 2 related to the acquisition of the public company listing. Accordingly, the consolidated financial statements are presented as a continuation of Ineo Solutions Inc. which has a financial year end of June 30.

(Unaudited - expressed in Canadian dollars)

4. ACQUISITIONS (continued)

(a) Reverse takeover (continued)

The Transaction was measured at the fair value of the shares that Ineo Solutions Inc. would have had to issue to the shareholders of the Company, to give the shareholders of the Company the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Ineo Solutions Inc. acquiring the Company.

In addition, 262,181 finders' warrants valued at $0.016 each (totaling $4,262) and finders' fees of $90,466, have been recorded as share issuance costs and charged against share capital. 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 assets acquired and liabilities assumed at their fair value on the acquisition date are as follows:

Consideration		
Fair value of 19,626,407 shares issued (valued at 12,805,835 shares at $0.35 per share) to the shareholders of INEO Solutions Inc.	$	4,482,042
Transaction costs		219,841
Total consideration	**$**	**4,701,883**

Net assets acquired (liabilities assumed)		**Amount**
Cash	$	313
Sales tax receivable		10,022
Accounts payable		(112,859)
Total net assets acquired (liabilities assumed)	**$**	**(102,524)**
Non-cash loss on completion of RTO	**$**	**4,804,407**

(b) Newman acquisition

On April 30, 2020, the Company acquired Newman's assets which include inventory and a vehicle, in exchange for 200,000 common shares in the Company with a future earn-out consideration of another 200,000 common shares upon achievement of certain milestones and $35,000 in cash. Also, part of the acquisition is the employment of the owner of Newman as part of the Company's management team. The value of this contingent consideration is determined to be $Nil on the date of acquisition.

In accordance with IFRS 3, the acquisition has met the definition of a business and therefore the transaction was accounted for as a business combination. The fair value of the consideration transferred was determined as face value for the cash consideration and $0.285 market price per share for the 200,000 common shares of the Company issued on May 13, 2020.

The transaction resulted in management compensation of $50,990.

The primary purpose of the business combination was to establish synergies between Newman and the Company, acquire access to networks and client base in Alberta and acquire management expertise.

(Unaudited - expressed in Canadian dollars)

4. ACQUISITIONS (continued)

(b) Newman acquisition (continued)

In the period from April 30, 2020 to September 30, 2020, there were no sales from the inventories acquired from Newman. The following table summarizes the fair value of the consideration transferred and the fair values assigned to each asset acquired on the April 30, 2020 acquisition date:

Consideration transferred	
Cash	$ 35,000
Common shares	57,000
Total consideration	**$ 92,000**
Identifiable assets acquired	
Inventories	$ 31,510
Vehicle	9,500
Total identifiable assets acquired	$ 41,010
Purchase price allocation	
Total identifiable assets acquired	$ 41,010
Management compensation	50,990
	$ 92,000

5. ACCOUNTS RECEIVABLE

Accounts receivable as at September 30, 2020 amounted to $84,265 (June 30, 2020 – $221,555).

The Company generally does not hold any collateral as security for accounts receivables. There is no significant risk to any particular customer. A write-off of $149 was recognized for the three months ended September 30, 2020 (June 30, 2020 - $Nil).

6. INVENTORY

At September 30, 2020 and June 30, 2020, the Company has the following inventories:

	September 30, 2020	June 30, 2020
Raw materials and parts	**$ 93,626**	$ 111,8707
Finished goods	**99,137**	122,622
Total inventory	**$ 192,763**	$ 234,329

(Unaudited - expressed in Canadian dollars)

7. PREPAID EXPENSES

	September 30, 2020	June 30, 2020
Prepaid insurance	**$ 16,025**	$ 2,337
Security deposit	**2,660**	2,660
Other deposits	**29,676**	-
Total	**$ 48,361**	$ 5,037

Other deposits relate to supplies which were delivered subsequent to period end, September 30, 2020.

8. EQUIPMENT

	Furniture and Equipment	**Computer Hardware**	**Motor Vehicle**	**Installed Units**	**Total**
Costs:					
Balance, June 30, 2019	$97,629	$54,348	$ -	$ -	$151,977
Additions	-	9,159	9,500	94,090	112,749
Balance, June 30, 2020	$97,629	$63,507	$9,500	$94,090	$264,726
Additions	-	1,557	-	119,384	120,941
Balance, September 30, 2020	**$97,629**	**$65,064**	**$9,500**	**$213,474**	**$385,667**
Accumulated Depreciation:					
Balance, June 30, 2019	$76,698	$49,950	$ -	$ -	$126,648
Amortization	6,988	2,508	317	12,738	22,551
Balance, June 30, 2020	$83,686	$52,458	$ 317	$12,738	$149,199
Amortization	1,344	702	459	14,807	17,312
Balance, September 30, 2020	**$85,030**	**$53,160**	**$ 776**	**$27,545**	**$166,511**
Net Book Value:					
June 30, 2020	$13,943	$11,049	$9,183	$81,352	$115,527
September 30, 2020	**$12,599**	**$11,904**	**$8,724**	**$185,929**	**$219,156**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	June 30, 2020
Accounts payable	**$ 122,632**	$ 92,237
Accrued liabilities	**77,441**	142,551
Total	**$ 200,073**	$ 234,788

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 and other expenses billed after the reporting period. Accrued liabilities are generally settled within 12 months from the end of the reporting period.

(Unaudited - expressed in Canadian dollars)

10. LOANS PAYABLE

On December 16, 2016, INEO received **$100,000** as a loan, bearing an annual interest rate of 12.5% from a previously recognized related party (Note 14 – Related Party Transactions). This loan is due on demand and unsecured. During the three months ended September 30, 2020 the Company incurred $3,125 in interest expense (September 30, 2019 – $3,125).

On September 17, 2017, INEO received **$200,000** as a loan, bearing an annual interest rate of a floating base rate (“Prime”) plus a variance of 3.25% and compounded monthly. As at September 30, 2020, the floating base rate was 4.55% per year (September 30, 2019 - 6.05%). This loan matures on March 10, 2025 and is secured by guarantee of two major shareholders and the Company’s subsidiaries. The total outstanding principal and interest is repaid by monthly installments of $2,770. During the three months ended September 30, 2020, the Company incurred $3,095 in interest expense (September 30, 2019 - $4,518).

On April 4, 2019, INEO received **$50,000** as a loan, bearing an annual interest rate of a floating (“Prime”) base rate plus a variance of 4.0% and compounded monthly. As at September 30, 2020, the floating base rate was 4.55% per year (September 30, 2019 - 6.05%). This loan matures on February 28, 2026 and is secured by guarantee of two major shareholders and the Company’s subsidiaries. The total outstanding principal and interest is repaid by monthly installments. During the three months ended September 30, 2020, the Company incurred $994 in interest expense (September 30, 2019 - $1,267).

The details of loans borrowed are below:

			September 30, 2020			June 30, 2020		
	Maturity date	Interest rate	Current portion $	Long-term portion $	Total $	Current portion $	Long-term portion $	Total $
Loan - $200,000	March 10, 2025	Prime +3.25%	**33,240**	**119,110**	**152,350**	33,240	127,420	160,660
Loan - $50,000	February 28, 2026	Prime + 4%	**8,280**	**36,570**	**44,850**	8,280	38,640	46,920
Loan - $100,000	on demand	12.5%	**146,875**	**-**	**146,875**	143,750	-	143,750
Total loans payable			**188,395**	**155,680**	**344,075**	185,270	183,474	385,590

The loan advances, interest accruals and loan payments made during the years ended September 30, 2020 and 2019 are below:

Balance, June 30, 2019	$	385,590
Loans advanced/Reclass		231,250
Interest accrued		45,263
Payments made		(310,773)
Balance, June 30, 2020	$	351,330
Interest accrued		7,214
Payments made		(14,469)
Balance, September 30, 2020	**$**	**344,075**
Less: Current portion of loans payable		**(155,680)**
Non-current portion of loans payable	**$**	**188,395**

11. GOVERNMENT GRANT

Due to the global outbreak of Novel Coronavirus ("COVID-19"), the federal government of Canada introduced the Canada Emergency Business Account ("CEBA"). CEBA provides an interest-free loan ("CEBA Loan") of $40,000 to eligible businesses. 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 prior to 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 full balance must be repaid by no later than December 31, 2025. On May 6, 2020, INEO Solutions and FG Manufacturing each received $40,000 loans from the Government as part of the CEBA.

Pursuant to IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, the benefit of a government loan at 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 CEBA loan at $26,880, using a discount rate of 15%, which was the estimated rate for a similar loan without the interest - free component. The difference of $13,120 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.

During the three months ended September 30, 2020, total interest expense recognized for the CEBA loans amounted to $2,092 (September 30, 2019 – $Nil).

12. SHARE CAPITAL AND RESERVES

Authorized share capital

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

Issued share capital

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

i) On September 15, 2019, 600,000 common shares were issued on the exercise of 600,000 stock options exercised at $0.001 per share.

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. 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 September 30, 2020, the Company had 40,680,740 shares issued and outstanding (June 30, 2020 – 40,680,740).

The Company had no capital stock transactions during the period ended September 30, 2020.

(Unaudited - expressed in Canadian dollars)

12. SHARE CAPITAL AND RESERVES (continued)

Stock options

The Company has adopted a stock option plan which allows the Company to issue options to certain directors, officers, employees and consultants of the Company 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 discretion of the directors.

On January 24, 2020, pursuant to the RTO (Note 4), the Company granted 175,863 replacement 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 stock options shall vest based on the terms of the options replaced which are 25% on January 5, 2019, 25% on January 5, 2020, 25% on January 5, 2021 and 25% on January 5, 2022 . These options have an expiry date of January 23, 2023.

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. The stock options shall vest on the basis of 25% on April 15, 2021, 25% on April 15, 2022, 25% on April 15, 2023 and 25% on April 15, 2024.

On August 18, 2020, the Company granted 200,000 stock options to a director of the Company with an exercise price of $0.26 per share. The stock options shall vest on the basis of 25% on August 18, 2021, 25% on August 18, 2022, 25% on August 18, 2023 and 25% on August 18, 2024. The options 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 of the Company, whichever comes first.

The changes in stock options during the three months ended September 30 and June 30, 2020 are as follows:

	September 30, 2020			June 30, 2020		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Options outstanding, beginning	**3,425,863**	**$**	**0.264**	700,000	$	0.023
Options issued	**200,000**		**0.260**	3,425,863		0.264
Options forfeited	**(150,000)**		**0.260**	-		-
Options cancelled	**-**		**-**	(100,000)		0.156
Options exercised	**-**		**-**	(600,000)		0.001
Options outstanding, ending	**3,475,863**		**0.264**	3,425,863		0.264
Options exercisable, ending	**87,932**	**$**	**0.264**	87,932	$	0.089

Details of options outstanding as at September 30, 2020 are as follows:

Expiry date	**Number of options**		**Weighted average exercise price**	**Weighted average contractual life**
January 23, 2025	175,863	$	0.089	4.32
April 14, 2025	2,600,000		0.260	4.54
April 14, 2025	500,000		0.350	4.54
August 18, 2024	200,000		0.260	3.88
		$	0.264	4.49

(Unaudited - expressed in Canadian dollars)

12. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

Details of options outstanding as at June 30, 2020 are as follows:

Expiry date	Number of options	Weighted average exercise price		Weighted average contractual life
January 23, 2025	175,863	$	0.089	4.57
April 14, 2025	2,750,000		0.260	4.79
April 14, 2025	500,000		0.350	4.79
		$	0.264	4.78

The fair value of stock options granted was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Period ended September 30, 2020	Year ended June 30, 2020
Expected life of options	4 years	5 years
Annualized volatility	100%	100%
Risk-free interest rate	0.38%	0.44% - 1.39%
Dividend rate	0%	0%

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 two 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 period ended September 30, 2020.

13. BREAKDOWN OF EXPENSES AND OTHER INCOME

General and administrative expenses are composed of the following:

	For the three months ended			
General and administrative expenses	**September 30, 2020**		**September 30, 2019**	
Accounting and legal	**$**	**51,844**	$	46,759
Amortization on property and equipment		**25,075**		2,701
Bad debt		**149**		3,542
Insurance		**4,496**		1,022
Lease interest		**4,467**		-
Office expenses		**14,505**		11,808
Rent		**3,109**		12,625
Remuneration and benefits		**100,957**		16,896
Stock-based compensation		**49,553**		-
Supplies		**-**		6,020
	$	**254,155**	$	101,373

(Unaudited - expressed in Canadian dollars)

13. BREAKDOWN OF EXPENSES AND OTHER INCOME (continued)

Selling expenses are composed of the following:

	For the three months ended	
Selling expenses	**September 30, 2020**	**September 30, 2019**
Freight and delivery	**$ 2,576**	$ 2,224
Investor relations	**5,439**	2,269
Marketing and research	**32,560**	916
Remuneration and benefits	**82,913**	18,505
Stock-based compensation	**3,993**	-
Travel	**-**	1,506
	$ 127,481	$ 25,420

Research and development expenses are composed of the following:

	For the three months ended	
Research and development expenses	**September 30, 2020**	**September 30, 2019**
Consulting fees	**$ 12,397**	$ 16,353
Remuneration and benefits	**88,579**	23,400
Stock-based compensation	**5,330**	-
	$ 106,306	$ 39,753

Other income is composed of the following:

		For the three months ended	
	Note	**September 30, 2020**	September 30, 2019
CEWS		**$ 86,141**	$ -
Others		**-**	15,303
		$ 86,141	$ 15,303

Due to the global outbreak of COVID-19, the federal government of Canada introduced the Canada Emergency Wage Subsidy ("CEWS"). CEWS provides wage subsidy to eligible companies who experienced a drop in revenue. The subsidy amount depends on the percentage of revenue drop. If the drop is 30% or higher, the Company can claim 75% of the eligible employees' remuneration up to a maximum of $847 per week. If the drop is less than 30%, then there will be no subsidy to be claimed. For the three months ended September 30, 2020, the total amount received by the Company for the CEWS amounted to $86,141 (September 30, 2019 – $Nil).

Others during the period ended September 30, 2019 include expense recovery from litigation and grant for participation in cooperative education.

(Unaudited - expressed in Canadian dollars)

14. 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 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 September 30, 2020, the Company has $14,250 due to a Company controlled by the CFO (June 30, 2020 - $9,750).

The loan to a related party recognized during the year ended June 30, 2019 as part of due to related party with a balance of $131,250 (principal and interest) as at June 30, 2020 was reclassified to loans payable (Note 10).

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

Type of Service		**September 30, 2020**		September 30, 2019
Accounting fees	**$**	**4,500**	$	-
Management fees		**15,000**		-
Remuneration and benefits		**94,226**		-
Share-based compensation		**37,558**		-
Total	**$**	**151,284**	$	-

Of the total transactions with related parties, the following was paid for key management personnel remuneration:

- Accounting and management fees totaling $19,500 (2019 - $Nil) were paid to a company controlled by the CFO.
- Remuneration and benefits consist of $47,113 paid to the President, Director and Corporate Secretary (2019 – $Nil) and $47,113 paid to the Chief Executive Officer (CEO) and Director (2019 – $Nil).
- Share-based compensation consists of $13,325 to the President, Director and Corporate Secretary, $13,325 to the CEO and a total of $10,908 to three Directors (2019 – $Nil).

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

15. CAPITAL MANAGEMENT

The Company defines capital as consisting of shareholders' equity (deficiency). 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.

(Unaudited - expressed in Canadian dollars)

15. CAPITAL MANAGEMENT (continued)

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 relative size of the Company, 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.

16. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred the following non-cash financing transactions during the years ended September 30, 2020 and 2019:

Supplemental information	**September 30, 2020**	September 30, 2019
Fair value of options exercised	**$ -**	$ 92,639
Share-based compensation	**58,876**	-

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value risk

The Company's financial instruments consist of cash, accounts receivable, other receivable, 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

Accounts receivable, other receivable, accounts payable and due to related parties 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 loans payable also approximates its carrying value due to the fact that the interest rate is approximate to market rates.

17. FINANCIAL INSTRUMENTS (continued)

b) 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 fluctuations of the variable interest rates ("Prime") of certain of its loans payable (Note 10). The Company continues 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.

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 the Company's cash is held through Canadian chartered banks and accordingly, the Company's exposure to credit risk is 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 accounts receivable. To measure the expected credit losses, accounts receivable is assessed primarily on days past due combined with the Company's knowledge of past bad debts. During the year ended September 30, 2020, bad debts expense for the Company was $Nil (2019 - $18,000).

(Unaudited - expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (continued)

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At September 30, 2020, the Company has a cash balance of $952,384 (June 30, 2020 – $1,252,638) and current liabilities balance of $426,595 (June 30, 2020 – $452,748). The Company manages its liquidity risk by attempting to maintain sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities and due 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.

d) 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.

18. 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 base rent per month for years 1 to 5 of the 5-year lease are respectively $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. In accordance with IFRS 16, the Company recognized 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.

Cost		**Warehouse Lease**
Balance, June 30, 2019	$	-
Additions		155,260
Balance, June 30 and September 30, 2020	**$**	**155,260**
Accumulated depreciation		
Balance, June 30, 2019	$	-
Additions		(10,351)
Balance, June 30, 2020	**$**	**(10,351)**
Additions		(7,763)
Balance, September 30, 2020	**$**	**(18,114)**
Carrying value		
Balance, June 30, 2020	$	144,909
Balance, September 30, 2020	**$**	**137,146**

(Unaudited - expressed in Canadian dollars)

19. 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 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, 2020 was $10,680 (September 30, 2019 - $Nil). The following table represents lease obligation for the Company:

As at	**September 30, 2020**	June 30, 2020
Current	**$ 23,877**	$ 22,940
Non-current	**115,463**	121,802
Total lease obligation	**$ 139,340**	$ 144,742

The following table shows the rollforward of lease obligations for the periods ended September 30, 2020 and June 30, 2020:

	September 30, 2020	June 30, 2020
Beginning balance	**$ 144,742**	$ -
Additions	**-**	155,260
Interest expense	**4,468**	6,213
Lease payments	**(9,870)**	(16,731)
Ending balance	**$ 139,340**	$ 144,742

The following table presents the contractual undiscounted cashflows for lease obligation as at September 30, 2020 and June 30, 2020:

	September 30, 2020	June 30, 2020
Less than one year	**$ 39,970**	$ 39,760
One to five years	**142,800**	152,880
Total undiscounted lease obligation	**$ 182,770**	$ 192,640

During the year ended September 30, 2020, the Company expensed $3,109 in short term and low value leases (September 30, 2019 – $12,625).

20. SEGMENTED INFORMATION

The Company has the following reporting segments: corporate and administration; loss prevention; and fabrication. The reportable segments were determined based on the nature of the services provided and goods sold.

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The reportable segments were determined based on the nature of the services provided and goods sold. Loss Prevention refers to sales of security technology, this year's sale of the Company's new product – sneeze guards, and sale of relevant accessories. Fabrication, on the other hand, refers to cutting, assembly and set-up of loss prevention products in customers' premises.

(Unaudited - expressed in Canadian dollars)

20. SEGMENTED INFORMATION (continued)

Consolidated statements of loss and comprehensive loss	During the three months ended September 30, 2020 Loss Prevention	Fabrication	Welcoming Systems	Corporate and administration	Total
Sales to external customers	$ 120,205	$ 27,945	$ -	$ -	**$ 148,150**
Cost of Goods Sold	(71,114)	(20,395)	-	-	**(91,509)**
Gross Profit	49,091	7,550	-	-	**56,641**
Operating expenses	-	-	-	(462,867)	**(462,867)**
Interest expense	(8,260)	(1,046)	-	-	**(9,306)**
Amortization	(9,372)	(896)	(14,807)	-	**(25,075)**
Other income (expenses)	79,110	7,031	-	-	**86,141**
Foreign exchange loss	345	-	-	-	**345**
	61,823	5,089	(14,807)	(462,867)	**(410,762)**
Net loss and comprehensive loss	$ 110,914	$ 12,639	$ (14,807)	$ (462,867)	**$ (354,121)**

Consolidated statements of loss and comprehensive loss	During the three months ended September 30, 2019 Loss Prevention	Fabrication	Welcoming Systems	Corporate and administration	Total
Sales to external customers	$ 64,961	$ 39,470	$ -	$ -	$ 104,431
Cost of Goods Sold	(6,578)	(20,918)	-	-	(27,496)
Gross Profit	58,383	18,552	-	-	76,935
Operating expenses	(58,773)	(26,031)	-	(79,041)	(163,845)
Interest expense	(2,460)		-	(11,028)	(13,488)
Amortization	(985)	(1,532)	-	(186)	(2,702)
Foreign exchange loss		-	-	(30)	(30)
Other income (expenses)			-	15,303	15,303
	(62,218)	(27,563)	-	(74,981)	(164,762)
Net loss and comprehensive loss	$ (3,835)	$ (9,011)	$ -	$ (74,981)	$ (87,827)

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

Sales by geographical locations are as follows:

For the period ended	**September 30, 2020**	September 30, 2019
Canada	**$ 130,446**	$ 84,732
USA	**3,009**	19,699
Mexico	**14,695**	-
	$ 148,150	$ 104,431

21. COMMITMENTS

On June 3, 2020, the Company, through its subsidiary, Ineo Solutions Inc. (or "Ineo Solutions") entered into an Agreement with Hivestack Inc. ("Hivestack") to utilize the latter's programmatic digital out-of-home advertising platforms, technology and related services, at the Company's discretion, on certain inventories of the Company. Ineo Solutions shall compensate Hivestack based on the use of Hivestack's server, a percentage of the Company's advertising revenues and additional fees based on target audience reached and additional services used.

On September 21, 2020, the Company, through its subsidiary, Ineo Solutions entered into an agreement with Consumer Media Solutions Inc. ("CMS"). The Company shall compensate CMS a commission equal to a percentage of their advertising revenues from the customers signed by CMS.