INEO Tech Corp.

Consolidated Financial Statements

As at for the years ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
INEO Tech Corp.

Opinion

We have audited the accompanying consolidated financial statements of INEO Tech Corp. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Alyson Neil.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

October 27, 2021

INEO Tech Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note		June 30, 2021		June 30, 2020
Assets					
Current assets					
Cash		**$**	**5,199,328**	$	1,252,638
Accounts receivable	5		**108,758**		221,555
GST recoverable			**20,301**		14,115
Inventory	6		**98,908**		234,329
Prepaid expenses	7		**52,576**		5,037
			5,479,871		1,727,674
Non-current assets					
Equipment	8		**561,974**		115,527
Right-of-use asset	18		**113,857**		144,909
			675,831		260,436
Total assets		**$**	**6,155,702**	$	1,988,110
Liabilities and Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities	9	**$**	**368,331**	$	234,788
Due to related parties	14		**9,750**		9,750
Current portion of lease liability	19		**26,868**		22,940
Current portion of loans payable	10		**156,250**		185,270
			561,199		452,748
Non-current liabilities					
Non-current portion of lease liability	19		**94,934**		121,802
Non-current portion of loan payable	10		**-**		166,060
Government grants	11		**95,957**		55,112
			190,891		342,974
Total liabilities			**752,090**		795,722
Shareholders' equity					
Share capital	12		**13,518,831**		7,505,487
Reserves	12		**505,918**		70,150
Deficit			**(8,621,137)**		(6,383,249)
			5,403,612		1,192,388
Total liabilities and shareholders' equity		**$**	**6,155,702**	$	1,988,110

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

Nature and continuance of operations (Note 1)
Subsequent event (Note 22)

Approved on behalf of the Board on October 25, 2021:

"Steve Matyas"
Steve Matyas - Director

"Serge Gattesco"
Serge Gattesco – Director

INEO Tech Corp.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note(s)	For the year ended June 30, 2021	For the year ended June 30, 2020
Revenue			
Sales	21	**$ 745,160**	$ 526,954
Cost of Sales	21	**$ (454,964)**	(241,731)
Gross Profit		**290,196**	285,223
Expenses			
General and administrative expenses	13, 14	**1,319,173**	811,648
Selling	13, 14	**743,684**	304,340
Research and development	13, 14	**546,426**	280,118
		(2,609,283)	(1,396,106)
Net loss before other income (expenses)		**$ (2,319,087)**	$ (1,110,883)
Other Income (Expenses)			
Other income	11, 13	**127,799**	200,804
Non-Cash loss on completion of RTO	4	**-**	(4,804,407)
Foreign exchange loss		**(7,032)**	(1,903)
Interest expense	10, 11	**(39,568)**	(46,615)
		81,199	(4,652,121)
Loss and comprehensive loss		**$ (2,237,888)**	$ (5,763,004)
Weighted average number of common shares outstanding - basic and diluted	12	**46,653,398**	23,497,848
Basic and diluted loss per share		**$ (0.05)**	$ (0.25)

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

INEO Tech Corp.

Consolidated Statements of Shareholders' equity
(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
Effect of RTO	1,645,835	-	-	-	-
Shares issued for RTO	19,626,407	4,482,042	-	-	4,482,042
Finder's fees	-	(90,466)	-	-	(90,466)
Finder's warrants	-	(4,262)	4,262	-	-
Private placement	8,048,498	2,816,974	-	-	2,816,974
Fair value of options vested	-	-	57,118	-	57,118
Fair value of shares issued for asset purchase	200,000	57,000	-	-	57,000
Fair value of options exercised	-	92,639	(92,639)	-	-
Net loss and comprehensive loss	-	-	-	(5,763,004)	(5,763,004)
June 30, 2020	**40,680,740**	**7,505,487**	**70,150**	**(6,383,249)**	**1,192,388**
Private placement	19,454,550	7,003,638	-	-	7,003,638
Share issuance costs - cash	-	(803,710)	-	-	(803,710)
Share issue costs -warrants	-	(190,421)	190,421	-	-
Exercise of warrants	10,478	3,837	(170)	-	3,667
Stock-based compensation	-	-	245,517	-	245,517
Net loss and comprehensive loss	-	-	-	(2,237,888)	(2,237,888)
June 30, 2021	**60,145,768**	**$ 13,518,831**	**$ 505,918**	**$ (8,621,137)**	**$ 5,403,612**

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

INEO Tech Corp.

Consolidated Statements of Cash Flow
(Expressed in Canadian dollars)

	For the year ended June 30, 2021	For the year ended June 30, 2020
Cash flows used in operating activities:		
Net loss for the year	**$ (2,237,888)**	$ (5,763,004)
Items not involving cash:		
Amortization of right-of-use asset	**31,052**	10,351
Amortization on equipment	**80,064**	22,551
Interest expense	**56,774**	52,828
Share based compensation	**245,517**	57,118
Bad debts	**2,511**	-
Non-cash loss on completion of RTO	**-**	4,804,407
Management compensation – Newman acquisition		50,990
Other income from government grants	**(9,184)**	(26,240)
Change in non-cash operating working capital:		
Accounts receivable	**110,286**	(141,656)
Accounts payable and accrued liabilities	**131,608**	155,956
Due to related parties	**-**	(172,941)
Other receivables	**-**	24,371
GST recoverable	**(6,186)**	(13,312)
Inventory	**23,713**	(104,368)
Prepaid expenses	**(47,539)**	14,846
	(1,619,272)	(1,028,103)
Cash flows used in investing activities:		
Purchase of equipment	**(414,803)**	(103,249)
	(414,803)	(103,249)
Cash flows from financing activities:		
Loan received	**-**	100,000
Loan repayment	**(225,005)**	(310,773)
Government grants received	**40,000**	80,000
Bank overdraft	**-**	(13,922)
Proceeds from the exercise of warrants	**3,667**	-
Proceeds from the issuance of shares	**7,003,638**	2,727,108
Share issuance costs	**(801,775)**	(219,528)
Payments for lease obligations	**(39,760)**	(16,731)
Acquisition of Newman	**-**	(35,000)
	5,980,765	2,311,154
Change in cash	**3,946,690**	1,179,802
Cash, beginning of the year	**1,252,638**	72,836
Cash, end of the year	**$ 5,199,328**	$ 1,252,638
Cash paid for interest	**$ 56,774**	$ 52,828
Cash paid for taxes	**$ -**	$ -

Supplemental cash flow information (Note 16)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

INEO Tech Corp. (formerly Metron 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 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, 2021 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.

These consolidated 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 in operation 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 is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. Management estimates that the Company will be able to meet its obligations and to sustain operations for at least the next twelve months.

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

The consolidated 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 consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information.

These consolidated financial statements were authorized for issue by the Board of Directors on October 25, 2021.

These consolidated financial statements 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%

The consolidated 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 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.

2. BASIS OF CONSOLIDATION AND PREPARATION (CONTINUED)

Use of estimates and judgments (continued)

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.

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.

2. BASIS OF CONSOLIDATION AND PREPARATION (CONTINUED)

Use of estimates and judgments (continued)

Stock options and warrants

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 for use in estimating 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 do not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

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. Cash and cash equivalents are held with Canadian financial institutions. As at June 30, 2021 and 2020, there were no cash equivalents.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Government grants	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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

<u>Derecognition</u>
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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment (continued)

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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"), installation services for CCTV systems 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 service contracts attached to the sale of the consumable loss prevention products and EAS systems. 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 and all significant contractual obligations have been satisfied 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 separate 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.

Revenue from advertising is recognized throughout the contract period based on agreed milestones for campaigns run on the INEO Welcoming Networks. Campaigns are based on negotiated agreements. Contracts are for a pre-determined period of time with a pre-agreed number of advert airings per campaign or based on number of advertisements run on the INEO Welcoming network.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 June 30, 2021 and 2020.

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.

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.

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)

Government assistance
Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be met. When the grant relates to an expense item, it is recognized as a deduction against the related expense over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. Government assistance received relating to expenses of future periods is deferred and deducted against the related expenditures as incurred.

New accounting standards adopted during the year:

The Company did not adopt any new accounting standards during the year ended June 30, 2021.

New accounting standards issued but not in effect:

IAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*

The amendment to IAS 16 prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss. This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*

The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

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

(Audited - expressed in Canadian dollars)

4. ACQUISITIONS (CONTINUED)

(a) Reverse takeover (continued)

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.

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**

(Audited - expressed in Canadian dollars)

4. ACQUISITIONS (CONTINUED)

(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.

In the period from April 30, 2020 to June 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 June 30, 2021 amounted to $108,758 (June 30, 2020 – $221,555). The Company generally does not hold any collateral as security for accounts receivables. During the year ended June 30. 2021 a provision of $2,511 was created towards bad and doubtful debts (June 30, 2020 - $Nil).

6. INVENTORY

Inventory of finished goods held by the Company as at June 30, 2021 was $98,908, (June 30, 2020 - $106,344). Finished goods inventory consists of Electronic Article Surveillance products held for resale. INEO has not made a provision for the write down of inventory as the Company expects to sell all inventory on hand. During the year, the Company transferred $111,708 from raw materials inventory to Equipment – Installed Units WIP.

(Audited - expressed in Canadian dollars)

7. PREPAID EXPENSES

	June 30, 2021	June 30, 2020
Prepaid insurance	**$ 6,823**	$ 2,377
Security deposit	**2,480**	2,660
Other prepaids	**43,273**	-
Total prepaid expenses	**$ 52,576**	$ 5,037

Other prepaids consist of vendor prepayments for goods and supplies delivered subsequent to the year ended June 30, 2021.

8. EQUIPMENT

EQUIPMENT	**Furniture and Equipment**	**Computer Hardware**	**Motor Vehicle**	**Welcoming Pedestals - Installed Units**	**WIP 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
Transfer from Inventory to PPE	-	-	-	-	111,708	111,708
Additions	4,505	7,144	-	-	403,154	414,803
Transfer of WIP to Installed units	-	-	-	385,241	(385,241)	-
Balance, June 30, 2021	**$ 102,134**	**$ 70,651**	**$ 9,500**	**$ 479,331**	**$ 129,621**	**$ 791,237**
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	6,014	3,076	1,703	69,271	-	80,064
Balance, June 30, 2021	**$ 89,700**	**$ 55,534**	**$ 2,020**	**$ 82,009**	**$ -**	**$ 229,263**
Net Book Value:						
June 30, 2020	$ 13,943	$ 11,049	$ 9,183	$ 81,352	$ -	$ 115,527
June 30, 2021	**$ 12,434**	**$ 15,117**	**$ 7,480**	**$ 397,322**	**$ 129,621**	**$ 561,974**

(Audited - expressed in Canadian dollars)

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2021		June 30, 2020
Accounts payable	**$**	**140,052**	$	92,237
Accrued liabilities		**228,279**		142,551
Total	**$**	**368,331**	$	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.

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. This loan is due on demand and unsecured. During the year ended June 30, 2021 the Company incurred $12,500 in interest expense (June 30, 2020 – $12,500).

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. The total outstanding principal is repaid by monthly installments of $2,770. During the year ended June 30, 2021, the Company incurred $13,216 in interest expense (June 30, 2020 - $16,215). During the year ended June 30, 2021, the Company repaid the remaining balance of the loan and interest totaling $173,876.

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. The total outstanding principal is repaid by monthly installments of $690. During the year ended June 30, 2021, the Company incurred $4,209 in interest expense (June 30, 2020 - $4,782). During the year ended June 30, 2021, the Company repaid the remaining balance of the loan and interest totaling $51,129.

On April 15, 2019, INEO received $150,000 as loans from unrelated parties, bearing a fixed annual interest rate of 11% and compounded daily. These loans are due on demand and unsecured. During the year ended June 30, 2020, the Company incurred $8,676 in interest expense. The loan and accrued interest were fully repaid on January 27, 2020.

On October 3, 2019 INEO received $100,000 as a loan from an unrelated party, bearing a fixed annual interest rate of 12% and compounded daily. This loan is due on demand and unsecured. During the year ending June 30, 2020, the Company incurred $3,090 in interest expense. The loan and accrued interest were fully repaid on January 27, 2020

The details of loans borrowed are below:

LOANS PAYABLE			**Balance as at**		
			30-Jun-21		
	Maturity date	**Interest rate**	**Current portion**	**Long-term portion**	**Total**
Loan - $100,000	**on demand**	**12.50%**	**156,250**	**-**	**156,250**
Total loans payable			**$ 156,250**	**$ -**	**$ 156,250**

(Audited - expressed in Canadian dollars)

10. LOANS PAYABLE (CONTINUED)

LOANS PAYABLE			Balance as at		
			30-Jun-20		
	Maturity date	Interest rate	Current portion	Long-term portion	Total
Loan - $200,000	March 10, 2025	Prime +3.25%	$ 33,240	$ 127,420	$ 160,660
Loan - $50,000	February 28, 2026	Prime + 4%	8,280	38,640	46,920
Loan - $100,000	on demand	12.50%	143,750	-	143,750
Total loans payable			$ 185,270	$ 166,060	$ 351,330

The loan advances, interest accruals and loan payments made during the years ended June 30, 2021 and 2020 are below:

Balance, June 30, 2019	$ 385,590
Loans advanced	100,000
Reclassification from due to related parties	131,250
Interest accrued	45,263
Payments made	(310,773)
Balance, June 30, 2020	$ 351,330
Interest accrued	29,925
Payments made	(225,005)
Balance, June 30, 2021, current	$ 156,250

11. GOVERNMENT GRANTS

Due 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.

On December 4, 2020 the federal government of Canada expanded CEBA and eligible businesses facing financial hardship due to the pandemic were able to 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 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.

(Audited - expressed in Canadian dollars)

11. GOVERNMENT GRANTS (CONTINUED)

The government grants received, interest accrued and income recognized during the years ended June 30, 2021 and 2020 are below:

		30-Jun-21		30-Jun-20
Beginning balance	$	**55,112**	$	-
Government Grants received		**40,000**		80,000
Income recognized		**(9,184)**		(26,240)
Interest accrued		**10,029**		1,352
Ending balance	**$**	**95,957**	**$**	**55,112**

On April 7, 2021 INEO Solutions and FG Manufacturing each received an additional $20,000 loans from the Government as part of 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 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.

During the year ended June 30, 2021, total interest expense recognized for the CEBA loans amounted to $10,029 (June 30, 2020 – $1,352).

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.

Shares held in escrow

As at June 30, 2021, there were 11,031,164 common shares held in escrow (June 30, 2020 – 16,756,335).

Issued share capital

During the year ended June 30, 2021, the Company had the following capital stock transactions:

i) On March 10, 2021, the Company completed a brokered short-form prospectus offering (the 'offering'), resulting in issuance of 19,454,550 units at a price of $0.36 per unit for aggregate proceeds of $7,003,638. 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 $0.55 per common share for a period of 24 months from the date of issuance. The warrants were allocated a value of $nil, using the residual value allocation method.

12. SHARE CAPITAL AND RESERVES (CONTINUED)

Issued share capital (continued)

The Company incurred a total of $803,710 in share issuance costs related to the offering. Additionally, the Company issued 1,482,233 broker warrants with a fair value of $190,421. Each broker warrants entitles the holder to acquire one common share of the Company for an exercise price of $0.36 for a period of 24 months.

On March 16, 2021, the Company issued 10,478 common shares of the Company on exercise of 10,478 broker warrants at a price of $0.35 for aggregate proceeds of $3,667. As at June 30, 2021 the Company had, 11,031,164 shares held in escrow. Of these shares, 10,398,055 were held by directors of the Company.

On March 16, 2021, the Company issued 10,478 common shares of the Company on exercise of 10,478 broker warrants at a price of $0.35 for aggregate proceeds of $3,667.

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).

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.

(Audited - expressed in Canadian dollars)

12. SHARE CAPITAL AND RESERVES (CONTINUED)

Stock options (continued)

The changes in stock options during the years ended June 30, 2021 and 2020 are as follows:

STOCK OPTIONS	Year Ended June 30, 2021			Year Ended 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	**1,100,000**		**0.260**	3,425,863		0.264
Options forfeited	**(350,000)**		**0.260**	-		-
Options cancelled	**-**		**-**	(100,000)		0.156
Options exercised	**-**		**-**	(600,000)		0.001
Options outstanding, ending	**4,175,863**		**0.263**	3,425,863		0.264
Options exercisable, ending	**856,897**	**$**	**0.247**	87,932	$	0.089

Details of options outstanding as at June 30, 2021 are as follows:

Expiry date	Number of options	Exercise price	Weighted average contractual life	Number of Options exercisable
23-Jan-25	175,863	$ 0.089	3.57	131,897
14-Apr-30	2,400,000	0.26	8.79	600,000
14-Apr-30	500,000	0.35	8.79	125,000
18-Aug-30	200,000	0.26	9.14	-
16-Oct-30	175,000	0.26	9.13	-
16-Jun-31	725,000	0.26	9.97	-
	4,175,863	**$ 0.263**	**8.82**	**856,897**

During the year ended June 30, 2021, the Company recognized stock-based compensation related to stock options of $245,517 (June 30, 2020: $57,118). The fair value of stock options granted was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Year ended 30-Jun-21	Year ended 30-Jun-20
Expected life of options	**10 years**	10 years
Annualized volatility	**54%**	100%
Risk-free interest rate	**1.10%**	0.44% - 1.39%
Dividend rate	**0%**	0%
Weighted average fair value per option granted	**$0.18**	$0.14

(Audited - expressed in Canadian dollars)

12. SHARE CAPITAL AND RESERVES (CONTINUED)

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.

On February 15, 2021, the Company issued 1,482,233 broker warrants as finder's fee for the short-form prospectus offering. Each broker warrant entitles the holder to acquire one common share of the Company for an exercise price of $0.36 for a period of 24 months. All the broker warrants vested immediately. The broker warrants were valued at $190,421 using Black Scholes option pricing model with the following assumptions: volatility rate of 57.98%, risk-free rate of 0.19%, dividend yield of 0% and weighted average life of two years.

On March 10, 2021, the Company issued 9,727,275 common share purchase warrants pursuant to the Short-form prospectus offering. Each share purchase warrant entitles the holder to acquire one common share of the Company for an exercise price of $0.55 for a period of 24 months. All the common share purchase warrants vested immediately. The warrants were allocated a value of $nil using the residual value allocation method.

On March 16, 2021, 10,478 of the outstanding broker warrants were exercised for aggregate proceeds of $3,667.

The changes in warrants during the year ended June 30, 2021 and June 30, 2020 are as follows:

WARRANTS	**Year ended 30-Jun-21**		Year ended 30-Jun-20	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	**262,181**	**$ 0.35**	-	$ -
Warrants issued	**11,209,508**	**0.52**	262,181	0.35
Warrants exercised	**(10,478)**	**0.35**	-	-
Warrants outstanding and exercisable, ending	**11,461,211**	**0.52**	262,181	0.35

Details of warrants outstanding as at June 30, 2021 are as follows:

Expiry date	**Number of warrants**	**Exercise price**	**Weighted average contractual life**	**Number of warrants exercisable**
January 24, 2022	251,703	$ 0.35	0.57	251,703
February 15, 2023	1,482,233	0.36	1.63	1,482,233
March 10, 2023	9,727,275	0.55	1.69	9,727,275
	11,461,211		**1.66**	**11,461,211**

(Audited - expressed in Canadian dollars)

13. BREAKDOWN OF EXPENSES AND OTHER INCOME

General and administrative expenses are composed of the following:

		For the year ended	
	Note	**June 30, 2021**	June 30, 2020
Accounting and legal (Note 14)		**$ 124,064**	$ 227,993
Management fees (Note 14)		**60,000**	**-**
Bad debt (Note 5)		**2,511**	-
Amortization and depreciation (Note 8,18)		**111,116**	32,902
Office expenses		**144,000**	67,373
Insurance		**24,573**	5,254
Lease interest (Note 19)		**16,820**	6,213
Remuneration and benefits (Note 14)		**617,085**	353,734
Stock-based compensation (Note 12,14)		**189,730**	45,256
Rent (Note 19)		**29,274**	49,232
Supplies		**-**	23,691
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES		**$ 1,319,173**	$ 811,648

Selling expenses are composed of the following:

		For the year ended	
	Note	**June 30, 2021**	June 30, 2020
Freight and delivery		**$ -**	$ 10,286
Investor Relations		**-**	16,032
Marketing and research		**329,992**	59,776
Remuneration and benefits (Note 14)		**397,260**	200,334
Stock-based compensation (Note 12,14)		**16,432**	6,590
Travel		-	11,322
TOTAL SELLING EXPENSES		**$ 743,684**	$ 304,340

Research and development expenses are composed of the following:

		For the year ended	
	Note	**June 30, 2021**	June 30, 2020
Consulting fees		**$ 91,387**	$ 37,479
Remuneration and benefits (Note 14)		**415,684**	237,367
Stock-based compensation (Note 12,14)		**39,355**	5,272
TOTAL RESEARCH & DEVELOPMENT EXPENSES		**$ 546,426**	$ 280,118

(Audited - expressed in Canadian dollars)

13. BREAKDOWN OF EXPENSES AND OTHER INCOME (CONTINUED)

Other income is composed of the following:

		For the year ended	
	Note	**June 30, 2021**	June 30, 2020
CEWS/CERS		**$ 116,725**	$ 121,043
Government grant	11	**9,185**	26,240
SR&ED		**-**	42,951
Others		**1,889**	10,570
		$ 127,799	$ 200,804

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 for the year ended June 30, 2021, the total amount received by the Company for the CEWS amounted to $116,725 (June 30, 2020 – $121,043).

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 June 30, 2021, the Company has $9,750 due to a company controlled by the Chief Financial Officer (CFO) (June 30, 2020 - $9,750).

During the years ended June 30, 2021 and 2020, the Company had the following transactions with related parties:

	June 30, 2021	June 30, 2020
Accounting fees	**$ 25,685**	$ 31,116
Management fees	**60,000**	25,000
Remuneration and benefits	**449,981**	208,841
Stock-based compensation	**141,173**	33,392
Total	**$ 676,839**	$ 298,349

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

- Accounting and management fees of $85,685 (2020 – $56,116) were paid to a company controlled by the CFO.
- Remuneration and benefits consist of $224,991 paid to the President, Director and Corporate Secretary (2020 – $104,421) and $224,990 paid to the Chief Executive Officer (CEO) and Director (2020 – $104,420).
- Stock-based compensation consists of $53,486 to the CEO, $53,486 to the President, Director and Corporate Secretary and a total of $34,201 to four Directors (2020 – $33,392).

(Audited - expressed in Canadian dollars)

14. RELATED PARTY TRANSACTIONS (CONTINUED)

- 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.

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 June 30, 2021 and 2020:

Supplemental information	**June 30, 2021**	June 30, 2020
Fair value of options exercised	**-**	$92,369
Fair value of options vested	**-**	4,262
Finders' warrants issued	**190,421**	-
Fair value of warrants exercised	**170**	-
Right-of-use asset and lease liability recognized on adoption of IFRS 16	**-**	155,260
Reclassification of loans from due to related party	**-**	131,250
Shares issued for the RTO		4,852,042
Shares issued for asset acquisition	**-**	57.000
Share issuance cost in accounts payable	**1,935**	-
Transfer of Inventory to PPE	**111,707**	-

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value risk

The Company's financial instruments consist of cash, accounts receivable, accounts payable, due to related parties, loans 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

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Fair value risk

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, accounts payable and accrued liabilities, due to related parties and loans payable approximate their fair value due to their short-term maturities. Cash 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 government grants also approximates carrying value due to the fact that the loan is discounted to fair value using market rates.

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 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.

(iii) 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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (C0NTINUED)

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 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 June 30, 2021, bad debts expense for the Company was $2,511 (2020 - $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. At June 30, 2021, the Company has a cash balance of $5,199,328 and current liabilities balance of $561,201. 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.

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.

(Audited - expressed in Canadian dollars)

18. RIGHT-OF-USE ASSET (CONTINUED)

Cost		**Warehouse Lease**
Balance, June 30, 2020	$	155,260
Additions		-
Balance, June 30, 2021	**$**	**155,260**
Accumulated depreciation		
Balance, June 30, 2020	$	(10,351)
Additions		(31,052)
Balance, June 30, 2021	**$**	**(41,403)**
Carrying value		
Balance, June 30, 2020	$	144,909
Balance, June 30, 2021	**$**	**113,857**

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 year ended June 30, 2021, was $16,820 (June 30, 2020 - $6,213). The following table represents lease obligation for the Company:

As at		**June 30, 2021**		**June 30, 2020**
Current	**$**	**26,868**	$	22,940
Non-current		**94,934**		121,802
Total lease liability	**$**	**121,802**	$	144,742

The following table shows the roll forward of lease obligations for the years ended June 30, 2021 and 2020:

		June 30, 2021		**June 30, 2020**
Beginning balance	**$**	**144,742**	$	-
Additions		**-**		155,260
Interest expense		**16,820**		6,213
Lease payments		**(39,760)**		(16,731)
Ending balance	**$**	**121,802**	$	144,742
Less: Current portion of lease liability		**(26,868)**		(22,940)
Non-current portion of lease liability	**$**	**94,934**	$	121,802

(Audited - expressed in Canadian dollars)

19. LEASE LIABILITY (CONTINUED)

The following table presents the contractual undiscounted cash flows for lease obligation as At June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Less than one year	**$40,600**	$39,760
One to five years	**112,280**	152,880
Total undiscounted lease obligation	**$152,880**	**$192,640**

During the year ended June 30, 2021, the Company expensed $29,274 in short term and low value leases (June 30, 2020 – $49,232).

20. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

For the year ended		June 30, 2021		June 30, 2020
Net loss before income tax	$	**(2,237,888)**	$	(5,763,004)
Expected income tax (recovery)		**(604,000)**		(1,556,000)
Permanent differences		**68,000**		1,285,000
Share issue costs		**(217,000)**		(24,000)
Adjustments to prior years' provision versus statutory tax returns and other		**100,000**		(33,000)
Change in unrecognized deductible temporary differences		**653,000**		328,000
Total income tax expense (recovery)	**$**	**-**	$	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

As at		2021		2020
Deferred tax assets				
Property and equipment	$	88,000	$	46,000
Share issue costs		174,000		20,000
Debt with accretion		4,000		-
SRED pool		-		32,000
Non-capital losses available for future period		815,000		330,000
		1,081,000		428,000
Unrecognized deferred tax assets		(1,081,000)		(428,000)
Net deferred tax assets	**$**	**-**	**$**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

(Audited - expressed in Canadian dollars)

20. INCOME TAXES (CONTINUED)

	2021	Expiry Date Range	2020	Expiry Date Range
Temporary Differences				
Property and equipment	$ 325,000	No expiry date	$170,000	No expiry date
Share issue costs	643,000	2042 to 2045	72000	2041 to 2044
Debt with accretion	16,000	No expiry date	-	No expiry date
SRED pool	-	No expiry date	118,000	No expiry date
Non-capital losses available for future periods	$ 3,021,000	2035 to 2041	$1,222,000	2035 to 2040

Tax attributes are subject to review, and potential adjustment, by tax authorities.

21. SEGMENTED INFORMATION

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

	During the year ended June 30, 2021				
Consolidated statements of loss and comprehensive loss	**Loss Prevention**	**Fabrication**	**Welcoming Systems**	**Corporate and administration**	**Total**
Sales to external customers	$ 586,408	$ 131,585	$ 27,167	$ -	**$ 745,160**
Cost of Goods Sold	(349,027)	(99,299)	(6,638)	-	**(454,964)**
Gross Profit	237,381	32,286	20,529	-	**290,196**
Operating expenses	(1,307,046)	(61,284)	-	(1,129,837)	**(2,498,167)**
Interest expense	(34,553)	(5,015)	-	-	**(39,568)**
Amortization	(6,342)	(4,451)	(69,271)	-	**(80,064)**
Other income	100,779	26,629	-	391	**(31,052)**
Foreign exchange loss	(7,032)	-	-	-	**127,799**
Non-cash loss on completion of RTO	-	-	-	-	**(7,032)**
	(1,285,246)	(44,121)	(69,271)	(1,129,446)	**(2,528,084)**
Net loss and comprehensive loss	$ (1,047,865)	$ (11,835)	$ (48,742)	$ (1,129,446)	**$ (2,237,888)**

(Audited - expressed in Canadian dollars)

20. SEGMENTED INFORMATION (CONTINUED)

Consolidated statements of loss and comprehensive loss	**During the year ended June 30, 2020**				
	Loss Prevention	**Fabrication**	**Welcoming Systems**	**Corporate and administration**	**Total**
Sales to external customers	$ 390,291	$ 136,663	$ -	$ -	$ 526,954
Cost of Goods Sold	(186,452)	(55,279)	-	-	(241,731)
Gross Profit	203,839	81,384	-	-	285,223
Operating expenses	-	-	-	(1,363,204)	(1,363,204)
Interest expense	(45,939)	(676)	-	-	(46,615)
Amortization	(27,777)	(5,125)	-	-	(32,902)
Other income	-	-	-	200,804	200,804
Foreign exchange loss	(1,903)	-	-	-	(1,903)
Non-cash loss on completion of RTO	-	-	-	(4,804,407)	(4,804,407)
	(75,619)	(5,801)	-	(5,966,807)	(6,048,227)
Net loss and comprehensive loss	$ 128,220	$ 75,583	$ -	$ (5,966,807)	$ (5,763,004)

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 year ended	**June 30, 2021**	June 30, 2020
Canada	**$ 539,644**	$ 461,740
USA	**177,390**	52,511
Mexico	**28,126**	10,903
Netherlands	**-**	1,800
	$ 745,160	$ 526,954

22. SUBSEQUENT EVENT

On September 16, 2021 INEO was approved for trading on the OTCQB Venture Market ("OTCQB") in the United States. INEO's common shares will begin trading on the OTCQB under the ticker symbol "INEOF" as of September 16, 2021. The OTCQB, operated by OTC Markets Group Inc., is designed for early stage and developing U.S. and international companies to gain exposure to a wider network of investors. The Company's common shares will also continue to trade with no change on the TSX-V, under the symbol "INEO-V."