INEO Tech Corp.
(formerly Metron Capital Corp.)

Consolidated Interim Financial Statements

As at for the nine months ended March 31, 2020

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Consolidated Interim Statement of Financial Position

(Unaudited - expressed in Canadian dollars)

	Note		**Unaudited March 31, 2020**		Audited June 30, 2019
Assets					
Current assets					
Cash and cash equivalents		**$**	**1,636,517**	$	72,836
Accounts receivable, net	5		**48,591**		69,877
Other receivable	6		**-**		24,371
GST recoverable	6		**22,838**		803
Inventory	7		**186,304**		98,451
Prepaid expenses			**32,062**		19,883
			1,926,312		286,221
Non-current assets					
Equipment	8		**92,891**		25,329
Right-of-use asset	15		**152,672**		-
			245,563		25,329
Total assets		**$**	**2,171,875**	$	311,550
Liabilities and Shareholders' Equity					
Current liabilities					
Bank overdraft		**$**	**-**	$	13,922
Accounts payable and accrued liabilities			**217,879**		97,223
Due to related parties	12		**8,750**		182,691
Current portion of lease liability	15		**22,033**		-
Current portion of loan payable	10		**41,840**		202,116
			290,502		495,952
Non-current liabilities					
Non-current portion of lease liability	15		**127,947**		**-**
Non-current portion of loan payable	10		**317,755**		183,474
Total liabilities			**736,204**		679,426
Shareholders' equity					
Share capital	11		**9,835,688**		150,960
Reserves	11		**13,032**		101,409
Deficit			**(8,413,049)**		(620,245)
			1,435,671		(367,876)
Total liabilities and shareholders' equity		**$**	**2,171,875**	$	311,550

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

Nature of operations (Note 1)
Commitment (Note 15)
Subsequent event (Note 16)

Approved on behalf of the Board on May 19, 2020:

"Steve Matyas" — Steve Matyas - Director

"Gurminder Sangha" — Gurminder Sangha – Director

INEO Tech Corp. (formerly Metron Capital Corp.)

Consolidated Interim Statement of Loss and Comprehensive Loss
(Unaudited - expressed in Canadian dollars)

		For the three months ended		For the nine months ended	
	Note	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Sales		**$ 80,020**	$ 121,543	**$ 279,445**	$ 304,634
Cost of Sales		**(37,289)**	(26,692)	**(95,674)**	(79,734)
		42,730	94,851	**183,771**	224,900
Expenses					
Accounting and legal	12	**81,988**	27,713	**259,157**	57,772
Amortization on property and equipment	7,15	**8,762**	2,517	**17,431**	4,852
Bad debt		**-**	-	**-**	213
Freight & Delivery		**2,300**	3,072	**8,792**	7,396
General and administrative expenses		**18,465**	12,707	**46,744**	33,370
Insurance		**1,864**	867	**3,873**	3,182
Investor relations		**3,613**	1,380	**9,770**	4,537
Marketing and research		**36,407**	9,047	**54,382**	36,534
Remuneration and benefits	12	**325,223**	34,769	**419,023**	137,708
Rent		**12,775**	12,625	**38,026**	37,576
Research and development		**7,984**	-	**10,910**	2,275
Supplies		**3,857**	4,433	**15,149**	11,732
Travel		**4,177**	686	**9,192**	2,083
		(507,415)	(109,816)	**(892,449)**	(339,230)
Other Income (Expenses)					
Scientific research and experimental development tax incentive		**26,337**	10,800	**42,452**	10,800
Non-cash loss on completion of RTO	4	**(7,084,833)**	-	**(7,084,833)**	-
Foreign exchange gain (loss)		**-**	(22)	**-**	(22)
Interest expense	10, 15	**(13,186)**	(7,447)	**(41,745)**	(22,718)
		(7,071,682)	3,331	**(7,084,126)**	(11,940)
Loss and comprehensive loss		**$ (7,536,367)**	$ (11,634)	**$ (7,792,804)**	$ (126,270)
Weighted average number of common shares outstanding - basic and diluted		**32,269,504**	12,205,833	**19,078,539**	12,205,833
Basic and diluted loss per share		**$ (0.23)**	$ (0.00)	**$ (0.41)**	$ (0.01)

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

INEO Tech Corp. (formerly Metron Capital Corp.)

Consolidated Interim Statement of Shareholders' Deficiency
(Unaudited - expressed in Canadian dollars)

	Note	Share capital		Reserves	Deficit	Total Shareholders' Equity
		Number of shares	Amount			
Balance, June 30, 2018		**10,560,000**	**$ 150,960**	**$ -**	**$ (449,392)**	**$ (298,432)**
Net and comprehensive loss		-	-	-	(170,853)	(170,853)
Options issued	11	-	-	101,409	-	101,409
Balance, June 30, 2019		**10,560,000**	**$ 150,960**	**$ 101,409**	**$ (620,245)**	**$ (367,876)**
Shares Issued for options	11	600,000	575	-	-	575
Fair value of options exercised	11	-	92,639	(92,639)	-	-
Balance, January 24, 2020		**11,160,000**	**$ 244,174**	**$ 8,770**	**$ (620,245)**	**$ (367,301)**
Effect of RTO	4	12,805,833	-	-	-	-
Private Placement	4	8,048,498	2,816,975	-	-	2,816,975
Shares issued for the RTO	4	19,626,409	6,869,243	-	-	6,869,243
Finders' fees	4	-	(90,442)	-	-	(90,442)
Finders' warrants	4	-	(4,262)	4,262	-	-
Net and comprehensive loss		-	-	-	(7,792,804)	(7,792,804)
Balance, March 31, 2020		**40,480,740**	**$ 9,835,688**	**$ 13,032**	**$ (8,413,049)**	**$ 1,435,671**

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

INEO Tech Corp. (formerly Metron Capital Corp.)

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

	For the nine months ended	
	March 31, 2020	**March 31, 2019**
Cash flows from operating activities:		
Net loss for the period	**$ (7,792,804)**	$ (126,270)
Items not involving cash:		
Amortization on property and equipment	**13,159**	4,852
Interest expense accrued	**34,205**	22,718
Non-cash loss on completion of RTO	**7,084,833**	-
Change in non-cash operating working capital:		
Accounts receivable	**21,286**	(20,687)
Accounts payable and accrued liabilities	**106,735**	150,344
Amounts due to related parties	**(183,316)**	(85,015)
Amounts due from related parties	**-**	(22,554)
GST recoverable	**(22,035)**	9,224
Inventory	**(87,853)**	16,347
Prepaid expenses	**(12,179)**	22,288
Other receivables	**24,371**	
	(813,598)	(28,753)
Cash flows from investing activities:		
Expenditures on intangible assets	**-**	(17,396)
Purchase of equipment	**(84,993)**	(1,645)
	(84,993)	(19,041)
Cash flows from financing activities:		
Loan repayments	**(354,703)**	(37,128)
Proceeds from the issuance of common shares	**2,816,975**	-
	2,462,272	(37,128)
Change in cash and cash equivalents	**1,563,681**	(84,922)
Cash and cash equivalents, beginning	**72,836**	92,273
Cash and cash equivalents, end	**$ 1,636,517**	$ 7,351

The accompanying notes are an integral part of these 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, V3S 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 Venture Exchange TSX-V under the new ticker symbol "INEO" on January 29, 2020. (Note 4 – Business Acquisitions). 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 period ended March 31, 2020 to align its reporting periods with INEO (see Note 4). As a result of the change in year end, comparative amounts are not directly comparable with current period's amounts.

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 was changed to provide services and products related to development and sales of advanced electronic article surveillance system related to products and services to retailers.

The Company and its subsidiaries incurred a consolidated net loss of $7,792,804 for the nine months ended March 31, 2020 (March 31, 2019 - $126,270). A non-cash loss on completion of the RTO totaling $7,084,833 was recorded during the quarter ending March 31, 2020 (2019 - $Nil). As at March 31, 2020, the Company had a history of losses and an accumulated deficit of $8,413,049 (June 30, 2019 - $620,245). As of that date, the Company's current assets exceeded its current liabilities by $1,635,810 (June 30, 2019 - $209,731 deficit). 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 almost exclusively 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.

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.

2. BASIS OF PREPARATION

Basis of consolidation and preparation

The unaudited interim 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, 2019. There have been no changes from the accounting policies applied in the June 30, 2019 financial statements other than the adoption of IFRS 16 on July 1, 2019 (Note 3). The preparation of interim 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 unaudited interim 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 unaudited interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended June 30, 2019. 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, 2019.

These Financial Statements are authorized for issue by the Board of Directors on May 19, 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.

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.

2. BASIS OF PREPARATION (continued)

The interim consolidated financial statements included the accounts of the following wholly owned subsidiaries:

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

On July 31, 2019, INEO completed its amalgamation with one of its subsidiaries, Provent Technologies Corporation ("Provent"), into one legal entity. As a result, the following changes came into effect:

a) Each issued Class A share of INEO were exchanged for one Class A Common Share of the amalgamated company ("Amalco").
b) Each issued Common share of Provent was exchanged for one Class A Common share of the Amalco.

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.

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

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated 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.

2. BASIS OF PREPARATION (continued)

Use of estimates and judgments (continued)

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 engineering estimates and 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash
Cash consists of amounts held in banks and cashable highly liquid investments with limited interest and credit risk.

Trade receivable
Trade receivable are recognized and carried at their original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as being remote.

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 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

Changes in accounting policies – IFRS 9

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of July 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The following is the Company’s new accounting policy for financial instruments under IFRS 9:

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification IAS 39	**New classification IFRS 9**
Cash	FVTPL	FVTPL
Bank overdraft	FVTPL	FVTPL
Trade receivables	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

The Company did not restate prior periods as there was no impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on July 1, 2018.

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 net (loss) income. 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 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 statement of 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 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 net (loss) income, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 comprehensive income (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 comprehensive loss.

Foreign currency translation

The 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 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.

One-half of the normal amortization is taken in the year of acquisition for equipment with declining balance method. 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 June 30, 2019 and 2018, the Company has not recognized any internally-generated intangible assets.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share capital (cont'd…)
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 earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of July 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

The following is the Company's new accounting policy for revenue from contracts with customers under IFRS 15:

The Company derives revenues from the sales of consumable loss preventions 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 separated 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 preventions products and EAS system. All products and services are sold on 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 preventions 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 preventions 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 set off 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.

The accounting policies applied by the Company in these interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended June 30, 2019 with the exception of the following:

Leases

In January 2016, the IASB issued IFRS 16 - Leases which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019.

Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct cost (e.g., commissions) and an estimate of restoration, removal and dismantling costs. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made, and the related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment. Right-of-use assets are subject to impairment testing under IAS 36 Impairment of Assets. Other leases are operating leases and are recognized on a straight-line basis in the Company's consolidated statements of loss and comprehensive loss. The company entered a lease agreement for five years which commenced on February 4, 2020 and thereby, recognized the right-of-use asset and lease liability pertaining to the transaction (Note 15).

4. REVERSE TAKEOVER

In connection with the completion of the Reverse Takeover Transaction, the Company consolidated its common shares on a 1.6191:1 basis, from 20,733,928 pre-consolidation shares to 12,798,721 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 19,626,409 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. On completion of the Transaction, the Company repaid certain outstanding bridge loans in the amount of $305,866.

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 share for gross proceeds of $2,816,974 (the "Offering"). On completion of the Transaction, the Subscription Receipts were automatically converted in accordance with their terms into one Share of 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 Share of the Company at a price of $0.35 per Share for a period of 24 months from their date of issue (Note 11).

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 purpose, 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. Consideration paid by the acquirer is measured at the fair value of the equity issued to the shareholders of Ineo Solutions, Inc. - $6,869,243 (19,626,409 shares at $0.35 per share) and transaction costs amounting to $113,066 with the excess amount above the fair value of the net assets acquired, treated as non-cash loss on completion of RTO in the consolidated statement of net loss and comprehensive loss.

In addition, 262,181 finders' warrants valued at $0.016 each (totaling $4,262) and finders' fees of $90,442, 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 accounting for the reverse takeover had been provisionally determined at March 31, 2020. The fair value of net assets acquired, and total consideration have been determined provisionally and subject to adjustment within one year from the transaction date. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, non-cash loss on completion of RTO may be adjusted retrospectively to the acquisition date in future reporting periods.

(Unaudited - expressed in Canadian dollars)

The assets acquired and liabilities assumed at their fair value on the acquisition date are as follows:

Category		**Amount**
Cash	$	313
Sales tax receivable		10,022
Accounts payable		(112,859)
Net assets (liabilities) acquired		**(102,524)**
Fair value of 19,626,409 shares issued at $0.35 per share to the shareholders of INEO Solutions Inc.		6,869,243
Transaction costs		113,066
Total consideration		6,982,309
Non-cash loss on completion of RTO	$	7,084,833
Fair value of 262,181 warrants issued at $0.016 each to finders in relation to the RTO		4,255
Finders' fees		90,442
Total share issuance costs from the RTO	$	94,704

5. ACCOUNTS RECEIVABLE

	March 31, 2020	June 30, 2019
Gross accounts receivable	**$ 48,591**	$ 73,371
Allowance for doubtful accounts	**-**	(3,494)
Total accounts receivable	**$ 48,591**	$ 69,877

The Company generally does not hold any collateral as security for accounts receivables. There is no significant risk to any particular customer.

6. OTHER RECEIVABLES

	March 31, 2020	June 30, 2019
GST	**$ 22,838**	$ 803
Others	**-**	24,371
Total	**$ 22,838**	$ 95,051

Other receivables pertain to outstanding balance on SR&ED as at June 30, 2019. During the period ended March 31, 2020, a total of $42,542 received for SR&RED tax incentive (which includes the outstanding receivable as at June 30, 2019) was recorded as other income in the consolidated statements of net loss and comprehensive loss. The refund was subsequently received.

(Unaudited - expressed in Canadian dollars)

7. INVENTORY

At March 31, 2020 and June 30, 2019, the Company has the following inventories:

	March 31, 2020	June 30, 2019
Raw materials and parts	**$ 67,356**	$ -
Finished goods	**118,947**	98,451
Total inventory	**$ 186,303**	$ 98,451

8. EQUIPMENT

	Furniture and Equipment	**Computer Hardware**	**Installed Units**	**Total**
Costs:				
Balance, June 30, 2019	**$ 97,629**	**$ 54,348**	**$ -**	**$ 151,977**
Additions		5,116	77,395	82,511
Balance, March 31, 2020	**$ 97,629**	**$ 59,464**	**$ 77,395**	**$ 234,485**
Accumulated Depreciation:				
Balance, June 30, 2019	**$ 76,698**	**$ 49,950**	**$ -**	**$ 126,648**
Amortization	2,319	4,916	7,608	14,843
Balance, March 31, 2020	**$ 79,017**	**$ 54,866**	**$ 7,608**	**$ 141,491**
Net Book Value:				
June 30, 2019	$ 20,931	$ 4,398	$ -	$ 25,329
March 31, 2020	**$ 18,612**	**$ 4,598**	**$ 69,787**	**$ 92,891**

9. EXPLORATION AND EVALUATION ASSETS

South Big Smoky

On December 2, 2016, the Company entered into an option agreement ("Option Agreement") with Ultra Lithium Inc. ("Ultra") to acquire a 100% interest in 100 mineral claims comprising the South Big Smoky Property (the "South Big Smoky") by making certain cash payments, share issuances and exploration expenditures.

On May 31, 2018, the Company and Ultra amended the Option Agreement ("Amended Option Agreement") for due dates of certain cash payments, share issuances and exploration expenditures.

On October 23, 2019, the Company and Ultra mutually agreed to terminate the Amended Option Agreement by the Company making a payment to Ultra in the amount of $10,000, after which both parties are released from the agreement with no further obligation by either party.

(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%. This loan is due on demand and unsecured. During the nine months ending March 31, 2020 the Company incurred $9,375 interest expense.

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 March 31, 2020, the floating base rate was 6.05 % per year (June 30, 2019 - 6.05%). This loan matures on March 10, 2025 and 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 nine months ending March 31, 2020, the Company incurred $14,013 interest expenses (March 31, 2019 - $13,343).

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 June 30, 2019, the floating base rate was 6.05 % per year. This loan matures on February 28, 2026 and 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 nine months ending March 31, 2020, the company incurred $3,655 interest expenses (March 31, 2019 - $Nil).

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 nine months ending March 31, 2020, the Company incurred $10,032 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 nine months ending March 31, 2020, the Company incurred $3,090 interest expense. The loan and accrued interest were fully repaid on January 27, 2020.

The details of loans borrowed are below:

			March 31, 2020			June 30, 2019		
	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**	**135,729**	**168,969**	44,040	141,550	185,590
Loan - $50,000	February 28, 2026	Prime + 4%	**8,600**	**41,400**	**50,000**	8,076	41,924	50,000
Loan - $150,000	on demand	11%	**-**	**-**	**-**	150,000		150,000
Loan - $100,000	on demand	12.5%	**-**	**140,626**	**140,626**	-		-
Total loans payable			**41,840**	**317,755**	**359,595**	202,116	183,474	385,590

(Unaudited - expressed in Canadian dollars)

10. LOANS PAYABLE (continued)

The loan advances, interest accruals and loan payments made during the periods ended March 31, 2020 and June 30, 2019 are below:

Balance, June 30, 2018	$	200,000
Loans advanced		200,000
Interest accrued		21,590
Payments made		(36,000)
Balance, June 30, 2019	$	385,590
Loans advanced		100,000
Reclassification from due to related parties		131,250
Interest accrued		40,165
Payments made		(297,410)
Balance, March 31, 2020	**$**	**359,595**

11. SHARE CAPITAL

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 period ended March 31, 2020, the Company had the following capital stock transactions:

i) The Company had 20,733,928 common shares issued and outstanding prior to the RTO. Upon completion of the RTO, the Company consolidated its common shares on a 1.6191:1 basis from 20,733,928 to 12,798,721 post-consolidation shares (Note 4).

ii) As part of the RTO, the Company completed a private placement resulting in the issuance of 8,048,498 shares at $0.35 per share. In addition, the Company issued 262,181 warrants to finders in connection with the transaction.

iii) Also, upon completion of the RTO, the Company issued 19,626,409 shares to shareholders of INEO (Note 4).

As at March 31, 2020, the Company had 40,480,740 shares issued and outstanding (June 30,2019 - 10,560,000).

(Unaudited - expressed in Canadian dollars)

11. SHARE CAPITAL (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. Under the policies of the TSX-V, the exercise price of each option equals 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 5 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 options to stockholders of INEO in exchange of the existing INEO options held by said shareholders. Each option is exercisable to acquire one common share at a price of $0.089. The options vest immediately and have an expiry date of January 23, 2025.

The changes in stock options during the periods ended March 31, 2020 and June 30, 2019 are as follows:

	Nine months ended March 31, 2020		Year Ended June 30, 2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning	**700,000**	**$ 0.023**	700,000	$ 0.023
Options issued	**175,863**	**0.089**	-	-
Options cancelled	**(100,000)**	**0.156**	-	-
Options exercised	**(600,000)**	**0.001**	-	-
Options outstanding, ending	**175,863**	**0.089**	700,000	0.023
Options exercisable, ending	**175,863**	**$ 0.089**	625,000	$ 0.023

Details of options outstanding as at March 31, 2020 are as follows:

Expiry date	**Weighted average exercise price**	**Weighted average contractual life**	**Number of Options outstanding**
January 23, 2025	0.089	4.82	175,863

On January 5, 2018, the Company granted 100,000 stock options to consultants of the Company, exercisable at $0.156. All options shall vest on the basis of 25% on January 5, 2019, 25% on January 5, 2020, 25% on January 5, 2021 and 25% on January 5, 2022.

On September 27, 2017, the Company granted 600,000 stock options to directors and consultants of the Company, exercisable at $0.001. All options shall vest on the basis of 40% on the date of grant, 20% on September 27, 2018, 20% on September 27, 2019 and 20% on September 27, 2020. During the year ended June 30, 2019, the Company accelerated the vesting and all options were vested. As March 31, 2020 all 600,000 stock options were exercised and stocks issued accordingly.

(Unaudited - expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

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

	Nine Months ended March 31, 2020
Expected life of options	5 years
Annualized volatility	100%
Risk-free interest rate	1.64% - 1.82%
Dividend rate	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, 2024. The fair value of the warrants granted were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions: volatility rate of 100%, risk-free rate of 1.49%, dividend yield of 0% and weighted average life of 2 years. The fair value of the share warrants is recorded as share issuance costs charged against share capital.

12. 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 March 31, 2020, the Company has $8,750 due to related parties (June 30, 2019 - $182,691):

	March 31, 2020		June 30, 2019	
President, Director and Corporate Secretary	**$**	**-**	$	51,441
Spouse of President		**-**		131,250
Company controlled by the CFO		**8,750**		-
Due to related parties	**$**	**8,750**	$	182,691

During the periods ended March 31, 2020 and 2019, the Company had the following transactions with related parties:

Type of Service	March 31, 2020		March 31, 2019	
Accounting fees	**$**	**33,419**	$	-
Legal fees		**3,317**		-
Remuneration and benefits		**128,076**		-
Total	**$**	**164,812**	$	-

12. RELATED PARTY TRANSACTIONS (continued)

- Accounting fees of $33,419 (2019 - $Nil) was paid to a company controlled by the CFO.
- Legal fees of $3,317 (2019 - $Nil) was paid to the President, Director and Corporate Secretary.
- Remuneration and benefits consist of $64,038 paid to the President, Director and Corporate Secretary (2019 - $Nil) and $64,038 paid to the CEO (2019 - $Nil).

13. CAPITAL MANAGEMENT

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

The Company manages its capital structure to maximize its financial flexibility making adjustments to 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.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value risk

The Company's financial instruments consist of cash, account receivables, due from related parties, 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 receivables, due from related parties, bank overdraft, accounts payable and due to related party approximate their fair value due to their short-term maturities. Cash and bank overdraft under the fair value hierarchy are based on Level 1 quoted prices in active markets for identical assets or liabilities. The fair value of the loan payable also approximates its carrying value due to the fact that interest rate approximate to market rates.

14. 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 fluctuation of the variable interest rates (“Prime”) of certain of its loans payable (Note 8). The Company continue monitoring its exposure to the Prime and it is comfortable to this exposure given the relative low fluctuation of the bank interest rates in Canada.

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 a Canadian chartered bank 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 trade receivables. To measure the expected credit losses, trade receivables are assessed primarily on days past due combined with the Company’s knowledge of past bad debts. During the six months ended March 31, 2020, bad debts for the Company was $Nil.

14. FINANCIAL INSTRUMENTS (CONTINUED)

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At March 31, 2020, the Company's cash balance of $1,636,517 and its current liabilities of $265,969. The Company manages its liquidity risk by attempting to maintain sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. Accounts payable, loans payable and accrued liabilities and amounts payable to related parties are all current. As the Company has limited sources of revenue, it may require additional financing to accomplish its long-term strategic objectives.

15. COMMITMENTS

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

Consequently, the Company recognized a lease liability equal to the present value of the lease payments to be made over the lease term, using the borrowing rate on the Company's existing loans. As at March 31, 2020, the balance of the lease liability – current is $22,033 and lease liability – noncurrent is $127,947.

Consulting Agreement
On March 1, 2020, the Company has engaged Angad Capital Inc. to provide corporate strategy, capital markets advisory and investor relations services. The agreement with Angad is subject to TSX-V approval. In connection with the engagement, Angad has been awarded a consulting agreement for an initial term of one year commencing March 1, 2020, for a monthly fee of $10,000.

16. SEGMENTED INFO

The Company has the following reporting segments: corporate and administration; sale of advanced electronic article surveillance system; and sale of services and products related to development. 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.

(Unaudited - expressed in Canadian dollars)

16. SEGMENTED INFO (continued)

Consolidated statements of loss and comprehensive loss	During the period ended March 31, 2020			
	Loss Prevention	Fabrication	Corporate and administration	Total
Sales to external customers	$ 185,138	$ 94,307	$ -	**$ 279,445**
Cost of Goods Sold	(53,837)	(41,837)	-	**(95,674)**
Gross Profit	131,301	52,470	-	**183,771**
Operating expenses	-	-	(892,449)	**(892,449)**
Other income (expenses)	-	-	707	**707**
Non-cash loss on completion of RTO	-	-	(7,084,833)	**(7,084,833)**
	-	-	(7,976,575)	**(7,976,575)**
Net loss and comprehensive loss	**$ 131,301**	**$ 52,470**	**$ (7,976,575)**	**$ (7,792,804)**

Consolidated statements of loss and comprehensive loss	During the period ended March 31, 2019			
	Loss Prevention	Fabrication	Corporate and administration	Total
Sales to external customers	$ 90,375	$ 79,301	$ -	$ 169,676
Cost of Goods Sold	(31,631)	(1,175)	-	(32,806)
Gross Profit	58,744	78,126	-	136,870
Operating expenses	-	-	(339,230)	(339,230)
Other income (expenses)	-	-	(11,940)	(11,940)
	-	-	(351,170)	(351,170)
Net loss and comprehensive loss	$ 58,744	$ 78,126	$ (351,170)	$ (214,300)

17. SUBSEQUENT EVENTS

On April 7, 2020, the Company received a Notice of Allowance from the United States Patent and Trademark Office ("USPTO") for U.S. patent application 16/317,084, entitled "COMBINATION MEDIA DISPLAY AND ELECTRONIC ARTICLE SURVEILLANCE PEDESTAL".

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

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

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. This is causing significant financial market and social dislocation. This has also resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Company’s future financial results.