INEO Tech Corp.

Interim Consolidated Financial Statements

As at and for the periods ended December 31, 2022 and 2021

(Unaudited - 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.

Consolidated Statements of Financial Position
(Unaudited -expressed in Canadian dollars)
As at

	Note		**December 31, 2022**		June 30, 2022
Assets					
Current assets					
Cash	17	**$**	**2,346,017**	$	1,706,048
Accounts receivable	5		**403,435**		205,068
GST recoverable			**12,421**		16,769
Inventory	4,6		**326,181**		155,013
Prepaid expenses	7		**49,043**		254,456
			3,137,097		2,337,354
Non-current assets					
Equipment	8		**923,841**		780,709
Intangibles	4,8		**4,338**		5,423
Right-of-use asset	18		**67,280**		82,805
			995,459		868,937
Total assets		**$**	**4,132,556**	$	3,206,291
Liabilities and Shareholders' Equity (Deficiency)					
Current liabilities					
Accounts payable and accrued liabilities	9	**$**	**555,553**	$	481,269
Government grant	12		**120,000**		111,382
Due to related parties	15		**1,498**		1,595
Current portion of lease liability	19		**33,756**		31,316
Interest payable	11		**14,274**		-
Loans payable	10		**175,000**		168,750
			900,081		794,312
Non-current liabilities -					
Non-current portion of lease liability	19		**46,145**		63,618
Note Payable	11		**805,885**		-
			852,030		63,618
Total liabilities			**1,752,111**		857,930
Shareholders' equity					
Share capital	13		**15,033,743**		13,535,082
Reserves	13		**832,859**		727,115
Deficit			**(13,486,157)**		(11,913,836)
			2,380,445		2,348,361
Total liabilities and shareholders' equity		**$**	**4,132,556**	$	3,206,291

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

Nature and continuance of operations (Note 1)

Approved on behalf of the Board on February XX, 2023:

“Steve Matyas”
Steve Matyas - Director

“Eugene Syho”
Eugene Syho – Director

INEO Tech Corp.

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

		For the three months ended		For the six months ended	
	Note	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Sales	20	**$ 386,425**	$ 256,987	**$ 802,511**	$ 495,658
Cost of Sales	20	**(205,215)**	(162,691)	**(413,655)**	(306,970)
Gross Profit		**181,210**	94,296	**388,856**	188,688
Expenses					
General and administrative expenses	14, 15	**491,486**	359,067	**830,573**	716,088
Selling		**441,279**	327,768	**719,330**	616,625
Research and development		**197,000**	178,114	**384,686**	357,185
		(1,129,765)	(859,950)	**(1,934,589)**	(1,689,898)
Net Income (loss) before other income (expenses)		**(948,555)**	(765,654)	**(1,545,733)**	(1,501,210)
Other Income (Expenses)					
Other income		**-**	10,262	**-**	17,873
Foreign exchange gain (loss)		**(5,480)**	523	**8,439**	3,771
Interest expense	10,11,12	**(27,672)**	(6,907)	**(35,027)**	(13,676)
		(33,152)	3,878	**(26,588)**	7,968
Loss and comprehensive loss		**$ (981,707)**	$ (761,776)	**$ (1,572,321)**	$ (1,493,242)
Weighted average number of common shares outstanding - basic and diluted	13	**67,820,107**	60,170,462	**64,005,122**	60,158,115
Basic and diluted loss per share		**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.02)

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

INEO Tech Corp.

Consolidated Statements of Shareholders' equity
(Unaudited - expressed in Canadian dollars)
For the periods ended December 31,

	Note	Number of shares		Amount		Reserves		Deficit		Total Shareholders' Equity
Balance, June 30, 2021		**60,145,768**	**$**	**13,518,831**	**$**	**505,918**	**$**	**(8,621,137)**	**$**	**5,403,612**
Stock-based compensation		-		-		221,923		-		221,923
Warrants exercised	13	44,370		16,251		-		-		16,251
FV Warrants exercised	13	-		-		(726)		-		(726)
Net loss and comprehensive loss		-		-		-		(3,292,699)		(3,292,699)
Balance, June 30, 2022		**60,190,138**	**$**	**13,535,082**	**$**	**727,115**	**$**	**(11,913,836)**	**$**	**2,348,361**
Share issuance during the period	13	**15,953,571**		**1,943,000**		-		-		1,943,000
Share issuance costs	13			**(407,381)**		-		-		(407,381)
Stock-based compensation		-		-		68,786		-		68,786
Warrants issued for Short Form prospectus	13	-		(36,958)		36,958		-		-
Net loss and comprehensive loss		-		-		-		(1,572,321)		(1,572,321)
Balance, December 31, 2022		**76,143,709**	**$**	**15,033,743**	**$**	**832,859**	**$**	**(13,486,157)**	**$**	**2,380,445**

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

INEO Tech Corp.

Consolidated Statements of Cash Flow
(Unaudited - expressed in Canadian dollars)

	For the periods ended	
	December 31, 2022	**December 31, 2021**
Cash flows used in operating activities:		
Net loss for the period	**$ (1,572,321)**	$ (1,493,242)
Items not involving cash:		
Amortization of right-of-use asset	**15,525**	15,526
Amortization on equipment	**84,417**	60,802
Interest expense	**40,574**	20,955
Stock based compensation	**68,786**	103,152
Bad Debts Expense	**-**	3,486
Change in non-cash operating working capital:		
Accounts receivable	**(198,367)**	(13,162)
Accounts payable and accrued liabilities	**74,284**	78,902
Due to related parties	**(97)**	6,194
GST recoverable	**4,348**	(1,747)
Inventory	**(171,168)**	(60,916)
Prepaid expenses	**205,413**	(60,792)
	(1,448,606)	(1,340,842)
Cash flows used in investing activities:		
Purchase of equipment	**(226,464)**	(201,247)
	(226,464)	(201,247)
Cash flows from financing activities:		
Loan received	**1,000,000**	-
Share issuance costs	**(407,381)**	-
Proceeds from the exercise of warrants	**-**	16,251
Proceeds from the issuance of shares	**1,743,000**	-
Payments for lease obligations	**(20,580)**	(20,159)
	2,315,039	(3,908)
Change in cash	**639,969**	(1,545,997)
Cash, beginning of period	**1,706,048**	5,199,328
Cash, end of period	**$ 2,346,017**	$ 3,653,331

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

For significant expenditures, the Company will depend on external capital. Such external capital will include the issuance of additional equity shares or debt. 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. These matters result in material uncertainties which may cast significant doubt on whether the Company will continue as a going concern.

2. BASIS OF CONSOLIDATION AND PREPARATION

These unaudited 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, 2022. There have been no changes from the accounting policies applied in the December 31, 2022 consolidated Financial Statements. The preparation of these unaudited 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 Financial Statements.

These Financial Statements were authorized for issue by the Board of Directors on February 22, 2023.

These 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 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.

These 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%

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

Use of estimates and judgments

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

2. BASIS OF CONSOLIDATION AND PREPARATION

Use of estimates and judgments (continued)

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 year in which the change occurs.

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

Going concern

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

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

(Unaudited - expressed in Canadian dollars)

2. BASIS OF CONSOLIDATION AND PREPARATION

Use of estimates and judgments (continued)

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

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these unaudited Financial statements, the significant accounting policies and the significant judgements made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited financial statements for the year ended June 30, 2022.

Interim results are not necessarily indicative of the results expected for the financial year. Annual results may differ from interim estimates. The significant judgments made by management applied in the preparation of these Financial Statements are consistent with those applied and disclosed in the Company's audited consolidated Financial Statements for the year ended June 30, 2022.

4. VITTAGE ASSET ACQUISITION

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

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

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

Consideration transferred	
Cash	**$43,939**
Identifiable assets required	
Inventories	$37,431
Intangible assets	$ 6,508
Total identifiable assets acquired	**$43,939**

Intangible assets acquired include domain names, website, social media account and customer listings, which are amortized over their estimated useful life of 3 years. During the period ended December 31, 2022 the Company recognized $1,085 (December 31, 2021 $Nil), in amortization related to the intangible assets.

(Unaudited - expressed in Canadian dollars)

5. ACCOUNTS RECEIVABLE

Accounts receivable as at December 31, 2022 amounted to $403,435 (June 30, 2022 – $205,068). The Company generally does not hold any collateral as security for accounts receivables. During the period ended December 31, 2022 an allowance of $Nil was created towards bad debts (December 31, 2021 - $3,486). As of December 31, 2022, the allowance for doubtful accounts totalled $10,448 (June 30, 2022 - $10,448).

6. INVENTORY

Inventory of finished goods held by the Company as at December 31, 2022 was $326,181 (June 30, 2022 - $155,013). 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.

7. PREPAID EXPENSES

PREPAID EXPENSES		**Balance as at 31-Dec-22**		Balance as at 30-Jun-22
Prepaid Insurance	**$**	**19,620**	$	8,983
Security deposit		**615**		615
Other prepaids		**28,808**		244,858
TOTAL PREPAID EXPENSES	**$**	**49,043**	$	254,456

Other prepaids consist of vendor prepayments for goods and supplies delivered subsequent to the period ending December 31, 2022.

(Unaudited - expressed in Canadian dollars)

8. EQUIPMENT

EQUIPMENT	Furniture and Equipment	Computer Hardware	Motor Vehicle	Welcoming Pedestals - Installed Units	WIP Installed Units	Intangibles	Total
Costs:							
Balance, June 30, 2021	$ 102,134	$ 70,651	$ 9,500	$ 479,331	$ 129,621	-	$ 791,237
Additions	6,000	8,605	4,300	-	327,144	6,508	352,557
Transfer of WIP to Installed units	-	-	-	142,336	(142,336)	-	-
Balance, June 30, 2022	$ 108,134	$ 79,256	$ 13,800	$ 621,667	$ 314,429	$ 6,508	$ 1,143,794
Additions	3,188	1,074	-		222,202	-	226,464
Transfer of WIP to Installed units				203,318	(203,318)	-	-
Balance, December 31, 2022	**$ 111,322**	**$ 80,330**	**$ 13,800**	**$ 824,985**	**$ 333,313**	**$ 6,508**	**$ 1,370,258**
Accumulated Depreciation:							
Balance, June 30, 2021	$ 89,700	$ 55,534	$ 2,020	$ 82,009	$ -	$ -	$ 229,263
Amortization	5,436	4,338	2,185	115,355	-	1,085	128,399
Balance, June 30, 2022	$ 95,136	$ 59,872	$ 4,205	$ 197,364	$ -	$ 1,085	$ 357,662
Amortization	2,886	2,057	935	77,454	-	1,085	84,417
Balance, December 31, 2022	**$ 98,022**	**$ 61,929**	**$ 5,140**	**$ 274,818**	**$ -**	**$ 2,170**	**$ 442,079**
Net Book Value:							
June 30, 2022	$ 12,998	$ 19,384	$ 9,595	$ 424,303	$ 314,429	$ 5,423	$ 786,132
December 31, 2022	**$ 13,300**	**$ 18,401**	**8,660**	**$ 550,167**	**$ 333,313**	**$ 4,338**	**$ 928,179**

(Unaudited - expressed in Canadian dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		31-Dec-22		30-Jun-22
Accounts payable	**$**	**320,655**	$	228,137
Accrued liabilities		**234,898**		253,132
Total	**$**	**555,553**	$	481,269

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. Accrued liabilities are generally settled within 12 months from the end of the reporting.

10. LOAN PAYABLE

On December 16, 2016, INEO received $100,000 as a loan, bearing an annual interest rate of 12.5% from a related party. This loan is due on demand and unsecured. During the period ended December 31, 2022 the Company incurred $6,250 in interest expense (December 31, 2021 – $6,250).

The details of the outstanding loan as at December 31, 2022 are below:

LOAN PAYABLE			**Balance as at**		
			31-Dec-22		
	Maturity date	**Interest rate**	**Current portion**	**Long-term portion**	**Total**
Loan - $100,000	**on demand**	**12.50%**	**175,000**	**-**	**175,000**
Total loan payable			**$ 175,000**	**$ -**	**$ 175,000**
			30-Jun-22		
	Maturity date	Interest rate	Current portion	Long-term portion	Total
Loan - $100,000	on demand	12.50%	168,750	-	168,750
Total loan payable			$ 168,750	$ -	$ 168,750

The loan balance and interest accrued during the period ended December 31, 2022 and December 31, 2021 are below:

Balance, June 30, 2021	$	156,250
Interest accrued		12,500
Balance, June 30, 2022	$	168,750
Interest accrued		6,250
Balance, December 31, 2022	**$**	**175,000**

(Unaudited - expressed in Canadian dollars)

11. NOTE PAYABLE

On November 17, 2022, INEO received $1,000,000 as a promissory note, bearing an annual interest rate of 12.0% from Odyssey Trust Company. Repayment of this note is due November 17, 2025, and is unsecured. In connection with the note, the Company issued 1,428,571 bonus shares with a fair value of $0.14 per unit (Note 13). The shares issued were considered as debt issuance cost resulting to a discount and amortized using the effective interest method over the credit term of three (3) years. During the period ended December 31, 2022, the Company incurred $20,159 in interest expense (December 31, 2021 – $Nil).

The details of the outstanding note as at December 31, 2022 are below:

NOTE PAYABLE			**Balance as at**		
			31-Dec-22		
	Maturity date	**Interest rate**	**Current portion**	**Long-term portion**	**Total**
Note - $1,000,000	**17-Nov 25**	**12.00%**	**14,274**	**$1,000,000**	**1,014,274**
Discount on Notes Payable				**(194,115)**	**(194,115)**
Total Notes Payable			**$ 14,274**	**$805,885**	**$ 820,159**

The Company does not have any outstanding notes payable during the period ended December 31, 2021. The notes payable, amortization of discount on notes payable, interest expense, and interest accrued during the period ended December 31, 2022 are below.

Note Payable	$ 1,000,000
Discount on Notes Payable	(200,000)
Amortization of Discount on Notes Payable	5,885
Balance, December 31, 2022	**$ 805,885**
Interest accrued	14,274
Balance, December 31, 2022	**$ 14,274**
Total Note Payable	**$ 820,159**
Total Interest Expense	**$ 20,159**

12. GOVERNMENT GRANT

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, 2023, throughout which, the CEBA Loan remains interest free. Repayment of $30,000 by December 31, 2023, results in a $10,000 loan forgiveness. If the balance is not paid prior to December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 1, 2024. The full balance must be repaid by no later than December 31, 2026. On May 6, 2020, INEO Solutions and FG Manufacturing each received $40,000 loans from the Government as part of the CEBA.

(Unaudited - expressed in Canadian dollars)

12. GOVERNMENT GRANT (CONTINUED)

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, 2023. If the balance is not paid prior to December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 1, 2024. The full balance must be repaid by no later than December 31, 2026.

The government grant balance, and interest accrued during the periods ended December 31, 2022 and June 30, 2022 are below:

		30-Dec-22		30-Jun-22
Beginning balance	**$**	**111,382**	$	95,957
Interest accrued		**8,618**		15,425
Ending balance	**$**	**120,000**	$	111,382

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 grant 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 period ended December 31, 2022, total interest expense recognized for the CEBA grants amounted to $8,618 (December 31, 2021 – $7,424).

13. 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 December 31, 2022, there were 2,757,793 common shares held in escrow (June 30, 2022 – 5,515,578). 15% of escrowed shares will be released semiannually on January 24 and July 24.

(Unaudited - expressed in Canadian dollars)

13. SHARE CAPITAL AND RESERVES (CONTINUED)

Issued share capital

The Company had the following capital stock transactions during the period ended December 31, 2022

On November 17, 2022, the Company completed a brokered short-form prospectus offering (the 'offering'), resulting in issuance of 14,525,000 units at a price of $0.12 per unit for aggregate proceeds of $1,743,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of $0.19 per common share for a period of 36 months from the date of issuance. The warrants were allocated a value of $nil, using the residual value allocation method. The Company also issued 1,428,571 bonus shares in connection with a non-brokered private placement of $1,000,000 unsecured promissory note. The bonus shares have fair value of $0.14 per unit and were considered as debt issuance cost resulting to discount on notes payable (Note 11).

During the year ended June 30, 2022, the Company had the following capital stock transactions:

The Company issued 44,370 common shares on exercise of 44,370 broker warrants at a price of $0.35 for aggregate proceeds of $15,525. In connection with the exercise, a total of $726 was transferred from reserves to share capital.

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.

The summary of changes in stock options during the period ended December 31, 2022 and year ended June 30, 2022 are as follows:

STOCK OPTIONS	**Period ended 31-Dec-22**			Year ended 30-Jun-22		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Options outstanding, beginning	**4,350,863**	**$**	**0.263**	4,175,863	$	0.263
Options granted	**-**		**0.260**	475,000		0.260
Options forfeited	**(75,000)**		**0.260**	(300,000)		0.283
Options outstanding, ending	**4,275,863**		**0.263**	4,350,863		0.262
Options exercisable, ending	**2,050,863**	**$**	**0.256**	1,807,113	$	0.254

13. SHARE CAPITAL AND RESERVES (CONTINUED)

(Unaudited - expressed in Canadian dollars)

Stock options (continued)

Details of options outstanding as at December 31, 2022 are as follows:

Expiry date	Number of options	Weighted average exercise price	Weighted average contractual life	Number of Options exercisable
23-Jan-25	175,863	0.01	2.07	175,863
14-Apr-30	2,325,000	0.26	7.29	1,212,500
14-Apr-30	500,000	0.35	7.29	250,000
18-Aug-30	200,000	0.26	7.64	100,000
16-Oct-30	175,000	0.26	7.80	87,500
16-Jun-31	500,000	0.26	8.47	125,000
26-Jul-31	250,000	0.26	8.57	62,500
25-Oct-31	150,000	0.26	8.82	37,500
	4,275,863	**0.26**	**7.38**	**2,050,863**

During the period ended December 31, 2022, the Company recognized stock-based compensation related to stock options of $68,786 (December 31, 2021 $103,878). The fair value of stock options granted was determined using the Black-Scholes Option Pricing Model using the following assumptions:

	Period ended 30-Dec-22	Year ended 30-Jun-22
Expected life of options	**10 years**	10 years
Annualized volatility	**106%**	106%
Risk-free interest rate	**1.22%**	1.22%
Dividend rate	**0%**	0%
Weighted average fair value per option granted	**$0.28**	$0.28
Stock Price	**$0.31**	$0.31

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.

13. SHARE CAPITAL AND RESERVES (CONTINUED)

Warrants (continued)

(Unaudited - expressed in Canadian dollars)

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 November 17, 2022, the Company issued 7,262,500 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 $0.19 for a period of 36 months. All the common share purchase warrants vested immediately. The warrants were allocated a value of $nil using the residual value allocation method.

On November 17, 2022, the Company issued 923,721 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 $0.12 for a period of 36 months. All the broker warrants vested immediately. The broker warrants were valued at $36,958 using Black Scholes option pricing model with the following assumptions: volatility rate of 30%, risk-free rate of 0.19%, weighted average life of 3 years.

	For the period ended 31-Dec-22			**For the year ended 30-Jun-22**		
	Number of warrants		**Weighted average exercise price**	Number of warrants		Weighted average exercise price
Warrants outstanding, beginning	**11,209,508**	**$**	**0.52**	11,461,211	$	0.52
Warrants issued	**7,262,500**		**0.19**	-		-
Broker Warrants issued	**923,721**		**0.12**	-		-
Warrants expired	**-**		**-**	(207,333)		0.35
Warrants exercised	**-**		**-**	(44,370)		0.35
Warrants outstanding, ending	**19,395,729**		**0.38**	11,209,508		0.52
Warrants exercisable, ending	**19,395,729**	**$**	**0.38**	11,209,508	$	0.52

Details of warrants outstanding as at December 31, 2022 are as follows:

Expiry date	**Number of warrants**	**Exercise price**	**Number of warrants exercisable**
February 15, 2023	1,482,233	$ 0.36	1,482,233
March 10, 2023	9,727,275	0.55	9,727,275
November 17, 2025	7,262,500	0.19	7,262,500
November 17, 2025	923,721	0.12	923,721
	19,395,729		**19,395,729**

14. BREAKDOWN OF EXPENSES AND OTHER INCOME

General and administrative expenses are composed of the following:

(Unaudited - expressed in Canadian dollars)

	For the three months ended		For the six months ended	
	31-Dec-22	31-Dec-21	**31-Dec-22**	31-Dec-21
Accounting and legal	**$ 46,557**	$ 58,272	**$ 87,682**	$ 136,081
Management fees	**-**	15,000	**-**	30,000
Bad debt (Note 5)	**-**	-	**-**	3,486
Amortization and depreciation (Note 8,18)	**56,211**	39,477	**99,941**	76,327
Office expenses	**72,618**	76,594	**137,593**	110,861
Insurance	**9,313**	7,196	**16,950**	14,311
Lease interest (Note 19)	**2,657**	3,540	**5,547**	7,281
Remuneration and benefits (Note 15)	**277,352**	118,842	**431,288**	253,049
Stock-based compensation (Note 13,15)	**17,453**	28,840	**32,516**	64,187
Rent (Note 18)	**9,325**	11,307	**19,056**	20,505
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**$ 491,486**	$ 359,067	**$ 830,573**	$ 716,088

15. 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 December 31, 2022, the Company has $1,498 due to two officers of the Company (June 30, 2022 - $1,595).

During the periods ended December 31, 2022 and 2021, the Company incurred the following key management compensation:

	31-Dec-22	31-Dec-21
Accounting fees	**-**	12,541
Management fees	**-**	30,000
Remuneration and benefits	**333,039**	188,451
Stock-based compensation	**25,071**	49,788
Total	**$ 358,110**	$ 280,780

16. CAPITAL MANAGEMENT

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

The Company manages its capital structure to maximize its financial flexibility adjusting it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the 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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value risk

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

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

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

Cash under the fair value hierarchy are based on Level 1 quoted prices in active markets for identical assets or liabilities. Accounts receivable, accounts payable and accrued liabilities, due to related parties and loans payable approximate their fair value due to their short-term maturities. The fair value of the government grant also approximates carrying value due to its current nature and 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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(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.

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 period ended December 31, 2022, bad and doubtful debts expense for the Company was $Nil (December 31, 2021 - $3,486).

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 December 31, 2022, the Company has a cash balance of $2,346,017 (June 30, 2022 – $1,706,048) and current liabilities balance of $900,081 (June 30, 2022 – $794,312). The Company manages its liquidity risk by attempting to maintain sufficient cash balances to enable settlement of transactions on the due date. As the Company has limited sources of revenue, it may require additional financing to accomplish its long-term strategic objectives.

(Unaudited - expressed in Canadian dollars)

18. RIGHT-OF-USE ASSET

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

Cost		**Warehouse Lease**
Balance, June 30, 2021	$	155,260
Additions		-
Balance, December 31, 2022	**$**	155,260

Accumulated depreciation		
Balance, June 30, 2021	$	(41,403)
Additions		(31,052)
Balance, June 30, 2022	$	(72,455)
Additions		**(15,525)**
Balance, December 31, 2022	**$**	**(87,980)**
Carrying value		**-**
Balance, June 30, 2022	$	82,805
Balance December 31, 2022	**$**	**67,280**

(Unaudited - expressed in Canadian dollars)

19. LEASE LIABILITY

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, using the effective interest method for the present value determination. As the rate implicit in the lease cannot be readily determined, the Company applied an average incremental borrowing rate. The Company used discount rate of 12.5% to calculate the present value of its lease payments. Total interest expense on lease liabilities for the period ended December 31, 2022, was $5,547 (December 31, 2021 - $3,741). The following table represents lease obligation for the Company:

LEASE OBLIGATION	**Balance as at**			
		31-Dec-22		30-Jun-22
Current	**$**	**33,756**	$	31,316
Non-current		**46,145**		63,618
Total lease obligation	**$**	**79,901**	$	94,934

The following table shows the roll forward of lease obligations for the period ended December 31, 2022 and year ended June 30, 2022:

LEASE OBLIGATION	**Balance as at**		
		31-Dec-22	30-Jun-22
Beginning balance	**$**	**94,934**	$ 121,802
Interest expense		**5,547**	13,732
Lease payments		**(20,580)**	(40,600)
Ending balance	**$**	**79,901**	$ 94,934

The following table presents the contractual undiscounted cash flows for lease obligation for the period ended December 31, 2022 and year ended June 30, 2022:

UNDISCOUNTED LEASE OBLIGATION	**Balance as at**			
		31-Dec-22		30-Jun-22
Less than one year	**$**	**41,860**	$	41,440
One to five years		**49,840**		70,840
Total undiscounted lease obligation	**$**	**91,700**	$	112,280

During the period ended December 31, 2022, the Company expensed $19,056 in short-term and low value leases (December 31, 2021 – $20,505).

(Unaudited - expressed in Canadian dollars)

20. SEGMENTED INFORMATION

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

Reportable segments are defined as components of an enterprise for which separate financial information is available and is evaluated regularly by the chief operating decision maker when deciding how to allocate resources and 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, electronic article surveillance systems and supplies. Fabrication specializes in precision CNC cutting, routing and drilling for a variety of industries and sectors.

	During the period ended December 31, 2022				
Consolidated statements of loss and comprehensive loss	**Loss Prevention**	**Fabrication**	**Welcoming Systems**	**Corporate and administration**	**Total**
Sales to external customers	**$ 656,189**	**$ 63,434**	**$ 82,888**	**$ -**	**$ 802,511**
Cost of Goods Sold	**(375,661)**	**(32,254)**	**(5,740)**	**-**	**(413,655)**
Gross Profit	**280,528**	**31,180**	**77,148**	**-**	**388,856**
Operating costs	**(182,753)**	**(7,120)**	**(182,752)**	**(1,462,021)**	**(1,834,646)**
Interest expense	**(10,559)**	**(4,309)**	**-**	**(20,159)**	**(35,027)**
Amortization	**(1,406)**	**(2,472)**	**(77,454)**	**(3,085)**	**(84,417)**
Amortization Right of Use	**-**	**-**	**-**	**(15,526)**	**(15,526)**
Foreign exchange gain	**-**	**-**	**-**	**8,439**	**8,439**
	(194,718)	**(13,901)**	**(260,206)**	**(1,492,352)**	**(1,961,177)**
Net Loss and comprehensive loss	**$ 85,810**	**$ 17,279**	**$ (183,058)**	**$ (1,492,352)**	**$(1,572,321)**

	During the period ended December 31, 2021				
Consolidated statements of loss and comprehensive loss	**Loss Prevention**	**Fabrication**	**Welcoming Systems**	**Corporate and administration**	**Total**
Sales to external customers	$ 434,478	50,508	$ 10,672	$ -	$ 495,658
Cost of Goods Sold	(268,038)	(37,372)	(1,560)	-	(306,970)
Gross Profit	166,440	13,136	9,112	-	188,688
Operating expenses	(328,563)	(85,990)	(386,184)	(812,834)	(1,613,571)
Interest expense	-	(3,713)	-	(9,963)	(13,676)
Amortization	-	(1,690)	(55,294)	(3,817)	(60,801)
Amortization Right of Use	-	-	-	(15,526)	(15,526)
Other income (expenses)	-	-	-	17,873	17,873
Foreign exchange loss	-	-	-	3,771	3,771
	(328,563)	(91,393)	(441,478)	(820,496)	(1,681,930)
Loss and comprehensive loss	$ (162,123)	$ (78,257)	$ (432,366)	$ (820,496)	$ (1,493,242)

*Operating expenses consist of Administration, Selling, Marketing and Research and Development costs

(Unaudited - expressed in Canadian dollars)

20. SEGMENTED INFORMATION (CONTINUED)

Loss Prevention has four customers which account for 31% of revenue (2021 – 4 customers accounting for 24%). Fabrication Operations has one customer which accounts for 51% of revenue (2021 – one customer accounting for 57%).

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. The Company has reclassed expenses between the various segments compared to our previous presentation.

Sales by geographical locations are as follows:

For the ended	**30-Dec-22**	30-Dec-21
Canada	**$ 429,925**	$ 178,853
USA	**355,268**	305,764
Mexico	**17,318**	11,041
	$ 802,511	$ 495,658