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**INEO Tech Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**As at and for the years ended**  
**June 30, 2024 and 2023**

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## **PREFACE**

The following is a Management's discussion and analysis ("MD&A") of INEO Tech Corp. (INEO), prepared as of October 28, 2024. This MD&A should be read in conjunction with the Company's consolidated financial statements as at and for the years ended June 30, 2024, and 2023 (the "Financial Statements").

INEO is a Canadian company, incorporated initially as Metron Capital Corp ("Metron") under the laws of the Province of British Columbia on March 4, 2008. On January 24, 2020, Metron completed a reverse takeover transaction with INEO Solutions Inc. ("INEO Solutions"), carried out by way of a share exchange ("RTO Transaction"). As part of the RTO Transaction, Metron changed its name to "INEO Tech Corp.". INEO Tech Corp. transacts all of its business through its wholly-owned subsidiary, INEO Solutions Inc.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "**INEO**" and on the OTCQB Venture Market under the ticker symbol "**INEOF**." The Company's corporate head office and records office are at 105 – 19130 24<sup>th</sup> Ave, Surrey, BC, V3Z 3S9.

The audited consolidated financial statements, have been prepared in accordance with the IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") – see note 2 of the Financial Statements as at and for the years ended June 30, 2024, and 2023 for further information. Unless otherwise specified, all dollar figures stated herein are expressed in Canadian dollars (\$ or Cdn\$).

This MD&A contains forward-looking statements. See the forward-looking statements below for further information. See the section "Overall Performance and Discussion of Operations – Gross Profit and Gross Margin" for details on calculating Gross Profit and Gross Margin.

## **FORWARD-LOOKING STATEMENTS**

Certain information included in this MD&A may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements.

Forward-looking statements are statements about the future and are inherently uncertain. Actual achievements of the Company may differ materially from those reflected in forward-looking statements due to various risks, uncertainties, and other factors. The Company's forward-looking statements are based on the beliefs, expectations, and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations, or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

The Company's policy is that all forward-looking statements are based on the Company's beliefs and assumptions and information available when these assumptions are made. The forward-looking statements contained herein are as of October 28, 2024, and are subject to change after this date. The Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is a significant risk that the forward-looking information or statements may not be achieved. The underlying assumptions thereto will not prove to be accurate.

Actual results or events could differ materially from the plans, intentions, and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties, and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward-looking information beyond the procedures required under applicable securities laws.

## **BUSINESS OVERVIEW**

INEO is the inventor and operator of the *INEO Media Network* for retailers. It provides retail analytics and targeted advertising through its cloud-based Internet of Things (IoT) and Artificial Intelligence (AI) technology. INEO's Media Network is based on the Company's breakthrough product, the *INEO Welcoming Pedestal*, the first system that combines traditional retail security tag readers with digital advertising screens to target messages to shoppers as they enter and exit a retail establishment.

The combination of retail loss prevention with digital advertising is a key proprietary innovation patented by the Company shortly after its inception. This key innovation enables the Company to put bright, bold digital signage inside of loss prevention systems at the front entrance of retail stores. The Company's technology displaces the antiquated, legacy retail loss prevention systems most retailers use to prevent theft, also known as Electronic Article Surveillance (EAS) systems. Traditionally, retailers have had limited choices for loss-prevention systems – typically consisting of a standalone tag-detection system at the retailer's front door. INEO has patented and developed a system that replaces these legacy systems with a combined loss-prevention, digital signage, and data-capture kiosk – the key component of the *INEO Media Network*.

The *INEO Media Network* has three pillars: *Data, Analytics & Advertising*. As part of its unique combination of patented technology and its prime location at the front entrance of a retailer, the *INEO Media Network* is a valuable source of AI-enabled *Data* - captured from all users that pass through the entry/exit of a retail establishment. The *Data* is then coupled with *Analytics* processing to provide insight to the retailers to assist them with their decision-making processes. Finally, from its unique integration with patented digital signage, the *INEO Media Network* provides a prime vehicle to display targeted *Advertising* directly to consumers as they enter a retail establishment.

In addition to the *INEO Welcoming Pedestal*, the Company has extended its product line with four additional devices: the patent-pending *INEO Welcoming Pedestal DUO* – a pedestal with a screen on both sides; the *INEO Welcoming Player* (for additional locations throughout a retailer); the patent-pending *INEO GATE* – a loss prevention pedestal with fixed messaging such as corporate identification; and the *INEO Welcoming Greeter* – a standalone pedestal-based advertising display.

INEO has a worldwide partnership agreement with Prosegur EAS USA Inc., a wholly owned subsidiary of Prosegur Compania de Seguridad (collectively “Prosegur”). Prosegur is a multi-national security solutions company headquartered in Madrid, Spain, with a growing EAS business in the United States (US). As part of the partnership agreement, Prosegur will be responsible for funding, manufacturing, distribution, in-store setup, and in-store maintenance of INEO’s Welcoming Systems, which Prosegur has branded as “EVO.” INEO will be responsible for online provisioning, operating, and managing the *INEO Media Network*. Under the terms of the agreement, Prosegur is also granted the right to fund and prosecute intellectual property rights and protection, on INEO's behalf, for the Company's proprietary patented technology.

### **Business Model**

The Company generates revenue through:

- a) Sales of advertising space on the network of Welcoming Systems deployed and owned by INEO;
- b) recurring SaaS revenues from analytics information provided to retailers;
- c) sales of Welcoming System hardware to our distribution partner, Prosegur;
- d) recurring network access fees on the network of INEO Welcoming Systems owned by Prosegur;
- e) ongoing sales to retailers of loss-prevention (EAS) systems and consumables; and,
- f) fabrication operations.

The range of ongoing advertising revenue, monthly SaaS, and monthly network access fees depends on the number of systems installed in the store. A small independent retailer may have a single-door store entrance and only require one *INEO Welcoming Pedestal*. Conversely, a large retail store may have multiple door entrances with multiple *INEO Welcoming System* products.

### **Acquisitions**

Acquisitions have been a source of revenue, customers, and cash flow for the Company. INEO initially focused on acquiring a customer base in western Canada through the acquisitions of Provent Technology and Newman Loss Prevention Systems. These two tuck-in acquisitions provided the Company with retail customers for its initial testing and roll-out of the liquor store network of over 140 stores. INEO built its manufacturing capabilities and expertise through the acquisition of 3-Axis Manufacturing. On January 20, 2022, the Company acquired a US-based e-commerce company, Securitytags.com, to further expand its customer base. Through this acquisition, the Company has gained a customer base in the US through which to expand its network.

### **Patents and Intellectual Property**

On January 15, 2018, the Company was granted Canadian patent 2,936,044, entitled "COMBINATION MEDIA DISPLAY AND ELECTRONIC ARTICLE SURVEILLANCE PEDESTAL" (the "Flashgate Patent"). The Flashgate Patent has a term of 20 years. The filing for the Canadian patent was done as a *Patent Cooperation Treaty* ("PCT") filing.

On April 23, 2020, the Company confirmed the United States Patent and Trademark Office ("USPTO") had granted Patent No. US 10,614,691, entitled "COMBINATION MEDIA DISPLAY AND ELECTRONIC ARTICLE SURVEILLANCE PEDESTAL" to INEO.

On August 3, 2022, the Company was granted a Patent Protecting the INEO Welcoming System's Technology in Europe. Receiving this patent in Europe is a significant milestone for INEO as the Company continues to expand its reach into new global markets. With significant industry players interested in our technology, this patent protects against competitors coming out with similar technology in the European market.

The Company has also applied for additional patents, including a patent for its Welcoming Gate system and a patent filing for its dual-screen *DUO Welcoming System*. The patent filings were done in Canada as PCT filings.

### **Significant Historical Events and Milestones**

On July 26, 2022, the Company signed a programmatic partnership with Broadsign. This new partnership with Broadsign solidifies INEO's position as a solutions provider in the DOOH advertising market, focusing on the retail segment.

On August 18, 2022, the Company signed a strategic partnership with Adapt Media. Partnering with Adapt Media is a significant advancement for INEO's advertising pipeline due to its presence in Toronto and national solid footprint. Through this partnership, INEO will access increased national advertising campaigns and a broader range of potential customers.

On October 19, 2022, INEO filed a design patent in Canada for its *INEO Welcoming Gate* system, a companion system to the *INEO Welcoming Pedestal*. This patent has been extended with a global priority filing to include the United States and Europe.

On November 17, 2022, the Company completed its public offering of units and private placement of units for total proceeds of C\$1.74 million. The offering was completed through a short-form prospectus filed in each of the provinces of Canada. The Company intends to use the net proceeds from the offering to manufacture and deploy the *INEO Welcoming System* to existing and future customers, working capital requirements, and general corporate purposes.

December 30, 2022, INEO announced the addition of Eugene Syho to its Board of Directors and Audit Committee. Mr. Syho brings a wealth of finance, technology, and public company experience to the

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Board of INEO. In conjunction with adding Eugene, the Company accepts the resignation of Serge Gattesco from the INEO Board.

On January 11, 2023, INEO debuted the first RFID (Radio Frequency Identification) enabled version of INEO's *Welcoming System* at the National Retail Federation's "NRF 2023 – Retail's Big Show". INEO was showcased at the Prosegur Security booth, and a demo of the new system was displayed. With RFID-enabled systems, not only do retailers know an item is being stolen, but they will also know exactly which item is being stolen.

On February 8, 2023, INEO added the *Welcoming Greeter* to its retail media network products for retailers. The *Welcoming Greeter* is a stand-alone pedestal-based advertising display that delivers expanded messaging and increased retail advertising capabilities. INEO is now positioned with the most complete and comprehensive suite of Retail Media Network products for retailers, with available systems built for every part of the retail store.

On April 27, 2023, the Company announced it has successfully completed installations in over 70 retail store locations in 18 states across the United States with its major retailer partners. INEO estimates current customer foot traffic to exceed several million shoppers per month in its installed locations with these significant retail partners. These installations include major cities, such as New York City, Los Angeles, Phoenix, Atlanta, and Raleigh-Durham.

On September 19, 2023, the Company signed an updated commercial agreement with its large national retail and regional liquor store network locations. The updated contracts feature 5-year and 6-year contract lengths, exclusive in-store advertising rights, deployment of additional in-store media screens, the right to assign the ownership of the INEO Welcoming System hardware deployed in the retail stores and the right to assign ownership of INEO's exclusive advertising contracts to a third-party media partner. The updated agreements are expected to position the Company for rapid growth and improved margins.

On September 27, 2023, the Company introduced the INEO ORCA. ORCA, which stands for Organized Retail Crime Alerts, is INEO's latest AI-driven solution and it represents a monumental leap forward in security and crime prevention. By leveraging advanced computer vision and machine learning algorithms, the latest feature of the patented INEO Welcoming System can meticulously analyze stored CCTV footage, captured during loss prevention events, enabling it to detect and recognize patterns associated with organized retail criminal activities.

On October 24, 2023, the Company announced the first shipment of INEO Welcoming Systems, as per the Company's distribution agreement with partner Prosegur Security, for installation at various locations of Jumbo Cencosud in Columbia. As per the agreement, before the end of October, the Company will be selling and shipping a total of 59 systems, comprised of both Welcoming Systems and Welcoming GATES, which will be installed in four Jumbo retail locations. With approximately 15 systems installed per store, the Company will be managing an immersive in-store retail media network. In addition, it will receive revenue from the sale of the systems as well as ongoing SaaS-based revenues from the deployment of the installed INEO Welcoming Systems.

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On December 13, 2023, the Company launched INEO Retail Media. The new operating division aims to drive revenues from advertising and analytics through its growing media network. During the launch, the INEO Media Network targeted to have an annual inventory of more than 2.8 billion annual advertising impressions and 29 million customers. This number is expected to grow to more than 27 billion annual advertising impressions and 250 million customers within the next three years.

**Events subsequent to June 30, 2024**

On August 7, 2024, the Company issued 14 million shares in capital to Coenda Investment Holdings Corp., controlled by Kerem Akbas, under the initial tranche of the Company's private placement.

**OPERATIONAL HIGHLIGHTS**

The following table highlights operational information for the years ended June 30, 2024, and 2023. It has been derived from the consolidated financial statements and should be read in conjunction with these statements and related notes.

	<b>For the years ended Jun 30</b>		
	<b>2024</b>	2023	2022
Sales	<b>\$1,357,642</b>	\$1,509,008	\$1,245,095
Cost of Sales	<b>(916,192)</b>	(1,135,702)	(741,163)
Gross Profit	<b>441,450</b>	373,306	503,932
Profit Margin	<b>32.5%</b>	24.7%	40.5%
Total Expenses	<b>(3,211,420)</b>	(3,590,778)	(3,789,434)
Other Expenses	<b>(318,757)</b>	(114,019)	(7,197)
Net loss and comprehensive loss	<b>(3,088,727)</b>	(3,331,491)	(3,292,699)
Basic and diluted loss per share	<b>(0.04)</b>	(0.05)	(0.05)
Weighted average number of common shares outstanding (basic and diluted)	<b>76,143,709</b>	70,024,531	60,190,138
EBITDA <sup>(1)</sup>	<b>(2,182,615)</b>	(2,830,169)	(2,883,399)

<sup>1</sup> See the section Reconciliation of Net Loss to Adjusted EBITDA

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The Company generated revenue of \$1,357,642 for the year ended June 30, 2024, representing a decrease of 10.0% compared to revenue of \$1,509,008 for the year ended June 30, 2023. The change in revenue was mainly due to the following:

- A 9.7% decrease in the sales of loss prevention products from \$1,261,640 in 2023 to \$1,139,185 in 2024.
- An 8.1% decrease in our retail media from \$130,997 in 2023 to \$120,436 in 2024. As the Company continues with the expansion of its *INEO Media Network*, the management expects that the revenue from the advertising business will grow in the coming months and years.
- A 15.8% decrease in the sales of the fabrication business from \$116,371 in 2023 to \$98,021 in 2024. Management expects the sales from the Fabrication Operations to remain level or decline as it devotes more and more of its excess capacity to supporting the expansion of the *INEO Media Network*.

The Company generated a Gross Profit of \$441,450 for the year ended June 30, 2024, representing a net increase of 18.3% compared to a gross profit of \$373,306 for the year ended June 30, 2023. The Company attributes the increase in gross profit to the higher margin contributed by INEO Loss Prevention Products during the year due to lower product costs.

Total Expenses decreased by 10.6% to \$3,211,420 for the year ended June 30, 2024, compared to \$3,590,778 for the year ended June 30, 2023. The decrease is mainly attributable to the decrease in employee salaries and selling and marketing expenses netted by the increase in depreciation of the *INEO Welcoming Systems*. Total expenses are consistent with management expectations.

### Reconciliation of Net Loss to Adjusted EBITDA

Management uses adjusted EBITDA as a supplemental measure of operating results and believes that this measure provides useful supplemental information to investors. Readers are cautioned that EBITDA (earnings before interest, taxes, depreciation, and amortization) does not have standardized meanings prescribed by IFRS and is considered a non-IFRS measure. EBITDA is a useful supplemental measure of the Company's performance before consideration of how operations are financed, how results are taxed, or how depreciation and amortization affect results. EBITDA is not intended to represent net earnings calculated in accordance with IFRS.

Adjusted EBITDA for the years ended June 30, 2024, and 2023 were as follows:

	For the years ended Jun 30	
	2024	2023
Net loss for the period	<b>\$(3,088,727)</b>	\$(3,331,491)
Amortization	<b>419,253</b>	222,519
Interest expense, net	<b>284,628</b>	122,239
Share-based payment	<b>202,231</b>	156,564
Adjusted EBITDA	<b>\$(2,182,615)</b>	\$(2,830,169)



**OUTLOOK**

INEO is now actively deploying systems and ramping up its installation locations with contracted customers across North America. INEO is landing pilot wins with large retailers, expanding its location footprint, and ramping up its revenues. In particular, the Company is making significant progress with a major retail partner with over 1,000 stores across the United States.

INEO's key objectives for fiscal 2024 are as follows:

- Increase revenues by deploying systems to INEO's two leading retail customer segments with one large retailer in the US and the liquor store network in Western Canada.
- Expand the *INEO Media Network* in key geographical markets across North America and South America.
- Support Prosegur with its growth and initiatives with key retailers across the globe, including converting large retail customers from trialing the *Welcoming System* to fully contracted customer roll-outs.

INEO's technology has been proven and validated by a global partnership with Prosegur. INEO has created a healthy sales pipeline consisting of both direct sales customers and Prosegur's customers, including grocery, home hardware, apparel, and wholesale club retail chains in North America, Central and South America, and Europe. INEO has seeded the market with trial systems and expects to convert these trials into full-scale roll-outs in the coming quarters.

Advertising and analytics are becoming increasingly important in the modern retail environment as retailers continue to invest in retail technology to improve the customer experience. INEO is well-positioned to take advantage of these trends with its market-leading technology and programmatic advertising partners, which will enhance the Company's future growth. INEO's current focus is to continue accelerating its deployments of INEO Media Network and creating a critical mass of systems.

**DISCUSSION OF OPERATIONS****Sales**

The following table summarizes sales information for the years ended June 30, 2024, and 2023. It has been derived from the consolidated financial statements and should be read in conjunction with these statements and related notes. INEO Operations includes advertising revenue, and loss prevention product revenue. Sales, Cost of sales, and Gross Profit from INEO operations, primarily related to Loss Prevention Operations. Fabrication Operations provides precision CNC cutting, routing, and drilling for a wide variety of customers.

	<b>For the years ended Jun 30</b>	
	<b>2024</b>	<b>2023</b>
INEO Operations	<b>\$1,259,621</b>	\$1,392,637
Fabrication Operations	<b>98,021</b>	116,371
<b>TOTAL SALES</b>	<b>\$1,357,642</b>	\$1,509,008

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Sales of INEO Operations decreased by 9.6% to \$1,259,621 for the year ended June 30, 2024, compared to sales of \$1,392,637 for the year ended June 30, 2023. As the Company increased its focus on the deployment of the INEO Welcoming Systems and to generate recurring revenue via the assets deployed, the resources devoted to the loss prevention sales aspect of the business moderately decreased. In line with this, the management also expects the sales from the Fabrication Operations will continue to remain level or decline as it devotes more of its capacity to supporting INEO Operations.

### Gross Profit & Gross Margin

The following table summarizes gross profit and gross margin information for the years ended June 30, 2024, and 2023. It has been derived from the consolidated financial statements and should be read in conjunction with these statements and related notes.

	INEO Operations		Fabrication Operations	
	For the years ended Jun 30		For the years ended Jun 30	
	2024	2023	2024	2023
Sales	\$1,259,621	\$1,392,637	\$98,021	\$116,371
Cost of Sales	(854,417)	(1,072,741)	(61,775)	(62,961)
Gross Profit	\$405,204	\$319,896	\$36,246	\$53,410
Gross Margin	32.17%	22.97%	36.98%	45.90%

INEO Operations generated a Gross Profit of \$405,204 for the year ended June 30, 2024, representing an increase of 26.7% compared to a Gross Profit of \$319,896 for the year ended June 30, 2023. The Company attributes the increase to the 71.3% increased profit margin from INEO loss prevention products from \$205,780 in 2023 to \$352,447 in 2024 netted by the 53.8% decrease in advertising revenue from \$114,116 in 2023 to \$52,757 in 2024.

Fabrication Operations generated a Gross Profit of \$36,246 for the year ended June 30, 2024, representing a decrease of 32.1% compared to a Gross Profit of \$53,410 for the year ended June 30, 2023. Management expects the Fabrication Operations to decline as it devotes more and more of its capacity to supporting INEO Operations.

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**Expenses**

The following table summarizes general and administrative expense information for the years ended June 30, 2024, and 2023. It has been derived from the financial statements and should be read in conjunction with these statements and related notes.

	<b>For the years ended June 30</b>	
	<b>2024</b>	<b>2023</b>
Remuneration and benefits (Note 18)	<b>\$645,499</b>	\$728,969
Amortization (Note 9, 21)	<b>419,251</b>	222,519
Office expenses	<b>263,316</b>	311,305
Share-based payment (Note 16,18)	<b>148,777</b>	98,901
Accounting and legal	<b>162,786</b>	178,088
Rent (Note 22)	<b>55,513</b>	39,033
Insurance	<b>40,859</b>	39,889
Bad debt (Note 5)	<b>17,958</b>	-
Interest on lease liability (Note 22)	<b>5,928</b>	10,124
<b>TOTAL GENERAL &amp; ADMINISTRATIVE EXPENSES</b>	<b>\$1,759,887</b>	\$1,628,828

Total General and Admin Expenses ("G&A") increased by 8% to \$1,759,887 for the year ending June 30, 2024, compared to \$1,628,828 for the year ending June 30, 2023. The increase was mainly due to the increased amortization of the INEO *Media Network*, share-based payment, rentals, and bad debt expenses during the period. The management expects the amortization of the INEO *Media Network* to grow as more units are installed.

The following table summarizes selling and marketing expenses information for the years ended June 30, 2024, and 2023. It has been derived from the financial statements and should be read in conjunction with them and related notes.

	<b>For the years ended June 30</b>	
	<b>2024</b>	<b>2023</b>
Remuneration and benefits (Note 16)	<b>\$479,879</b>	\$698,801
Investor Relations and Corporate Development	<b>110,730</b>	238,261
Travel	<b>33,170</b>	102,648
Marketing and research	<b>42,738</b>	92,057
Share-based payment (Note 14)	<b>27,197</b>	27,022
<b>TOTAL SELLING &amp; MARKETING EXPENSES</b>	<b>\$693,714</b>	\$1,158,789

Total Selling Expenses decreased by 40.1% to \$693,714 for the year ended June 30, 2024, compared to \$1,158,789 for June 30, 2023. The decline was mainly attributable to the decrease in investor relations and corporate development, travel and marketing expenses as the Company focuses more on the deployment of Welcoming Systems and targets resources to support that aspect of the business. During the year ended June 30, 2024, there was also a decrease in the headcount of sales and marketing employees. The remuneration and benefits for the year ended June 30, 2024, are consistent with management expectations.

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The following table summarizes research and development expenses information for the years ended June 30, 2024, and 2023. It has been derived from the financial statements and should be read in conjunction with them and related notes.

	For the years ended June 30	
	2024	2023
Consulting fees	\$111,273	\$110,184
Remuneration and benefits (Note 16)	620,289	662,336
share-based compensation (Note 14)	26,257	30,641
<b>TOTAL RESEARCH &amp; DEVELOPMENT EXPENSES</b>	<b>\$757,819</b>	<b>\$803,161</b>

Total Research and Development ("R&D") expenses decreased 5.6% to \$757,819 for June 30, 2024, compared to \$803,161 for June 30, 2023. R&D Expenses decreased due to decreased headcount in the R&D team, leading to lower remuneration and benefits expenses. The investment in R&D has extended the Company's technology capabilities in several areas, including completion of a new completely wireless version of the INEO Welcoming System, new Artificial Intelligence (AI) and detection capabilities, new customer reporting and data analysis, and new media player capabilities for booking, reserving and playing advertisements.

### Net and comprehensive Loss

Net loss for the year ended June 30, 2024, was \$3,088,727 or \$0.04 per share compared to a net loss of \$3,331,491 or \$0.05 per share for the year ended June 30, 2023. The Company's losses remain steady in 2023 and 2024 as it devotes its resources to further expanding its media network.

### Cash

As at June 30, 2024, the Company had (\$17,561) of bank indebtedness, compared to \$362,510 of cash on June 30, 2023. Subsequent to the year end, the Company brought in money from operations to continue to fund and operate the business.

#### *Operating activities*

Cash used in operating activities for the year ended June 30, 2024, amounted to \$859,279 (June 30, 2023 - \$2,631,447), primarily operating activities related to remuneration and benefits and costs associated with the procurement of inventory, raw materials, and installation services.

#### *Investing activities*

Cash used in investing activities for the year ended June 30, 2024, amounted to \$403,836 (June 30, 2023 - \$942,977). In 2024, the cash outflow mainly pertains to the manufacturing and expansion of the INEO *Media Network* deployed to various stores.

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#### *Financing activities*

Cash provided by financing activities for the year ended June 30, 2024, amounted to \$883,043 (June 30, 2023 – \$2,230,886). In 2024, the cash inflow mainly pertains to the proceeds of the Company's new long-term bank loan, lease payments, related party loan and convertible debentures. See Note 11, 13 and 14 of the financial statements for details.

#### **Receivables**

Accounts receivable as at June 30, 2024, was \$103,965 (June 30, 2023 - \$252,599). This account mainly pertains to receivables from customers net of allowance for doubtful accounts amounting to \$8,591 as at June 30, 2024 (June 30, 2023 - \$10,448).

#### **Inventory**

Inventory of finished goods held by the Company as at June 30, 2024, was \$216,323 (June 30, 2023 - \$263,962). Finished goods inventory consists of Electronic Article Surveillance products held for resale and decreased inventory results from sold loss-prevention products during the year.

#### **Prepaid expenses**

As at June 30, 2024, and June 30, 2023, the Company's prepaid expenses amounted to \$7,534 and \$96,380, respectively. The decrease primarily relates to the prepayments made to foreign suppliers.

#### **Payables and other current liabilities**

The following table summarizes the Company's accounts payables and other current liabilities as at June 30, 2024, and June 30, 2023. It has been derived from the financial statements and should be read in conjunction with these statements and related notes.

	<b>June 30, 2024</b>	June 30, 2023
Payables and accrued liabilities	<b>\$1,702,323</b>	\$674,537
Loans payable to related parties	<b>249,365</b>	181,250
Government grant	<b>120,000</b>	111,380
<b>TOTAL</b>	<b>\$2,071,688</b>	\$967,167

The increase in accounts payable was driven by increased purchases of supplies and materials related to the loss prevention products, and the raw materials and installation cost for the expansion of INEO *Media Network*.

On December 16, 2016, INEO received \$100,000 as a loan, bearing an annual interest rate of 12.5% from an officer of the Company. During the year, INEO received an additional \$54,500 as a loan, bearing an annual interest rate of 12.5% from the related parties. Both loans are due on demand and unsecured and proceeds were used for the Company's operating expenses. The loans balance as at June 30, 2024, amounted to \$249,365 (June 30, 2023 - \$181,250). During the year ended June 30, 2024, the Company incurred \$13,615 in interest expense (June 30, 2023 – \$12,500).

Interest payable balance is related to the new bank loan, government grant and note payable. Please see "Government Grant", "Note Payable" and "Bank Loan Payable" for details.

**Government Grant**

Due to the global outbreak of the Novel Coronavirus ("COVID-19"), the federal government of Canada introduced the Canada Emergency Business Account ("CEBA"). CEBA provides eligible businesses with an interest-free loan ("CEBA Loan") of \$40,000. On May 6, 2020, INEO Solutions and FG Manufacturing each received \$40,000 in loans from the Government as part of the CEBA. On December 4, 2020, the federal government of Canada expanded CEBA, and the Company was able to access a second loan of \$20,000 each for INEO Solutions and FG Manufacturing.

The CEBA Loan has an initial term that expires on December 31, 2022, and later extended to January 18, 2024, throughout which the CEBA Loan remains interest-free—repayment will result in loan forgiveness of up to 33% or up to \$20,000. If the balance is not paid on or before January 18, 2024, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly, effective January 18, 2024. The entire balance must be repaid by December 31, 2026.

On January 18, 2024, the Company's non-interest-bearing CEBA loan from federal government was converted into 3-year term loan at 5% annual interest maturing on December 31, 2026. As at June 30, 2024, the government grant amounted to \$120,000 (June 30, 2023 - \$111,380) and interest payable amounted to \$508 (June 30, 2023 - \$Nil).

**Note Payable**

As part of the financing completed on November 17, 2022, INEO obtained an unsecured promissory note of \$1,000,000 from Pathfinder Partners' Fund at an interest rate of 12.0%, interest accrued and paid semi-annually and will mature three years after the date of issue. In connection with the note, the Company issued 1,428,571 bonus shares with a fair value of \$0.12 per unit. The shares issued were considered debt issuance costs, resulting in a discount and amortized using the effective interest method over the credit term of three (3) years with an effective annual interest rate of 19.6%. During the year ended June 30, 2024, the Company incurred \$172,647 in interest expense (June 30, 2023 – \$73,973). As at June 30, 2024, the note payable amounted to \$908,566 (June 30, 2023 – \$856,112) and interest payable amounted to \$134,166 (June 30, 2023 - \$13,973).

**Bank Loan Payable**

On September 14, 2023, the Company received a secured bank loan amounting to \$350,000 from the Business Development Bank of Canada (BDC). The loan is payable in 72 equal monthly installments starting July 31, 2024, to June 30, 2030. The interest on the loan is equivalent to BDC's Floating Base Rate plus a variance of 7.50% per year. During the year ended June 30, 2024, the BDC's Floating Base rate is at 9.3% and the Company incurred and paid \$46,420 in interest. (June 30, 2023 - \$Nil).

**Convertible Debentures**

On January 31, 2024, the Company announced an offering of a non-brokered private placement of unsecured convertible debentures in the aggregate principal amount of up to \$700,000. Each Debenture will be convertible into common shares in the capital of the Company (each, a “Share”) at a conversion price of \$0.085 per Share for the first year from the date of issuance and thereafter at an adjusted conversion price of \$0.10 per Share until the date which is three (3) years from the date of issuance (the “Maturity Date”) and bears interest at the rate of 12.0% per annum for a period expiring on the Maturity Date. In connection with the Offering, the Company paid finders’ fees as permitted by the policies of the TSX Venture Exchange (the “Exchange”).

On January 11, 2024, it had closed the first tranche of its non-brokered private placement (the “Offering”) of convertible debentures (each, a “Debenture”) for gross proceeds of \$510,000. Furthermore, the Company incurred \$24,320 on finder’s fee and issued 286,116 share warrants related to the convertible debentures. The warrants were valued \$13,713 using the Black Scholes option pricing model with the following assumptions: volatility rate of 106.0%, risk-free rate of 3.77%, weighted average life of 3 years.

On February 16, 2024, the Company closed a second tranche of the Offering for gross proceeds of \$60,000. The Company incurred \$4,800 on finder’s fee and issued 56,470 share warrants. The warrants were valued \$2,946 using the Black Scholes option pricing model with the following assumptions: volatility rate of 106.0%, risk-free rate of 4.05%, weighted average life of 3 years. The Company also announced it is no longer accepting investment in this Offering.

The finder’s fee and share warrants issued were considered part of the debt issuance cost resulting in a discount and amortized using the effective interest method over the credit term of three (3) years with an effective annual interest rate of 17%. During the year ended June 30, 2024, the Company incurred \$39,003 in interest expenses (June 30, 2023 – \$Nil). As at June 30, 2024, the convertible debentures amounted to \$436,968, net of \$40,892 discount (June 30, 2023 - \$Nil), and interest payable of \$34,116 (June 30, 2023 - \$Nil). The Company allocated \$92,140 to the equity component of the debentures.

**SUMMARY OF QUARTERLY RESULTS**

The following table summarizes quarterly results information for the previous eight quarters, including the last three months, which ended June 30, 2024. It has been derived from the consolidated financial statements and should be read in conjunction with these statements and related notes.

	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
	<b>30-Jun-24</b>	<b>31-Mar-24</b>	<b>31-Dec-23</b>	<b>30-Sep-23</b>
Total Revenues	\$228,751	\$243,341	\$519,619	\$365,931
Net Loss	(895,634)	(799,218)	(643,335)	(750,540)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
	<b>30-Jun-23</b>	<b>31-Mar-23</b>	<b>31-Dec-22</b>	<b>30-Sep-22</b>
Total Revenues	\$307,767	\$398,730	\$386,425	\$416,086
Net Loss	(1,049,318)	(709,852)	(981,707)	(590,614)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

## **INEO Tech Corp.**

### Management's Discussion and Analysis

As at and for the years ended June 30, 2024 and 2023

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INEO's revenue for Q4 2024 saw a decline of 25.67%, \$228,751, compared to revenue of \$307,767 in Q4 2023 which is consistent with the launch of the INEO Media Network operating division and the reduced revenues from the manufacturing operation as resources were assigned to production of systems for the expansion of INEO's Retail Media Network.

### **LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2024, the Company had not achieved profitable operations and had an accumulated deficit since inception of \$18,334,054. During the year ended June 30, 2024, the Company had a net loss of \$3,088,727 and spent \$859,279 cash on operating activities. The Company expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast doubt upon the Company's ability to continue as a going concern and, therefore, its ability to realize its assets and discharge its liabilities in the ordinary course of business. The Company's ability to continue as a going concern depends on its ability to obtain the necessary financing to develop and acquire business projects to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Although the Company has successfully obtained financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will benefit the Company.

The Company has relied on equity and debt financing to fund its operations and acquisitions. Upon completing the RTO transaction on January 24, 2020, the Company raised \$2,816,974, which is being used to fund its continued growth and build a critical mass on its *INEO Media Network*.

On March 10, 2021, the Company closed a brokered short-form prospectus offering, issuing 19,454,550 units for \$0.36 per unit for aggregate proceeds of \$7,003,638.

On November 17, 2022, the Company closed a brokered short-form prospectus offering, issuing 14,525,000 units for \$0.12 per unit for aggregate proceeds of \$1,743,000. As part of the Offering, the Company completed a non-brokered private placement of an unsecured promissory note with Pathfinder Asset Management Limited. The Company also issued 1,428,571 bonus shares to the purchaser of the promissory note, with a fair value of \$0.12 per unit.

On January 31, 2024, the Company closed its first tranche of convertible debentures with net proceeds of \$485,680. On February 16, 2024, the Company closed a second tranche of convertible debentures with net proceeds of \$55,200.

### **TRANSACTIONS WITH RELATED PARTIES AND KEY MANAGEMENT**

#### **Key Management Compensation**

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 comprise executives and corporate officers.



## INEO Tech Corp.

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

The following table summarizes related party and management compensation for the years ended June 30, 2024, and 2023. It has been derived from the consolidated financial statements and should be read in conjunction with these statements and related notes.

As at June 30, 2024, the Company has \$33,698 due to the officers of the Company (June 30, 2023 - \$9,950).

	For the years ended June 30	
	2024	2023
Remuneration and benefits	\$505,654	\$551,407
Share-based compensation	145,649	78,798
Total	\$651,303	\$630,205

During the year ended June 30, 2024, and 2023, the Company had the following transactions with related parties:

- Remuneration and benefits consist of \$175,000 paid to the President, Director, and Corporate Secretary (June 30, 2023- \$225,000), \$175,000 paid to the CEO (June 30, 2023- \$251,923), \$80,654 paid to Helen Andaya, former CFO (June 30, 2023- \$Nil), \$75,000 paid to the General Manager (June 30, 2023 - \$75,000) and \$Nil to Bernie Ryle, former CFO (June 30, 2023- \$74,484).
- Share-based payment consists of \$43,798 to the President, Director, and Corporate Secretary (June 30, 2023- \$27,484), \$43,798 to the CEO (June 30, 2023- \$27,484), \$17,518 to Steve Matyas (June 30, 2023- \$9,252), \$22,031 to Dave Jaworski (June 30, 2023- \$7,356), \$16,013 to Eugene Syho (June 30, 2023- \$5,768), \$920 to Helen Andaya, CFO (June 30, 2023- \$Nil), \$1,572 to the General Manager and \$Nil to Bernie Ryle, former CFO (June 30, 2023- \$1,454).

Under the terms of their management agreements, the Chief Executive Officer and President of the Company are entitled to 36 months of base pay if their agreements are terminated without cause.

## **COMMITMENTS & CONTRACTS**

### *Surrey Warehouse*

On March 6, 2020, the Company, through its subsidiary, INEO Solutions Inc, entered into a 5-year lease agreement for leased premises (3,360 sq. ft.) in Surrey, British Columbia, commencing April 1, 2020, and ending on March 9, 2025. The minimum base rent is \$11.75 per sq. ft. per month with an escalation rate of \$0.25 per sq. ft. per month per annum. In accordance with IFRS 16, the Company recognized a right-of-use asset of \$155,260 as at April 1, 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 over the lease term, using the borrowing rate on the Company's existing loans. As at June 30, 2024, the balance of the current lease liability is \$27,266.

### **SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

For a description of significant accounting policies, please refer to the Company's consolidated financial statements as at and for the years ended June 30, 2024, and 2023.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any material off-balance sheet arrangements.

### **PROPOSED TRANSACTIONS**

The Company has no further proposed transactions as of reporting date other than those previously disclosed in this document.

### **DIRECTORS**

Certain directors of the Company are also directors, officers, and/or shareholders of other companies that may be engaged in the similar business of developing technologies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest they may have in any project opportunity of the Company. If a conflict of interest arises at a board of directors meeting, any director in a conflict will disclose their interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

On May 19, 2021, Gurminder Sangha resigned as a Director. On the same date, Dave Jaworski was appointed as a Director.

On March 15, 2022, Zara Kanji resigned as CFO. On the same date, Bernie Ryle was appointed CFO.

On December 30, 2022, Serge Gattesco resigned as a Director. On the same date, Eugene Syho was appointed as Director.

On October 25, 2023, Bernie Ryle resigned as CFO. On the same date, Helen Andaya was appointed CFO.

On May 24, 2024, Helen Andaya resigned as CFO. On the same date, Greg Watkin was appointed CFO.

On October 8, 2024 Kerem Akbas was appointed as a Director.

The current Directors and Officers of the Company are as follows:

- Greg Watkin, President, Chairman, Corporate Secretary and Chief Financial Officer
- Kyle Hall, Chief Executive Officer
- Steve Matyas, Director
- Dave Jaworski, Director
- Eugene Syho, Director
- Kerem Akbas, Director

**FINANCIAL RISK MANAGEMENT**

**Fair value risk**

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

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

As at June 30, 2024, the Company had the following financial instruments categorized based on the level of hierarchy:

	Level 1	Level 2	Level 3	Total
<b>As at Jun 30, 2024</b>				
Cash	(17,561)	-	-	(17,561)
Accounts receivable	-	103,965	-	103,965
Payables and accrued liabilities	-	1,702,323	-	1,702,323
Loans payable to related parties	-	249,365	-	249,365
Interest payable	-	173,816	-	173,816
Bank loan payable	-	350,000	-	291,600
Government Grant	-	120,000	-	120,000
Convertible Debentures	-	436,968	-	436,968
Note payable	-	908,566	-	908,566
<b>As at June 30, 2023</b>				
Cash	362,510	-	-	362,510
Accounts receivable	-	252,599	-	252,599
Accounts payable and accrued liabilities	-	674,537	-	674,537
Loan Payable	-	181,250	-	181,250
Government Grants	-	111,380	-	111,380
Interest Payable	-	13,973	-	13,973
Due to related parties	-	9,950	-	9,950
Notes Payable	-	856,112	-	856,112

Accounts receivable, accounts payable and accrued liabilities, interest payable, and due to related parties approximate their fair value due to their short-term maturities. Cash under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities. The fair value of the loans payable, note payable, bank loan payable, convertible debentures, and government grants also approximates the carrying value.

## **Market risk**

Market risk is the risk that a financial instrument's fair value or future cash flows will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk, and are disclosed as follows:

### **i. Currency risk**

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

### **ii. Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate due to changes in market interest rates. As at June 30, 2024, the Company is exposed to interest rate risks primarily on the floating interest rate corresponding to \$350,000 long-term bank loan with BDC (see Note 14). A 10% change in interest rates would not result in a material change in profit or loss. The Company's approach to management of interest risk has not changed materially from that of the year ended June 30, 2023.

### **iii. Price risk**

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company does not hold any securities or investments which could expose it to stock price volatility.

## **Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

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

The Company's accounts receivable 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 credit risk analysis specific to each business line. The Company's historic rate of bad debts is low.

## **INEO Tech Corp.**

### Management's Discussion and Analysis

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The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits using the lifetime expected loss provision for all accounts receivable. To measure the expected credit losses, accounts receivable are assessed primarily on days past due combined with the Company's knowledge of past bad debts. During the year ended June 30, 2024, expected credit losses for the Company were \$8,591 (June 30, 2023- \$Nil).

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at June 30, 2024, the Company had a bank indebtedness of \$17,561 (June 30, 2023 – \$362,510) and a current liabilities balance of \$2,262,429 (June 30, 2023 – \$1,027,442). The Company manages its liquidity risk by attempting to maintain sufficient cash balances to enable settlement of transactions on the due date. As the Company has limited sources of revenue, it may require additional financing to accomplish its long-term strategic objectives.

### **CAPITAL STOCK**

The Company's authorized capital consists of an unlimited number of common shares without par value. As at June 30, 2024, the Company has 76,143,709 common shares, 7,375,863 stock options, and 8,528,907 warrants issued and outstanding (June 30, 2023 – 76,143,709 common shares, 6,930,863 stock options, and 8,186,221 share warrants).

As of this report's date, the Company has 90,143,709 common shares, 7,375,863 stock options, and 8,528,907 warrants issued and outstanding.

### **Options**

On January 24, 2020, pursuant to the RTO, the Company granted 175,863 options to stockholders of INEO in exchange for the existing INEO options held by said shareholders. Each option is exercisable to acquire one common share for \$0.089. The stock options shall vest based on the terms of the options replaced, which are 25% on January 5, 2019, 25% on January 5, 2020, 25% on January 5, 2021, and 25% on January 5, 2022.

On April 15, 2020, the Company granted 2,750,000 options to directors, officers, and employees with an exercise price of \$0.26 per share. The Company also granted 500,000 options to a consultant with an exercise price of \$0.35 per share. The stock options shall vest based on 25% on April 15, 2021, 25% on April 15, 2022, 25% on April 15, 2023, and 25% on April 15, 2024. As at June 30, 2024, 75,000 stock options from this issuance were expired.

On August 18, 2020, the Company granted 200,000 options to a director of the Company with an exercise price of \$0.26 per share. The Options shall vest based on twenty-five percent (25%) on August 18, 2021, twenty-five percent (25%) on August 18, 2022, twenty-five percent (25%) on August 18, 2023, and twenty percent (25%) on August 18, 2024. The options were forfeited on June 30, 2023.

On October 18, 2020, the Company granted 175,000 stock options to employees with an exercise price of \$0.26 per share. The stock options shall vest based on 25% on October 18, 2021, 25% on October 18, 2022, 25% on October 18, 2023, and 25% on October 18, 2024. As at June 30, 2024, 75,000 stock options from this issuance were expired.

On June 18, 2021, the Company granted 725,000 stock options to directors, offices, and employees with an exercise price of \$0.26 per share. The stock options shall vest based on 25% on June 18, 2022, 25% on June 18, 2023, 25% on June 18, 2024, and 25% on June 18, 2025. As at June 30, 2024, 225,000 stock options from this issuance were forfeited.

On July 26, 2021, the Company granted 250,000 stock options to an employee with an exercise price of \$0.26 per share. The stock options shall vest based on 25% on July 26, 2022, 25% on July 26, 2023, 25% on July 26, 2024, and 25% on July 26, 2025.

On October 25, 2021, the Company granted 225,000 stock options to employees with an exercise price of \$0.26 per share. The stock options shall vest on the basis of 25% October 25, 2022, 25% on October 25, 2023, 25% on October 25, 2024, and 25% on October 25, 2025. As at June 30, 2024, 75,000 stock options from this issuance were expired.

On February 28, 2023, the Company granted 2,855,000 stock options to its directors, officers, and employees with an exercise price of \$0.12 per share. The stock options shall vest on the basis of 25% on February 28, 2024, 25% on February 28, 2025, 25% on February 28, 2026, and 25% on February 28, 2027. As at June 30, 2024, 80,000 stock options from this issuance were forfeited.

On September 18, 2023, the Company granted 815,000 stock options to its directors, officers, and employees with an exercise price of \$0.05 per share. The stock options shall vest on the basis of 25% on September 18, 2024, 25% on September 18, 2025, 25% on September 18, 2026, and 25% on September 18, 2027. As at June 30, 2024, 65,000 stock options from this issuance were forfeited.

On August 28, 2024, the Company granted 1,430,000 stock options to its directors, officers and employees with an exercise price of \$0.05 per share. The stock options shall vest on the basis of 25% on August 28, 2025, 25% on August 28, 2026, 25% on August 28, 2027, and 25% on August 28, 2028.

Stock Options shall expire at the end of the term of the Company Stock Option Plan or 90 days after the Optionee is no longer a director, employee, or contractor of the Company, whichever comes first. As at June 30, 2024, 4,232,113 stock options are exercisable (June 30, 2023 – 2,732,113).

## **Warrants**

On February 15, 2021, the Company issued 1,482,233 broker warrants valued at \$190,421 in connection with the upsized public offering. The warrants have an exercise price of \$0.36 and expire on February 15, 2023. The fair value of the warrants granted was estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions: volatility rate of 57.98%, risk-free rate of 0.19%, dividend yield of 0% and weighted average life of 2 years. The fair value of the share warrants is recorded as share issuance costs and charged against share capital. A total of 1,482,233 expired on February 15, 2023.

On March 10, 2021, the Company issued 9,727,274 common share purchase warrants in connection with the upsized Public Offering. Each warrant entitles the registered holder to acquire one Warrant Share until March 10, 2023, at a price of \$0.55 per Warrant Share. The fair value of the warrants granted was estimated on their date of issue using the Black-Scholes option pricing model and the following assumptions: volatility rate of 30%, risk-free rate of 0.19%, weighted average life of 2 years. Using these

inputs, the common share purchase warrants were valued at \$0.02 per warrant. The fair value of the share purchase warrants is recorded as warrant reserve. A total of 9,727,274 expired on March 10, 2023.

On November 17, 2022, the Company issued 7,262,500 common share purchase warrants in connection with the upsized Public Offering. Each warrant entitles the registered holder to acquire one Warrant Share until November 17, 2025, at a price of \$0.19 per Warrant Share. 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 a 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 are vested immediately. The broker warrants were valued at \$36,958 using the 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.

On January 31, 2024, the Company issued 286,116 share warrants related to the first tranche of convertible debt financing. On February 16, 2024, additional 56,470 share warrants were issued related to the second and final tranche of convertible debt financing.

As at June 30, 2024, the Company has 8,528,807 outstanding and exercisable warrants (June 30, 2023 – 8,186,221).

## **RISKS AND UNCERTAINTIES**

The Company's management believes that the following identified risks are among those that are crucial in understanding the different uncertainties and issues than can impact its business and financial performance. The risks presented below may not be all of the risks that the Company may face. However, it is believed that these factors could cause actual results to be different from expected and historical results. The Company currently competes in a highly competitive market that is rapidly changing. New risks may emerge that the management may not be able to predict and may cause actual results to be different from those contained in any of its forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results.

### **Limited Operating History**

INEO Solutions began carrying on business in 2016 and to date, has generated all revenue from its legacy businesses. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources, and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early

stage of operations.

### **Reliance on Management**

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees such as Greg Watkin and Kyle Hall, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

### **Factors which may Prevent Realization of Growth Targets**

The Company is currently in the early development stage. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- non-performance by third-party contractors;
- developing technology is subject to change;
- competition;
- inability to acquire sufficient financing to fund operations;
- cyber-attacks on the Company's operating systems;
- loss of intellectual property rights on its proprietary software;
- increases in materials or labour costs;
- foreign exchange risks and currency fluctuation;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging, or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to defend and costs in defending potential breaches of intellectual property rights;
- inability to attract sufficient numbers of qualified workers; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that the Company may not have the product or sufficient product to meet the anticipated demand or to meet future demand when it arises.

### **Additional Financing**

To execute further growth strategy, the Company may require additional equity and debt financing to support ongoing operations, to undertake capital expenditures, or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on acceptable terms. The Company's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect on future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flow.



If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital-raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and pursue business opportunities, including potential acquisitions.

**Inability to achieve or obtain profitability**

The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

**Competition**

Numerous factors will affect the Company's competitive position, including price. Other companies may decide to enter the space and could have substantially greater financial, marketing, and other resources. Several of these companies may have greater name recognition and well-established relationships with some of the Company's target customers. Furthermore, these potential competitors may be able to adopt more aggressive pricing policies and offer more attractive terms to customers than the Company can offer. The Company may face increasing price pressure from competitors and customers. In addition, current and potential competitors have established or may establish cooperative relationships amongst themselves or with third parties to compete more effectively. Existing and potential competitors may also develop enhancements to, or future generations of, competitive products and services with better performance features than the Company's system.

The Company may face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and customer support. The Company may not have sufficient resources to maintain research and development, marketing, sales, and customer support efforts on a competitive basis, which could materially and adversely affect the business, financial condition, and results of operations.

**Dependence on Personnel**

Due to the technical nature of its business and the dynamic market in which the Company competes, its success depends on its ability to attract and retain highly skilled developers, technology, engineering, managerial, marketing, and sales personnel. In particular, the Company's future success depends in part on the continued services of each of its current executive officers and other key employees. Competition for qualified personnel in the technology space is intense. Management believes that there are only a limited number of persons with the requisite skills to serve in many key positions, and hiring and retaining

them is difficult. Losing one or more of these key personnel may significantly affect the Company's sales, operations, technological development, and profits.

**Difficulty to Forecast**

The Company must rely mainly on its market research to forecast sales, as detailed forecasts are not generally obtainable from other sources. A failure in the demand for its products to materialize due to competition, technological change, or other factors could adversely affect the business, operations results, and the Company's financial condition.

**Variable Revenues / Earnings**

The revenues and earnings of the Company may fluctuate from quarter to quarter, which could affect the market price of its Common Shares. Revenues and earnings may vary quarter to quarter as a result of several factors, including the timing of releases of new products or services, the timing of substantial sales orders or deliveries, activities of the Company's competitors, cyclical fluctuations related to the evolution of technology, possible delays in the manufacture or shipment of current or new products, concentration in the Company's customer base, and possible delays or shortages in component supplies.

**Suppliers**

The Company has relationships with suppliers and service providers upon which it depends to provide critical components for its products and services. Suppose the Company cannot maintain these relationships or establish relationships with new suppliers or service providers as required. In that case, its products and services' availability, pricing, and quality may be adversely affected, hurting the Company's business, operating results, and financial condition. Relationships with third-party suppliers and service providers expose the Company to such parties' integrity, quality, reputation, solvency, and performance risks.

**Operating Risk and Insurance Coverage**

The Company has insurance to protect its assets, operations, and employees. While Management believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current operations, such insurance is subject to coverage limits and exclusions. It may not be available for the risks and hazards to which the Company may be exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future, or, if available, that premiums will be commercially justifiable. If they were to incur substantial liability and such damages were not covered by insurance or were more than policy limits, or if it were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

**Management of Growth**

The Company may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it

to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

### **Conflicts of Interest**

Certain of the proposed directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

### **Privacy**

The Company may be subject to scrutiny and regulation from legislative bodies regarding the information collected within its systems. To reduce this risk, the Company has taken a proactive approach to consumer and data privacy with its "Transparent Privacy Philosophy," which spells out what is done with personal information:

- The Company does not sell, trade, or give away data. That includes name, address, cell phone information, credit cards, facial recognition, or other biometric imprints.
- The Company anonymizes any limited data it collects. That means, no matter what, anyone who gets the data on who enters or leaves a store won't be able to tie it to anyone.
- The Company uses anonymized data to try and build insights into how people shop, how stores operate, and what both parties in that equation might want. However, individual identities are always kept private and confidential.
- The Company adheres to the legislative standards of the privacy acts in all jurisdictions in Canada:
  - a. British Columbia - *Personal Information Protection Act*.
  - b. Alberta - *Personal Information Protection Act*.
  - c. Quebec - *The Privacy Act*
  - d. Canadian *Personal Information Protection and Electronic Documents Act* (PIPEDA) for all other jurisdictions in Canada
- The Company follows the foundational principles of *Privacy by Design*, the Canada-made data privacy protocols set out by former Ontario Privacy Minister Anne Cavoukian, Ph.D.
- All identities of personnel engaging with the company and discussion are always held in complete confidence, following all the above standards.
- The company constantly seeks to be at the forefront of progressive privacy policies and will be transparent about where it sits on this critical and evolving public interest issue.
- Privacy matters to the Company at all times.

### **Litigation**

The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue

operating and the market price for the Company's Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

**The market price of the Company's Common Shares may be subject to wide price fluctuations.**

The market price of the Company's Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, from time to time, stock markets have experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Company's Common Shares.

**Dividends**

The Company has no earnings or dividend record and does not anticipate paying dividends on the Common Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

**Limited Market for Securities**

The Company's Common Shares are currently listed on the Exchange. However, there can be no assurance that an active and liquid market for the Common Shares will develop or be maintained, and an investor may find it challenging to resell any securities of the Company.

**Technology**

The Company operates in a highly competitive environment where its hardware and other products and services are subject to rapid technological change and evolving industry standards. The Company's future success depends on its ability to design and produce new products and services, deliver enhancements to its existing products and services, accurately predict and anticipate evolving technology, and respond to technological advances in its industry and its customers' increasingly sophisticated needs. The Company's products embody complex technology that may not meet those standards, changes, and preferences. If the Company is unable to respond to technological changes, fails or delays to develop products in a timely and cost-effective manner, its products and services may become obsolete, and the Company may be unable to recover its research and development expenses, which could negatively impact sales, profitability and the continued viability of the business.

**Intellectual Property**

Despite the Company's proprietary technology patent, unauthorized parties may attempt to copy aspects of its products or obtain proprietary information. Policing unauthorized use of proprietary technology, if required, may be difficult, time-consuming, and costly. If a third party misappropriates the Company's intellectual property, the Company may be unable to enforce its rights. If the Company cannot protect its

intellectual property against unauthorized use by others, it could adversely affect its competitive position. The Company may be challenged by allegations of its infringement of the intellectual property of others. There is no assurance that the Company will successfully defend such claims. If it is unsuccessful, there is no assurance that the Company will successfully obtain a license for the intellectual property in question. Intellectual property claims are expensive and time-consuming to defend and, even without merit, may cause delays in introducing new products or services. In addition, the Company's resources could be diverted to defend its rights, which could disrupt its operations.

**Proprietary Protection**

The Company's success will depend, in part, on its ability to enforce patent rights, maintain the confidentiality of trade secrets and unpatented know-how, and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Company's rights. The Company relies on patented technology, contract, copyright, trademark and trade secret laws, confidentiality procedures, and other measures to protect its proprietary information. There can be no assurance that the steps taken will prevent misappropriation of the Company's proprietary rights. The competitors could also independently develop technology similar to its technology. Although the Company does not believe that its products or services infringe on the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against us, or that any such assertions or prosecutions will not materially adversely affect our business, financial condition, or results of operations. Irrespective of the validity or the successful assertion of such claims, the Company could incur significant costs and diversion of resources concerning the defense thereof, which could adversely affect its business.

**Liability Claims**

The Company may be subject to claims arising from using its products and services. The Company's products are complex and sophisticated and, from time to time, may contain design defects that are difficult to detect and correct. There can be no assurance that errors will not be found in the Company's products or, if discovered, that it will be able to successfully correct such errors in a timely manner or at all. Correcting such errors and failures could require a significant expenditure of capital. The sale and support of the Company's products and services may entail the risk of substantial product liability or warranty claims in the event of errors or failures. A product liability claim could adversely impact the Resulting Issue's business due to the cost of settlements and the costs of defending such claims.

**Credit Concentration and Credit Risk**

The Company intends to provide credit to its customers in the ordinary course of operations. Credit risk arises from the potential of a customer or counterparty failing to meet its contractual obligations. The company is exposed to credit risk from its customers regarding its trade receivables and unbilled revenue. Accounts receivable include amounts due from its retail customers, which exposes the Company to non-payment risk. The company estimates probable losses on a continuing basis and records a provision for such losses based on the estimated realizable value. Although the Company will attempt to manage its credit risk exposure, there is no assurance that this provision will be adequate.

**Foreign Exchange**

As Management anticipates that the Company's business will expand with increased global sales, it is expected that it may be necessary to transact sales in foreign currencies other than Canadian dollars, thus exposing the Company to foreign currency risk.

**General Economic Conditions**

The Company's results could be adversely affected by changing economic conditions in its operating countries. The market turmoil and tightening of credit in the United States and Europe in 2008 and 2009 led to increased commercial and consumer delinquencies, lack of consumer confidence, cuts in government spending, increased market volatility, and widespread reduction of business activity generally. There can be no guarantees that the countries in which the Company operates will not experience similar economic conditions, and to the extent such markets experience an economic deterioration, the resulting economic pressure on the Company's customers may cause them to end their relationship with the Company, reduce or postpone current or expected purchase orders for its products, or suffer from business failure, resulting in a decline in our revenues and profitability that could be material. Continued difficult or uncertain economic conditions could adversely affect the Company's revenue and profitability.

**Market Demand for the Product and Services**

The Company's success is dependent on its ability to market its products and services. There is no guarantee that its products and services will remain competitive. There is no guarantee the Company will be able to respond to market demands. If the Company is unable to effectively develop and expand the market for its products and services, its growth may be adversely affected.

**Stock Price Volatility**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows, or earnings. The value of the Company's securities will be affected by such volatility. The company's stock price may also experience significant fluctuations due to operating performance, performance relative to analysts' estimates, disposition or acquisition by a significant shareholder, a lawsuit against the Company, the loss or acquisition of a significant customer or distributor, industry-wide factors and factors other than the operating performance of the Company. These factors, among others, may cause decreases in the value of the Company's Common Shares.

**Government Regulations**

Although Management believes that the Company has obtained the necessary approvals for the products it currently sells, it may not be able to obtain approvals for future products on a timely basis or at all. In addition, regulatory requirements may change, or the Company may not be able to obtain regulatory approvals from countries where it may desire to sell products in the future. The company may incur additional costs to comply with foreign and state government regulations as it might pertain to specific issues concerning compliance with local regulations governing its devices, content, privacy, taxation, and other considerations.

**Industry Growth**

There can be no assurance that the Company's targeted vertical and geographic markets will grow or that the Company will be successful in establishing itself in new vertical and geographic markets. If the various markets in which its products compete fail to grow or grow more slowly than is currently anticipated, or if the Company is unable to establish itself in new markets, its growth plans could be materially adversely affected.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they become due. The Company facilitates this in part by maintaining a line of credit with a major Canadian bank.

**Accounting Estimates**

The Company prepares its financial statements in Canadian dollars in accordance with IFRS Accounting Standards ("IFRS"). Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses for each year presented. The significant estimates include testing for impairment of goodwill and provision for warranty. Changes in estimates and assumptions will occur based on the passage of time and the occurrence of certain events.

**Internal Controls**

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. However, the system of internal controls over financial reporting is not guaranteed to provide absolute assurance about the reliability of financial reporting and financial statements.

**Public Health Crisis**

The Company's business, operations, and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics, or other health crises. In December 2019, a novel coronavirus ("COVID-19") surfaced in Wuhan, China. The World Health Organization declared a global emergency concerning the outbreak on January 30, 2020, then characterized it as a pandemic on March 11, 2020. The outbreak has spread throughout the world. The escalating cases of COVID-19 in Canada and the United States caused companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations, and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time. Such public health crises can result in volatility and disruptions in global supply chains, business operations, and financial markets, as well as declining trade and market sentiment and reduced mobility of people, which could affect interest rates, credit ratings, credit risk, and inflation. The risks to the Company of such public health crises also include risks to employee health and



safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, labour shortages, travel, and shipping disruption, and shutdowns (including as a result of government regulation and prevention measures). At this point, the extent to which COVID-19 may impact the Company is uncertain; however, COVID-19 may have a material adverse effect on the Company's business and financial condition. Suppose the Company is unable to mitigate the impacts of the COVID-19 outbreak on its operations. In that case, they may be unable to fulfill their product delivery obligations to customers, their costs may increase, and their revenues and margins could decrease.

**Wars and Conflict.**

The Company has no exposure to investments in Russia, Ukraine, Israel, and the Gaza Strip. The Company currently has no business, investments, customers, or suppliers from Russia, Ukraine or the Gaza Strip. It does, however, have suppliers based in Israel and to date, no disruption in the supply chain has materialized. These current events have given rise to and may continue to give rise to circumstances with the potential to further cause world trade disruptions and rising prices of basic commodities, including oil and power, among others.

**Capital Management**

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility to preserve its ability to meet financial obligations and continue as a going concern, (ii) maintain a capital structure that allows the Company to pursue the development of its projects and products; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to its underlying assets. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets.