Hero Innovation Group Inc.
(Formerly Euro Asia Pay Holdings Inc.)

Condensed Interim Financial Statements

For the three and nine months ended June 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of the Company has been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of this financial report in accordance with securities legislation and the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Hero Innovation Group Inc.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	June 30, 2023 $	September 30, 2022 $
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**409,784**	428,083
Receivables (Note 3)	**63,994**	41,545
Prepaid expenses	**170,434**	135,663
Total Current Assets	**644,212**	605,291
Non-Current Asset		
Equipment (Note 4)	**3,203**	149
TOTAL ASSETS	**647,415**	605,440
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade payables and accrued liabilities (Note 5, 9)	**1,049,351**	851,704
Loan and accrued interest payable (Note 6)	**3,988,334**	1,953,926
Total Current Liabilities	**5,037,685**	2,805,630
Non-Current Liabilities		
Government loan payable (Note 6)	**20,392**	19,216
Total Non-Current Liabilities	**20,392**	19,216
Total Liabilities	**5,058,077**	2,824,846
Shareholders' Equity (Deficiency)		
Share capital (Note 7)	**8,772,687**	8,772,687
Reserve (Note 8, 9)	**1,810,907**	1,313,718
Accumulated deficit	**(14,994,256)**	(12,305,811)
Total Shareholders' Equity (Deficiency)	**(4,410,662)**	(2,219,406)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	**647,415**	605,440

Nature and Continuance of Operations (Note 1)

Commitments (Note 10)

Subsequent Events (Note 13)

Approved on behalf of the Board:

"Mao Sun" ***"William Ying"***

Mao Sun, Director William Ying, Director

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

Hero Innovation Group Inc.
Condensed Interim Statements of Equity and Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
REVENUE	**$ 46,016**	$ 29,176	**$ 122,225**	$ 67,979
COST OF REVENUE	**9,454**	6,981	**25,122**	16,323
GROSS PROFIT	**36,562**	22,195	**97,103**	51,656
OPERATING EXPENSE				
Consulting fees (Note 10)	**-**	51,028	**50,298**	141,554
Depreciation (Note 4)	**705**	1,012	**2,085**	3,580
General and administrative	**232,162**	241,018	**734,429**	727,344
Marketing	**84,795**	208,566	**423,835**	495,330
Professional fees (Note 10)	**1,814**	29,150	**48,576**	90,189
Research and development (Note 10)	**175,058**	327,272	**777,281**	1,099,482
Share-based payments (Note 8)	**-**	196,266	**497,189**	196,266
Total Operating Expenses	**494,534**	1,054,312	**2,533,693**	2,753,745
OTHER ITEM				
Interest income	**1,030**	998	**2,139**	2,633
Interest expense	**(106,972)**	-	**(255,584)**	-
Other income	**475**	-	**1,590**	87
Total Other Item	**(105,467)**	998	**(251,855)**	2,720
NET LOSS AND COMPREHENSIVE LOSS	**$ (563,439)**	$ (1,031,119)	**$ (2,688,445)**	$ (2,699,369)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
BASIC	**73,709,435**	73,709,435	**73,709,435**	71,800,652
DILUTED	**73,709,435**	94,322,839	**73,709,435**	89,905,273
NET LOSS PER SHARE	**$ (0.01)**	$ (0.01)	**$ (0.04)**	$ (0.03)

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

Hero Innovation Group Inc.

Condensed Interim Statements of Equity and Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Shares	Amount $	Reserve: Share-Based Payment Reserve $	Reserve: Other $	Accumulated Deficit $	Total Shareholders' Equity (Deficiency) $
Balance – September 30, 2021	68,392,111	7,443,356	1,089,632	889	(8,615,506)	(81,629)
Issued for cash	2,301,128	575,282	-	-	-	575,282
Issued to finder	3,016,196	754,049	-	-	-	754,049
Share based payments	-	-	223,197	-	-	223,197
Net loss for the year	-	-	-	-	(3,690,305)	(3,690,305)
Balance – September 30, 2022	73,709,435	8,772,687	1,312,829	889	(12,305,811)	(2,219,406)
Issued for cash	-	-	-	-	-	-
Share based payments	-	-	497,189	-	-	497,189
Net loss for the period	-	-	-	-	(2,688,445)	(2,688,445)
Balance – June 30, 2023	**73,709,435**	**8,772,687**	**1,810,018**	**889**	**(14,994,256)**	**(4,410,662)**

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

Hero Innovation Group Inc.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the nine months ended June 30, 2023	For the nine months ended June 30, 2022
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(2,688,445)**	(2,699,369)
Items not affecting cash:		
Depreciation	**2,085**	3,580
Share based compensation	**497,189**	196,265
Interest expense	**255,584**	23,021
Changes in non-cash working capital:		
Receivables	**(22,450)**	(60,306)
Prepaid expenses	**(34,771)**	(169,274)
Trade payables and accrued liabilities	**197,647**	373,253
Net cash provided by (used) in operating activities	**(1,793,161)**	(2,332,830)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of equipment	**(5,138)**	-
Interest from short term investment	**618**	-
Net cash used in investing activity	**(4,520)**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party loan	**1,780,000**	710,000
Proceeds from share issuance	**-**	1,329,331
Net cash provided by financing activities	**1,780,000**	2,039,331
Change in cash	**(17,681)**	(293,499)
Cash and cash equivalents, beginning	**427,465**	612,526
Cash and cash equivalents, ending	**409,784**	319,027
Cash and cash equivalents is comprised of:		
Cash	**381,034**	290,277
Short-term investments	**28,750**	28,750
	409,784	319,027

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

1. Nature and Continuance of Operations

Hero Innovation Group Inc. (formerly Euro Asia Pay Holdings Inc., the "Company") was incorporated under the British Columbia Business Corporations Act on October 16, 2017. The head office and principal place of business of the Company is located at 170 – 422 Richards Street, Vancouver, British Columbia V6B 2Z4. The Company is a financial technology company. From inception to June 30, 2023, the Company has concentrated its efforts on research and development and has incurred costs related to the development of a mobile application platform.

On February 25, 2021, the Company completed its initial public offering (the "IPO") and its common shares were listed for trading on the Canadian Securities Exchange under the symbol "EAP".

These condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. The business of the Company involves a high degree of risk. The Company has not yet generated significant revenue from operations and incurred a net loss of $2,688,445 for the nine months ending June 30, 2023 and has an accumulated deficit of $14,994,256 as at June 30, 2023. Furthermore, there is no assurance that the Company will be profitable in the future. The continued operations of the Company are dependent on its ability to generate future cash flows from operations or obtain additional financing. These factors raise significant doubt as to the Company's ability to continue as a going concern. These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption be inappropriate.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic's impact on its business, results of operations, financial position and cash flows in the future.

2. Significant Accounting Policies

These condensed interim financial statements have been prepared on the historical cost basis except for certain assets and financial instruments that are measured at their fair values, as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

The condensed interim financial statements were authorized for issuance on August 29, 2023 by the directors of the Company.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(a) Statement of Compliance with International Financial Reporting Standards

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, and are based on the principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended September 30, 2022 which include the Company's significant accounting policies and have been prepared in accordance with the same methods of application.

(b) Use of Estimates and Judgments

The preparation of the Company's condensed interim financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Areas requiring a significant degree of estimation include fair value measurements for financial instruments, useful life of equipment, and estimating the fair value of share-based payment transactions. Areas requiring a significant degree of judgement included evaluation of research and development costs for capitalization, the recoverability and measurement of deferred tax assets and liabilities, and assessment of the Company's ability to continue as a going concern.

3. Receivables

Receivables consist of the following:

	June 30, 2023	September 30, 2022
	$	$
GST	**18,276**	20,028
Other	**45,718**	21,517
	63,994	41,545

(Expressed in Canadian Dollars)

4. Equipment

A continuity of the Company's equipment is as follows:

	Computer equipment $
Cost:	
Balance, September 30, 2021	24,391
Additions	-
Dispositions	-
Balance, September 30, 2022	24,391
Additions	5,138
Dispositions	-
Balance, June 30, 2023	**29,529**
Accumulated Depreciation:	
Balance, September 30, 2021	20,128
Additions	4,114
Dispositions	-
Balance, September 30, 2022	24,242
Additions	2,084
Dispositions	-
Balance, June 30, 2023	**26,326**
Carrying Amounts:	
Balance, September 30, 2022	149
Balance, June 30, 2023	**3,203**

5. Trade Payables and Accrued Liabilities

Trade payables and accrued liabilities consists of the following:

	June 30, 2023 $	September 30, 2022 $
Trade payables	**121,099**	179,965
Accrued liabilities	**356,021**	115,757
Wages payable	**41,899**	29,635
Prepaid card liability	**530,332**	526,347
	1,049,351	851,704

6. Government Loans Payable

On May 13, 2020, under the Canada Emergency Business Account ("CEBA") program, the Company received a $40,000 loan (the "CEBA Loan"). The CEBA Loan was made available on certain terms and conditions, and in reliance on attestations made by the Company in the loan agreement.

On January 1, 2021, the CEBA Loan was converted to a 2-year, 0% interest term loan, to be repaid by December 31, 2023. If the Company repays $26,667 by December 31, 2023, a balance of $13,333 will be forgiven. If on December 31, 2023, the Company has not repaid the loan, it may exercise the option for a 3-year term extension and, accordingly, a 5% interest rate will be applied during this extension period on any balance remaining.

On February 26, 2021, the Company received an additional $20,000 loan (the "CEBA Expansion") on terms and conditions similar to the CEBA Loan. If the Company repays $13,333 by December 31, 2023, a balance of $6,667 will be forgiven.

For the year ended September 30, 2022, the Company repaid $20,000 of the CEBA loans.

The funds from the CEBA Loan may only be used by the Company to pay non-deferrable operating expenses including, without limitation, payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.

Upon initial receipt, the Company recorded the CEBA Loan and CEBA Expansion at fair values of $21,771 and $11,530 respectively, based on a prevailing market rate of 8%. For the nine months ended June 30, 2023, the Company recorded interest and accretion of $376 (2022 - $1,478) and $800 (2022 - $739) respectively on the CEBA Loan and CEBA Expansion.

7. Share Capital

(a) Authorized

The Company has authorized an unlimited number of common shares.

(b) Issued share capital

The Company did not issue any common shares during the nine months ended June 30, 2023 (2022 – 5,317,324)

(c) Common share purchase warrants

As at June 30, 2023, the Company has 5,317,324 (2022 – 14,413,404) outstanding share purchase warrants.

(d) Escrow shares

As at June 30, 2023, 15,783,336 (2022 - 31,566,668) common shares of the Company are held in escrow.

(Expressed in Canadian Dollars)

8. Stock Options

Pursuant to the Company's stock option plan, directors of the Company may, from time to time, authorize the issuance of stock options to directors, officers, employees, and consultants of the Company. The terms of the granted options as well as the vesting conditions are at the sole discretion of the directors.

During the nine months ended June 30, 2023, the Company recorded $ 497,189 (2022 - $196,266) in share-based payments related to the vesting of previously granted stock options.

Continuity schedule of the incentive stock options is as follows:

	Number of options	Weighted average exercise price
Outstanding, September 30, 2021	5,300,000	$ 0.20
Granted	1,300,000	0.15
Cancelled	(2,175,000)	
Outstanding, September 30, 2022	4,425,000	0.19
Granted	2,800,000	0.18
Cancelled	(2,150,000)	-
Outstanding, June 30, 2023	5,075,000	$ 0.18

Additional information regarding stock options outstanding as at June 30, 2023 is as follows:

Expiry date	Exercise Price	Weighted average remaining contractual life	Number of options outstanding	Number of options vested (exercisable)
September 30, 2023	$ 0.18	0.25 years	150,000	150,000
August 23, 2024	0.18	1.15 years	200,000	200,000
December 2, 2024	0.18	1.43 years	200,000	200,000
February 28, 2025	0.18	1.67 years	30,000	30,000
June 26, 2025	0.18	1.99 years	400,000	400,000
August 4, 2026	0.26	3.10 years	695,000	695,000
April 29, 2027	0.15	3.83 years	600,000	600,000
February 7, 2028	0.18	4.61 years	2,800,000	2,800,000
	$ 0.18	**3.48 years**	**5,075,000**	**5,075,000**

The fair value of options granted was estimated on the date of grant using the Black-Scholes Option Pricing Model assuming no expected dividends and the following assumptions:

	June 30, 2023	September 30, 2022
Expected stock price volatility	**218%**	137%
Risk-free interest rate	**3.54%**	2.75%
Expected life of options	**5 Years**	5 Years
Forfeiture rate	**0%**	0%

(Expressed in Canadian Dollars)

8. Stock Options (continued)

Warrants

Information regarding warrants outstanding as at June 30, 2023 is as follows:

Expiry date	Exercise Price	Number of options outstanding
January 7, 2024	0.45	5,317,324
		5,317,324

Share-based payment reserve

The share-based payment reserve records items recognized as share-based payment expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

9. Related Party Transactions

(a) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the Company. The key management personnel of the Company are the members of the Company's executive management team and the board of directors. During the nine months ended June 30, 2023 and 2022, compensation of key management personnel was as follows:

	June 30, 2023 $	June 30, 2022 $
Short-term benefits	**126,067**	233,885
Share based compensation	**106,540**	52,841
	232,607	286,726

As of June 30, 2023, the Company owes $14,700 (September 30, 2022 - $10,500) to key management personnel which is unsecured, non-interest bearing and due on demand.

(b) Transactions with other related parties

During the nine months ended June 30, 2023, the Company entered into a series of loan agreements with a company related to a director of the Company (the "Lender"). Under the agreements, the Company received total loans of $1,780,000 which are unsecured, interest bearing at a rate of 15% per annum and mature between September and December 2023.

For the nine months ended June 30, 2023, the Company has accrued interest expense of $254,408 related to the series of related party loans.

9. Related Party Transactions (continued)

On December 13, 2022, the Company entered into a loan agreement amending agreement with the Lender. The Company and the Lender are party to loan agreements dated February 8, 2022, February 24, 2022, March 8, 2022, March 31, 2022, April 6, 2022, April 27, 2022, May 11, 2022, May 26, 2022, June 16, 2022, June 30, 2022, July 21, 2022, August 10, 2022, August 23, 2022, September 21, 2022, and October 20, 2022 (collectively, the "Loan Agreements"), pursuant to which the Lender agreed to lend the Company up to $2,400,000, of which the Lender has advanced, in tranches, an aggregate principal amount of $2,400,000 (collectively, the "Loan").

Subject to the receipt of prior shareholder approval in accordance with Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions as well as that of the Canadian Securities Exchange ("CSE"), the Company and the Lender agreed to amend the terms of the Loan Agreements to provide for the convertibility of the Loan and any accrued and unpaid interest thereon into units of the Company (each, a "Conversion Unit") at a conversion price of $0.08 per Conversion Unit. Each Conversion Unit will consist of one common share (each, a "Share") in the capital of the Company and one Share purchase warrants (each, a "Warrant"), with each Warrant entitling the holder to acquire one additional Share at a price of $0.45 per Share for a period of 24 months from the date of issuance.

10. Commitments

(a) Platform agreement

On July 19, 2019, the Company entered into a platform agreement (the "Platform Agreement") with PayWith and PayWith Canada Inc., a wholly owned subsidiary of PayWith ("PWC"), pursuant to which PayWith and PWC agreed to license the cloud-based technology platform developed and owned by PayWith to the Company in exchange for the payment of certain fees including a monthly flat fee and a volume-based fee. The monthly flat fee is tied to the completion of outstanding deliverables from a Professional Services Agreement dated and effective May 15, 2018 and as amended on July 1, 2018. The volume-based fee is based on 15% of gross monthly revenue generated by the Company upon sales of its product and began accruing on August 1, 2019. During the nine months ended June 30, 2023, the Company incurred $ nil (2022 - $ nil) in monthly flat fees and $ nil (2022 - $ nil) in volume-based fees.

(b) Consulting agreements

On September 1, 2018, the Company entered into an agreement with a consultant regarding the provision of general administrative, office support and organizational services. The consultant is to be compensated with a monthly fee of $6,000, which amount was amended to $3,000 during the third quarter of fiscal 2021. For the nine months ended June 30, 2023, the Company recorded $3,000 (2022 - $27,000) in consulting fees related to this agreement. The agreement was terminated in November 2022.

On June 16, 2020, the Company entered into an agreement with a company controlled by the Chief Financial Officer of the Company regarding the provision of chief financial officer services. The company was compensated with a monthly fee of $5,000, which was amended to $18,333 in February, 2023 when the former Chief Financial Officer was appointed as Chief Executive Officer. For the nine months ended June 30, 2023, the Company recorded $75,667 (2022 - $45,000) in professional fees related to this agreement and $21,000 with a company controlled by the new Chief Financial Officer.

(Expressed in Canadian Dollars)

11. Management of Capital

The Company's capital structure consists of cash and share capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to external capital requirements.

12. Financial Instruments and Risk Management

(a) Categories of Financial Instruments and Fair Value Measurements

	June 30, 2023 $	September 30, 2022 $
Financial Assets		
Cash and cash equivalents	**409,784**	428,083
Receivables, net of GST	**45,718**	21,517
Total financial assets	**455,502**	449,600
Financial Liabilities		
Trade payables and due to related parties	**693,330**	735,947
Loan and accrued interest payable	**3,988,334**	1,953,926
Total financial liabilities	**4,681,664**	2,689,873

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 that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of financial instruments at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial instruments recognized at amortized cost in the condensed interim financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

12. Financial Instruments and Risk Management (continued)

(b) Management of Financial Risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. The Company manages its credit risk relating to cash through the use of a major financial institution which has a high credit quality as determined by rating agencies. The Company assessed credit risk as low.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered. The Company has nominal sources of revenue and has obligations to meets its administrative overheads and to settle amounts payable to its creditors. The Company has been successful in raising equity financing; however, there is no assurance that it will be able to do so in the future. The Company assesses liquidity risk as high.

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

Foreign Exchange Risk
Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company is not exposed to any significant foreign exchange risk.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents consist of cash held in bank accounts and redeemable short-term investment certificates. The Company is not exposed to significant interest rate risk.

13. Subsequent Events

During the period July to August 2023, the Company entered into a series of loan agreements with a company related to a director of the Company (the "Lender"). Under the agreements, the Company received loans of $200,000 which are unsecured, interest bearing at a rate of 15% per annum and mature in December 2023.