

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

Condensed Interim Financial Statements

For the three months ended December 31, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited)

**Hero Innovation Group Inc.**

## Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	December 31, 2023 \$	September 30, 2022 \$
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	246,071	164,639
Short term investments	28,750	28,750
Receivables (Note 3)	35,810	62,057
Prepaid expenses	178,620	399,923
<b>Total Current Assets</b>	<b>489,251</b>	<b>655,369</b>
<b>Non-Current Asset</b>		
Equipment (Note 4)	1,778	2,490
<b>TOTAL ASSETS</b>	<b>491,029</b>	<b>657,859</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables and accrued liabilities (Note 5)	1,092,904	1,136,808
Convertible loan (Note 9)	2,710,841	2,710,841
Loan and accrued interest payable (Note 6)	1,815,615	1,660,424
<b>Total Current Liabilities</b>	<b>5,919,360</b>	<b>5,508,073</b>
<b>TOTAL LIABILITIES</b>	<b>5,619,360</b>	<b>5,508,073</b>
<b>Shareholders' Equity (Deficiency)</b>		
Share capital (Note 7)	8,772,687	8,772,687
Reserve (Note 8)	2,081,712	2,081,712
Accumulated deficit	(15,982,730)	(15,704,613)
Total Shareholders' Equity (Deficiency)	(5,128,331)	(4,850,214)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>491,029</b>	<b>657,859</b>

Nature and Continuation of Operations (Note 1)

Commitments (Note 10)

Subsequent Events (Note 13)

Approved on behalf of the Board:

\_\_\_\_\_  
Mao Sun, Director\_\_\_\_\_  
William Ying, Director

**Hero Innovation Group Inc.**

## Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	<b>For the three months ended December 31, 2023 \$</b>	<b>For the three months ended December 31, 2022 \$</b>
<b>REVENUE</b>	<b>37,265</b>	40,110
<b>COST OF REVENUE</b>	<b>7,741</b>	8,314
<b>GROSS PROFIT</b>	<b>29,524</b>	31,796
<b>OPERATING EXPENSES</b>		
Consulting fees (Note 10)	<b>6,000</b>	37,298
Depreciation (Note 4)	<b>712</b>	684
General and administrative (Note 9, 10)	<b>71,153</b>	291,928
Marketing	<b>76,513</b>	224,284
Professional fees (Note 10)	<b>3,450</b>	27,615
Research and development (Note 10)	<b>22,883</b>	335,434
Total Operating Expenses	<b>180,711</b>	917,243
<b>OTHER ITEMS</b>		
Interest income	<b>162</b>	89
Interest expense	<b>(125,192)</b>	-
Other expense	<b>(1,900)</b>	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(278,117)</b>	(885,358)
<b>BASIC AND DILUTED:</b>		
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>73,709,435</b>	73,709,435
<b>NET LOSS PER COMMON SHARE</b>	<b>\$ (0.01)</b>	\$ (0.01)

**Hero Innovation Group Inc.**

## Condensed Interim Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

			Reserve			Total Shareholders' Equity (Deficiency)
	Number of Shares	Amount \$	Share-Based Payment Reserve \$	Other \$	Accumulated Deficit \$	\$
<b>Balance – September 30, 2022</b>	73,709,435	8,772,687	1,312,829	889	(12,305,811)	(2,219,406)
Convertible loans				29,845		29,845
Shareholder loans				255,974		255,974
Share based payments			482,175			482,175
Net loss for the year	-	-	-	-	(3,398,802)	(3,398,802)
<b>Balance – September 30, 2023</b>	73,709,435	8,772,687	1,795,004	286,708	(15,704,613)	(4,850,214)
Issued for cash						
Net loss for the year	-	-	-	-	(278,117)	(278,117)
<b>Balance – December 31, 2023</b>	<b>73,709,435</b>	<b>8,772,687</b>	<b>1,795,004</b>	<b>286,708</b>	<b>(15,982,730)</b>	<b>(5,128,331)</b>

**Hero Innovation Group Inc.**

## Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	<b>For the three months ended December 31, 2023 \$</b>	For the three Months ended December 31, 2022 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	(278,117)	(885,358)
Items not affecting cash:		
Depreciation	712	684
Interest expense	125,191	62,305
Changes in non-cash working capital:		
Receivables	26,247	(26,143)
Prepaid expenses	221,303	(69,145)
Trade payables and accrued liabilities	(43,904)	241,104
Net cash provided by (used) in operating activities	51,432	(676,554)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of equipment	-	(5,138)
Interest from short term investment	-	618
Net cash used in investing activity		(4,520)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan	30,000	800,000
Net cash provided by financing activities	30,000	800,000
Change in cash	81,432	118,926
Cash and cash equivalents, beginning	193,389	427,465
Cash and cash equivalents, ending	274,821	546,392
Cash and cash equivalents is comprised of:		
Cash	246,071	517,642
Short-term investments	28,750	28,750
	274,821	546,392

## **Hero Innovation Group Inc.**

Notes to the Condensed Interim Financial Statements

December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

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### **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 December 31, 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 \$278,117 for the three months ending December 31, 2023 and has an accumulated deficit of \$15,982,730 as at December 31, 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.

### **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 February 28, 2024 by the directors of the Company.

## Hero Innovation Group Inc.

Notes to the Condensed Interim Financial Statements

December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

### 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, 2023 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:

	December 31, 2023	September 30, 2023
	\$	\$
GST	27,590	22,823
Other	8,220	39,234
	<b>35,810</b>	<b>62,057</b>

## Hero Innovation Group Inc.

Notes to the Condensed Interim Financial Statements

December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

### 4. Equipment

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

	Computer equipment
	\$
<hr/>	
<u>Cost:</u>	
Balance, September 30, 2022	149
Additions	5,138
Depreciation	(2,797)
<hr/>	
Balance, September 30, 2023	2,490
<hr/>	
Additions	
Depreciation	(712)
<hr/>	
Balance, December 31, 2023	<b>1,778</b>

### 5. Trade Payables and Accrued Liabilities

Trade payables and accrued liabilities consists of the following:

	December 31, 2023	September 30, 2023
	\$	\$
Trade payables	<b>140,384</b>	95,643
Accrued liabilities	<b>409,446</b>	407,594
Wages payable	<b>15,163</b>	18,603
Prepaid card liability	<b>527,911</b>	614,968
	<b>1,092,904</b>	1,136,808

### 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 February 26, 2021, the Company received an additional \$20,000 loan (the "CEBA Expansion") on terms and conditions similar to the CEBA Loan.

Upon initial receipt, the Company recorded the CEBA Loan and CEBA Expansion at fair values of \$24,492 and \$8,470 respectively, based on a prevailing market rate of 8%. For the three months ended December 31, 2023, the Company recorded interest and accretion of \$nil (2022 - \$123) and \$nil (2022 - \$261) respectively on the CEBA Loan and CEBA Expansion.

The Company repaid \$20,000 of the CEBA loans in the year ended September 30, 2022. On January 15, 2024, the Company repaid additional \$20,000 of the CEBA loans. The repayments would result in loan forgiveness of the remaining balance of \$20,000.



## Hero Innovation Group Inc.

### Notes to the Condensed Interim Financial Statements

December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

#### 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 three months ended December 31, 2023 (2022 – nil)

(c) *Common share purchase warrants*

As at December 31, 2023, the Company has 5,317,324 (2022 – 14,413,404) outstanding share purchase warrants.

(d) *Escrow shares*

As at December 31, 2023, 7,891,670 (2022 - 23,675,002) common shares of the Company are held in escrow.

#### 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 three months ended December 31, 2023, the Company recorded \$ nil (2022 - nil) 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, 2022	4,425,000	\$ 0.19
Granted	2,800,000	0.18
Cancelled	(3,375,000)	
Outstanding, September 30, 2023	3,850,000	0.19
Granted	-	-
Cancelled	(75,000)	-
Outstanding, December 31, 2023	3,775,000	\$ 0.19

**Hero Innovation Group Inc.**

## Notes to the Condensed Interim Financial Statements

December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

**8. Stock Options (continued)**

Additional information regarding stock options outstanding as at December 31, 2023 is as follows:

Expiry date	Exercise Price	Weighted average remaining contractual life	Number of options outstanding	Number of options vested (exercisable)
August 23, 2024	\$ 0.18	0.65 years	200,000	200,000
December 2, 2024	0.18	0.93 years	200,000	200,000
February 28, 2025	0.18	1.17 years	30,000	30,000
June 26, 2025	0.18	1.49 years	400,000	400,000
August 4, 2026	0.26	2.60 years	695,000	695,000
April 29, 2027	0.15	3.33 years	600,000	600,000
February 7, 2028	0.18	4.11 years	1,650,000	1,650,000
	<b>\$ 0.19</b>	<b>3.06 years</b>	<b>3,775,000</b>	<b>3,775,000</b>

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:

	December 31, 2023	September 30, 2023
Expected stock price volatility	178%	178%
Risk-free interest rate	3.25%	3.25%
Expected life of options	5 Years	5 Years
Forfeiture rate	0%	0%

*Warrants*

Information regarding warrants outstanding as at December 31, 2023 is as follows:

Expiry date	Exercise Price	Number of options outstanding
January 7, 2024	0.45	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.

## Hero Innovation Group Inc.

Notes to the Condensed Interim Financial Statements

December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

### 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 three months ended December 31, 2023 and 2022 compensation of key management personnel was as follows:

	<b>December 31, 2023</b>	December 31, 2022
	<b>\$</b>	\$
Short-term benefits	<b>49,000</b>	80,500
	<b>49,000</b>	80,500

As of December 31, 2023, the Company owes \$58,800 (2022 - \$5,250) to key management personnel which is unsecured, non-interest bearing and due on demand.

#### (b) Transactions with other related parties

During the three months ended December 31, 2023, the Company entered into two loan agreements with a company related to a director of the Company (the "Lender"). Under the agreements, the Company received total loans of \$30,000 which are unsecured, interest bearing at a rate of 15% per annum and mature in December 2023 and December 2024.

For the three months ended December 31, 2023, the Company has accrued interest expense of \$125,192 (2022 - \$61,921) related to the series of related party loans.

On December 13, 2022, the Company amended a series of loans with the Lender entered on 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"), with an aggregate principal amount of \$2,400,000 (collectively, the "Loan").

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.

## Hero Innovation Group Inc.

Notes to the Condensed Interim Financial Statements

December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

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### 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 three months ended December 31, 2023, the Company incurred \$ nil (2022 - \$ nil) in monthly flat fees and \$ nil (2022 - \$ nil) in volume-based fees.

#### (b) Consulting agreements

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 three months ended December 31, 2023, the Company recorded \$33,000 (2022 - \$15,000) in professional fees related to this agreement and \$9,000 with a company controlled by the new Chief Financial Officer.

### 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.

## Hero Innovation Group Inc.

Notes to the Condensed Interim Financial Statements

December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

### 12. Financial Instruments and Risk Management

#### (a) Categories of Financial Instruments and Fair Value Measurements

	December 31, 2023 \$	September 30, 2023 \$
<b>Financial Assets</b>		
Cash and cash equivalents	246,071	193,389
Receivables, excluding GST	8,220	39,234
<b>Total financial assets</b>	<b>254,291</b>	<b>232,623</b>
<b>Financial Liabilities</b>		
Trade payables and due to related parties	683,458	729,214
Loan and accrued interest payable	4,526,456	4,371,265
<b>Total financial liabilities</b>	<b>5,209,914</b>	<b>5,100,479</b>

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.

## Hero Innovation Group Inc.

Notes to the Condensed Interim Financial Statements

December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

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### 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 meet 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 January to February 2024, the Company entered into a loan agreement with a company related to a director of the Company (the "Lender"). Under the agreement, the Company received loans of \$40,000 which are unsecured, interest bearing at a rate of 18% per annum and mature in June 2024.

On January 15, 2024, the Company repaid \$20,000 of the CEBA loans. The repayment should result in loan forgiveness of the remaining balance of \$20,000.