



Management's Discussion and Analysis

For the year ended December 31, 2020

DISCLAIMER FOR FORWARD-LOOKING INFORMATION

Certain statements in this Management Discussion and Analysis are forward-looking statements or information (collectively "forward-looking statements"). The EYEFI Group is providing cautionary statements identifying important factors that could cause the Group's actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "anticipates", "is expected to", "estimates", "intends", "plans", "projection", "could", "vision", "objective", "goals" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Group has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the Group. These forward-looking statements include, among other things, statements relating to the ability of the Group to generate revenue; use of funds; intentions to further develop, market and promote its operations by expansion of its merchant base and industries served in Australia; strategy for customer retention, growth, service development, market position and financial results; the success of marketing and sales efforts of the Group; the Group's efforts to continuously update its software to meet business requirements; future sales plans and strategies; the economy and other future conditions; the timeline to further develop and market future enhancements; unanticipated cash needs and the possible need for additional financing and the adoption of governance policies, committees and practices.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to: a downturn in general economic conditions; the ability of the Group to continue to generate revenue adequate to fund its business plans and operations; the ability of the Group to expand its operations in Australia; competitive conditions in the industry which could prevent the Group from continuing to be profitable; competition from other payment process providers who are well established with the financial capacity to overwhelm the ability of the Group to operate in Australia, security risks; increasing costs of being a publicly traded company, the possibility that our services may become further regulated; the effectiveness and efficiency of advertising and promotional expenditures to generate market interest in the Company's products and services; the inability to list on a public market; volatility of the Group's share price following listing; liquidity and the inability to secure additional financing; the Group's intention not to pay dividends in the near future; claims, lawsuits and other legal proceedings and challenges; conflict of interest with directors and management and other factors beyond the Company's control.

These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of December 31, 2020, and, except as required by applicable law, the Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Group's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "Risk Factors and Risk Management".

Covid 19 Virus Disruption

These Forward-looking statements are also subject to the risks and disruptions arising from the Covid 19 Virus. Some of the effects of the Covid 19 include:

- *uncertainty of how long the Covid 19 virus will cause the current widespread disruption,*
- *timely and novel government fiscal policy to deal with: shutdown of non-essential businesses, high rates of unemployment, novel evolving subsidy programs for laid off workers, financial concessions to business, tax cuts and government spending,*
- *central banks' monetary policy reaction to the novel problems caused by the Covid 19 Virus to ensure adequate credit facilities to banks and other lenders;*
- *timely government fiscal policy reaction to the novel problems caused by the Covid 19 Virus; and*
- *lack of a unified response and preparedness to the Covid 19 virus both within countries and by all countries.*

Overview

The following Management's Discussion and Analysis ("MD&A") provides additional analysis of the operations, financial position and financial performance of EYefi Group Technologies Inc ("EYEFI") as a Consolidated Entity with its wholly-owned subsidiaries, EYefi Pty Ltd ("EYefi") and Conxsme Pty Ltd ("Conxsme") for the year ended December 31, 2020 ("the EYefi Group" or Consolidated Entity"). EYEFI was consolidated by a reverse takeover ("RTO") on May 27, 2020 and Conxsme was consolidated on June 30, 2020. The consolidated financial statements are presented in Canadian Dollars, which is the EYefi Group's functional and presentation currency. It is supplementary information and should be read in conjunction with the EYefi Group's consolidated financial statements and accompanying notes for the year ended December 31, 2020 and 2019.

The Consolidated Entity's consolidated financial statements for the year ended December 31, 2020 and 2019 have been prepared in accordance with IFRS applicable to the presentation of consolidated financial statements.

This MD&A is the responsibility of the management. The Board of Directors carries out its responsibility for the review of this disclosure principally through its audit committee which is comprised of a majority of independent directors. The audit committee reviews and, prior to its publication and pursuant to the authority delegated to it by the Board of Directors, approves this disclosure.

EYEFI was incorporated on October 4, 2018, under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). Its head office is located at 17/71 Victoria Crescent, Abbotsford, Victoria 3067 Australia. Its registered office is located at C/O - 390 - 825 Homer Street, Vancouver BC, V6B 2W2 Canada.

EYefi was incorporated pursuant to the Australian Corporations Act 2001 (Cth) on June 8, 2006, with incorporation number ACN (Australian Corporation Number) 114 673 684. On January 4, 2007, its name was changed from Landmark Security (AUS) Pty. Ltd. to its current name. Conxsme was incorporated pursuant to the Australian Corporations Act 2001 (Cth) on February 2, 2010, with incorporation number ACN (Australian Corporation Number) 142 103 259. EYefi and Conxsme's head office is located at 17/71

Victoria Crescent, Abbotsford, Victoria 3067 Australia. Their registered office is located at C/O - DLK Advisory Pty. Ltd., Level 10, 99 Queen Street, Melbourne, Victoria 3000, Australia.

Business of the Consolidated Entity

The Consolidated Entity is a software and electronics engineering company that has developed, patented and commercialized an innovative spatial, predictive, approximation and radial convolution technology called SPARC and associated product suite that turns any sensor, camera or smartphone device (fixed, mobile, airborne, portable or handheld) into a target co-ordinate acquisition system. SPARC solves critical problems for government and industry customers operating in infrastructure and asset management, emergency management and incident response markets.

It has also developed an Industrial Internet of Things (IIoT) hardware sensor (EYEfi Sensor) product and Cloud application called smart waste for waste bins and Smart Drain for stormwater pits and is rolling out this technology in Australia and New Zealand.

Overall Performance during the year ended December 31, 2020

The revenues of the Consolidated Entity decreased to \$236,246, or (9.29%), during the year ended December 31, 2020, compared to revenues of \$260,430 during the year ended December 31, 2019, due to there being some ad-hoc project income in the previous corresponding period. Cost of sales increased to 80.19% of revenue during the year ended December 31, 2020 from 19.24% of revenue in the year ended December 31, 2019. This was due to higher product development costs during the current year period.

At December 31, 2020, the Consolidated Entity had cash at banks of \$654,666 (December 31, 2019 – \$111,053).

Pursuant to the Share Swap Agreement dated March 4, 2020, the reverse takeover of EYEfi was completed on May 27, 2020, with EYEfi becoming the wholly-owned subsidiary of EYEfi Group Technologies Inc. On this date, the \$909,800 preference shares were converted to ordinary shares in accordance with Clause 4 of the Preference Share Agreement. Conxsme was consolidated on June 30, 2020.

The EYEfi Business

During the year ended December 31, 2020, EYEFI initiated a plan to file a prospectus with the British Columbia Securities Commission (the "BCSC"). The non-offering prospectus (the "**Prospectus**") of EYEFI Group Technologies Inc., the parent company of the Consolidated Group ("EYEFI") was filed with the British Columbia Securities Commission (the "BCSC"). The filing was to comply with Policy 2 – *Qualifications for Listing of the Canadian Securities Exchange* (the "CSE") in order for the Company to meet one of the eligibility requirements for the listing of the Shares on the CSE by becoming a Reporting Company as defined herein, pursuant to the applicable securities legislation in the Province of British Columbia. On November 10, 2020, upon receipt of this Prospectus by the BCSC, the Company became a Reporting Issuer in British Columbia.

On December 4, 2020, the Company commenced trading on the Canadian Stock Exchange under the symbol "EGTI" at a share price of \$0.08 per common share.

During the last year, the Consolidated Entity continued to develop its product suite and channel partner relationships.

EYEFI Group's office of operations is at 17/71 Victoria Crescent, Abbotsford, Victoria 3067 Australia.

The primary business objectives for the EYEFI Group over the next 12 months is to grow our current business in Australia and New Zealand and identify and secure more large resellers that can provide access

to new customers and markets (“Channel Partners”) in North America and eventually, other regions around the world. As such, our initial business development activities focused on:

- (i) growing our existing customers and Channel Partners (i.e. Resellers), including migration of existing legacy customers to new contracts via our Channel Partners;
- (ii) new growth opportunities, such as securing new Channel Partners in North America;
- (iii) employment of Business Development Managers (streamlined salesforce) and consultants in Australia, NZ and North America to help secure and develop our Channel Partners, and to assist these partners in identifying and closing targeted sales opportunities;
- (iv) launching of our latest (2020) product releases; and
- (v) exploring acquisition opportunities to help build scale and distribute EYEfi’s products.

The following is a summary of selected financial information for the EYEfi Group over the past three financial years ended December 31 extracted from the audited financial statements of the EYEfi Group.

	2020 \$	2019 \$	2018 \$
Total Sales from Rendered Services	\$236,246	\$260,430	\$542,457
Gross Profit	\$46,811	\$210,315	\$440,008
Administration Expense	\$504,830	\$178,988	\$225,819
Comprehensive Income (loss) after tax	(\$913,759)	(\$339,870)	\$44,821

The revenues of the Consolidated Entity decreased to \$236,246, or (9.29%), during the year ended December 31, 2020 compared to revenues of \$260,430 during the year ended December 31, 2019, due to there being some ad-hoc project income in the previous corresponding period.

The sales from rendering services of the EYEfi Group decreased to \$260,430 or 51.99% in 2019 from \$542,457 in 2018, primarily as a result of the following:

- Telstra Corporation Limited revenue reduced from \$473,104 in 2018 to \$178,687 in 2019 due to a reduction in one-off hardware sales.
- The EYEfi Group entering into the next phase of its business plan, which was to: (i) stop pursuing hundreds of small-medium sales opportunities (direct sales model), (ii) focus on establishing a few key large channel partners/resellers (indirect sales model), (iii) scaling our business for the long-term and to stop the resource-intensive, short term sales approach by structuring our product development and sales channel model for scale and growth and (iv) on product development, all of which impacted sales revenue.

This approach involved the establishment of Channel Partners (Resellers) as sales channels, enabling the EYEfi Group to leverage the brand and sales staff of large partners, such as Telstra Corporation and Fujitsu, and only requiring a small team of Business Development Managers to assist these Channel Partners with targeted sales opportunities and support.

The reduced revenue was anticipated during the period reflects the time taken by the EYEfi Group to execute these plans, and also to focus on securing capital (doing a small raise in August 2019) and positioning the company for a public listing – all of which was planned for and has been costly and time-consuming.

Cost of sales increased to 80.19% of revenue during the year ended December 31, 2020 from 19.24% of revenue in the year ended December 31, 2019. This was due to higher product development costs during the current year period. The overall gross profit decreased, to \$46,811 (19.81% of sales revenue) in 2020 from \$210,315 (80.75% of sales revenue) in 2019.

Administrative expenses increased to \$504,830 for the year ended December 31, 2020 (December 31, 2019 - \$178,988). The increase of \$325,842 related to increases in accounting services of \$131,687, audit fees of \$106,848 and other general expenses.

Intellectual Property


EYefi's International Patents

EYefi has registered patents in USA, Canada, China, Japan, South Korea, Australia and New Zealand. EYefi has also established large global resellers for its products. It is well positioned to expand its reseller network into new markets and also established licensing of its technology to large customers.

PATENT NUMBER	COUNTRY	APPLICANT/ASSIGNEE	TITLE	FILING/EXP DATE	STATUS
9,058,689	USA	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 16 June 2015
2,727,687	Canada	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 14 November 2017
ZL 20098013199.4	China	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 25 December 2013
5575758	Japan	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 11 July 2014
10-1663669	South Korea	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 30 September 2016
2009260182	Australia	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 10 March 2016
590428	New Zealand	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 4 March 2014

EYefi's Trademarks

TRADEMARK NUMBER	MARK	CLASS	DESCRIPTION	FILING DATE	STATUS
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1103375	EYEFfi®	CLASS 9 and 38	<p>Class: 9 Camera system - mounted on pole, trailer, in ground or any other suitable structure, permanent or semi-permanent installation connected to network by wireless, Wi-Fi, mobile data network and/or fixed line or any other suitable communications network, standalone or hosted video switching control software with remote user access and content management service.</p> <p>Class: 38 Communications by fibre (fibre) optic networks; net casting (broadcasting over a global computer network); providing telecommunications connections to a global computer network; providing user access to a global computer network (service providers); switching network services (telecommunications); telecommunications security (providing secure connections and access including to computers and the global computer network); web portal services (providing user access to a global computer network); webcasting (broadcasting over a global computer network)</p>	14 March 2006	Registered
1103370		CLASS 9 and 38	<p>Class: 9 Camera system - mounted on pole, trailer, in ground or any other suitable structure, permanent or semi-permanent installation connected to network by wireless, Wi-Fi, mobile data network and/or fixed line or any other suitable communications network, standalone or hosted video switching control software with remote user access and content management service.</p> <p>Class: 38 Communications by fibre (fibre) optic networks; net casting (broadcasting over a global computer network); providing telecommunications connections to a global computer network; providing user access to a global computer network (service providers); switching network services (telecommunications); telecommunications security (providing secure connections and access including to computers and the global computer network); web portal services (providing user access to a global computer network); webcasting (broadcasting over a global computer network)</p>	14 March 2006	Registered
1553152	Spatialeye®	EYEFi Pty Ltd	<p>Global positioning system (GPS) apparatus; Application software; Computer programmes (programs) and recorded software distributed online; Computer programs (downloadable software); Computer software downloaded from the internet; Personal computer application software; Target location apparatus (electronic); Distance measuring apparatus; Electronic distance measuring apparatus; Coordinate measuring apparatus</p>	3 May 2013	Registered

The company is working on further developing its patents, core Intellectual Property (IP) and various algorithms and trade secrets and will be registering further trademarks as it commercialises products with Channel Partners in various regions around the globe.

Results of Operations

For the year ended December 31, 2020, the Consolidated Entity had sales from rendering services of \$236,246 (December 31, 2019 – \$260,430) and matching cost of sales of \$189,435 (December 31, 2019 – \$50,115) for a gross profit of \$46,811 (December 31, 2019 – \$210,315). The decrease in gross profit of

\$163,504 was mainly due to reduced one-time IIoT Sensor Cloud project work during the year ended June 30, 2020 and an increase in the cost of sales from 19.24% to 80.19%. The high cost of sales during the year ended December 31, 2020 was due to higher product development costs.

The Consolidated Entity's other source of revenue relates to the Australian Government's COVID-19 cash flow boost and Jobkeeper and Victorian Government's business support grants for the year ended December 31, 2020 of \$167,709 (December 31, 2019 - \$Nil) and car benefit reimbursements, interest and foreign exchanges movements of \$6,472 (December 31, 2019 - \$1,967).

The Consolidated Entity derived Government Grant income of \$220,014 during the year ended December 31, 2020 and \$468,033 during the year ended December 31, 2019 relating to the Australian Research and Development ("R&D") tax concessions. Government Grants are recognized in the profit or loss on a systematic basis over the periods in which the Consolidated Entity recognizes as expenses the related costs for which the grants are intended to compensate.

Listing expenses of \$326,879 for the year ended December 31, 2020 (December 31, 2019 - \$Nil) related to the Reverse take-over listing costs in accordance with International Financial Reporting Standards.

Administrative expenses of \$504,830 for the year ended December 31, 2020 (December 31, 2019 - \$178,988). The increase of \$325,842 related to increases in accounting services of \$131,687, audit fees of \$106,848 and other general expenses.

Employee benefits expense was \$367,168 for the year ended December 31, 2020 (December 31, 2019 - \$244,886). The increase of \$122,282 was due primarily to an increase in salaries and wages during the period.

Exchange differences on translation of (\$29,900) for the year ended December 31, 2020, related to the effects of changes of presentation currency to Canadian Dollars from Australian Dollars (December 31, 2019 - \$21,026).

As a result of the foregoing, the Consolidated Entity recorded a net comprehensive loss after tax of \$913,759 (\$0.04 per share) for the year ended December 31, 2020 compared to a net comprehensive loss after tax of \$339,870 (\$0.02 per share) for the year ended December 31, 2019.

Summary of Quarterly Information

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2020	2020	2020	2020	2019	2019	2019	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Sales from rendering services	97,588	42,967	49,205	46,486	69,979	10,407	122,466	52,927
Other income	18,759	61,665	74,936	18,820	6,199	-	2,045	7
Government Grants	67,448	50,777	55,550	46,239	65,802	334,454	25,495	36,437
Total Sales and other income	183,796	155,409	179,691	111,545	141,980	344,862	150,006	89,371
Exchange differences on translation income / (loss)	(15,063)	(10,012)	(11,048)	6,222	(4,821)	2,653	(18,111)	26,034
Net Comprehensive Income (Loss)	(213,211)	(173,341)	(403,990)	(123,218)	(134,235)	62,131	(202,930)	(99,266)
Per Share*	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	0.00	(0.01)	(0.01)
Per Share diluted*	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	0.00	(0.01)	(0.01)

Note

* - 2,500,014 shares as at December 31, 2019 were restated to be 14,921,480 shares given the share swap agreement and conversion at a ratio of 5.9686:1.

EYefi's two main product revenue streams: Spatial Video / SPARC and EYefi IIoT Sensor Cloud products are both subject to the influences of Australian economic conditions. The Spatial Video product is also subject to seasonal fluctuations, however, the EYefi Cloud product is not seasonal and is project-based.

Additionally, EYefi's services revenue is generated from a combination of product sales and the corresponding subscription fees (recurring revenue), and project-related work which mostly involves professional services (eg. software development, project management, etc). Therefore, quarterly revenue will consist of a baseline of fixed revenue from recurring fees, and project-related work which is variable. Both of these revenue sources are projected to grow in the future.

Accordingly, there are quarterly fluctuations in sales from rendering services over the two-year period.

During the year ended December 31, 2020, EYefi derived mainly Spatial Video Platform recurring revenue from one of its main Channel Partners (Telstra). Q4 2020 revenue increased from the previous quarters mainly due to Melbourne Water Spatial Video Platform professional services for a one-off site deployment in addition to the Spatial Video Platform recurring Telstra revenue.

During the 2019 year, EYefi's service revenue fluctuated significantly over the quarters. Q4 2019 revenue related to Spatial Video Platform recurring services and one-time IIoT Sensor Cloud project work. During Q3 2019 EYefi's revenue fell due to reduced Spatial Video Platform work and limited IIoT Sensor Cloud project work. The increase in Q2 2019 related to increased Spatial Video Platform and IIoT Sensor Cloud product project work for two channel partners (Telstra and Fujitsu). In Q1 2019, EYefi derived Spatial Video Platform service revenue and IIoT Sensor Cloud project work.

In difficult economic times, such as the disruption caused by the coronavirus pandemic in the fiscal year of 2020, businesses have reduced discretionary spending and this has impacted the demand for EYefi's products.

Other income significantly increased during the Q1 2020, Q2 2020 and Q3 2020 quarters due to the Australian Government COVID-19 Cash Flow Boost, Victorian Small Business Grants and Jobkeeper stimulus packages. In Q4, 2020, EYefi received the Jobkeeper (\$8,571) and Business Support Grants (\$9,523).

Government Grants are recognized in the profit or loss on a systematic basis over the periods in which the Consolidated Entity recognizes as expenses the related costs for which the grants are intended to compensate. The Consolidated Entity uses the income approach and presents R&D grant income separately as part of the profit or loss as "research and development income". The Consolidated Entity has been lodging research and development applications with the Australian governing bodies since 2014 and has reasonable assurance that all of the expenditures qualify for the grants and all conditions have been met when they are recorded. There are no unfulfilled conditions or other contingencies attached to these grants.

The increase in Government Grant income in the September 30, 2019 quarter was due to the fact that the EYefi Group received R&D cash refunds for Conxsme from the Australian Taxation Office of \$277,746 in August 2019. In other quarters, Government Grant income has fluctuated based on the level of eligible R&D expenditure incurred during the period.

In Australia, entities under \$AUD 20,000,000 revenue, and in a tax loss position, will receive a refundable R&D tax credit in cash. Once revenue exceeds \$AUD 20,000,000, entities will receive a non-refundable R&D tax credit which is only realized against income taxes payable. For tax payable entities, the R&D tax credit is offset against income taxes payable. EYefi is anticipated to be in a tax loss position for the year

ended December 31, 2020, and accordingly, the R&D tax credit will be received in cash. Prior to December 31, 2019, there were two R&D claimants. Conxsme was in a loss position, and accordingly the entity received a cash refund for the R&D rebate. EYEfi was a taxable entity, and accordingly the R&D rebate was offset against tax payable. Conxsme became dormant on December 31, 2019, and all subsequent R&D claims, tax credits and cash refunds will be applied for by EYEfi.

Liquidity and Financial Position and Capital Resources

The EYEFI Group's ability to generate sufficient cash to fund its operations and working capital requirements depends upon the ability of the EYEfi business to generate positive cash flow. EYEfi Group's ability to generate positive cash flow from its business requires it to have revenues in excess of its costs.

Summary of Working Capital and Cash Flow

As at December 31, 2020, the EYEFI Group had a working capital of \$346,313 (December 31, 2019 – (\$878,828)). Current assets were \$997,449 (December 31, 2019 – \$573,024) and current liabilities were \$651,136 (December 31, 2019 – \$1,451,852).

As at December 31, 2019, current liabilities included convertible preference shares of AUD \$1,000,000 which were converted to ordinary shares on May 27, 2020 following completion of the Share Swap Agreement dated March 4, 2020. Current liabilities also include contract liabilities of \$331,203 as at December 31, 2020 (December 31, 2019 – \$307,192) which will not affect working capital cash flows due to the availability of the R&D tax concession offsets.

For the year ended December 31, 2020, negative cash flows used in operating activities totaled \$718,136 (December 31, 2019 – \$303,669).

For the year ended December 31, 2020, negative cash flows used in investing activities totaled \$8,520 (December 31, 2019 - \$4,227).

For the year ended December 31, 2020, cash flows from financing activities consisted of proceeds of the issue of DLK preference shares of \$18,196 (December 31, 2019 - \$Nil), lease payments of \$33,268 (December 31, 2019 - \$17,888), cash acquired from acquisitions of \$23,815 (December 31, 2019 - \$Nil), cash receipt from facility loan of \$865,480 (see below details) (December 31, 2019 - \$Nil) and proceeds from the issuance of preference shares of \$412,615 (December 31, 2019 – \$424,468).

In July 2020, EYEfi received the following funds as “escrow agent” for EYEfi Group Technologies Inc relating to loan facility agreements, with an interest rate of 10% (paid in July 2020) and a term of 2 years:

- Loan with Shape Capital Pty Ltd., in the amount of AUD \$80,000
- Loan with Chajasa Pty Ltd. (as trustee for Lorback Family Trust 2), in the amount of AUD \$200,000
- Loan with Gilkat Pty Ltd., in the amount of AUD \$100,000
- Loan with 958 Consulting Pty Ltd., in the amount of AUD \$100,000
- Loan with Simon Langdon, in the amount of AUD \$100,000
- Loan with Cheryl Hargrave-Hill, in the amount of AUD \$300,000

The cash and cash equivalents, receivables, both trade and from the issuance of preference shares and the income, if any, from the operations of the EYEFI Group, are used to fund the entity's financial requirements.

Analysis of Financial Condition and Financial Performance

The financial condition of the EYEFI Group is directly dependent on the performance of EYEfi. During the year ended December 31, 2020 period, sales from rendering services was \$236,246 which was a decrease of 9.29% from the December 31, 2019 period sales revenue of \$260,430.

Related Party Transactions

The following related party transactions occurred and were reflected in the consolidated financial statements during the year ended December 31, 2020 and 2019 as follows:

Remuneration of key management

	Year Ended December 31,	
	2020	2019
Salary	217,280	84,655
Annual leave	(29,100)	19,701
Long service leave	(16,141)	31,734
Long-term benefits	20,642	8,041
Loan forgiveness	-	103,963
	<u>192,681</u>	<u>248,094</u>

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiary including the EYEFI Group's Board of Directors. The EYEFI Group considers key management to be the members of the Board of Directors and the Chief Executive Officer.

Conxsme Pty Ltd, a related party previously owned by Simon Langdon, joined the EYEFI Consolidated Group on June 30, 2020. Conxsme was originally set up for the purposes of research and development and has been dormant since the IIoT Sensor Cloud intellectual property was legally transferred to EYEFI on December 31, 2019, in accordance with the Preference Share Agreement dated August 12, 2019.

On May 27, 2020, EYEFI issued 33,750 shares to DLK Investments Group Pty Ltd ('DLK'). 33,750 EYEFI shares are restated to be 201,439 Company shares, given the share swap agreement and conversion at a ratio of 5.9686:1.

DLK paid \$18,196 for 12,501 EYEFI shares (74,613 based on the post-consolidation ratio). 21,249 shares (126,826 based on the post-consolidation ratio) were issued for professional services and were valued at the fair value of the equity given up of \$10,146.

Commitment

EYEFI signed a new lease on July 1, 2019, for \$43,173 per annum, including all outgoings and GST. The term is one by two years and rent is paid monthly in advance. In the year ended December 31, 2019, the Consolidated Entity, for the first time, applied IFRS 16 Leases, with an initial application date of 1 January 2019. The right-of-use asset is depreciated over 4 years and lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the Consolidated entity's incremental borrowing rate of 6%.

Internal Controls

Disclosure controls and procedures

Management of EYEFI is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators.

Internal controls over financial reporting

Management of EYEFI is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators.

Outstanding Share Data

The EYEFi Group has authorized an unlimited number of shares without par value. As at the date of this MD&A and as at December 31, 2020, there were 23,005,600 common shares issued. As at December 31, 2019, there were 14,921,480 shares (2,500,014 original common shares prior to conversion at a ratio of 5.9686:1).

On May 27, 2020, the Company exchanged 5.9686 new common shares for each original common share of EYEFi. All share amounts in these consolidated financial statements have been restated to reflect this exchange.

On May 27, 2020, the Company had the following transactions:

- i) issued 126,826 shares to DLK Investments Group Pty Ltd ('DLK') at the total fair value of \$10,146 for work undertaken for EYEFi;
- ii) issued 74,613 shares to DLK for gross proceeds of \$18,196;
- iii) issued 149,214 shares to an employee at the total fair value of \$11,937;
- iv) preference shares at the total value of \$909,800 were converted to EYEFi common shares, in accordance with Note 3 and exchanged for 3,730,367 shares in the Company; and
- v) issued 4,003,100 common shares to complete the RTO in accordance with the share swap agreement.

Ongoing Financing, Convertible Preference Shares and Private Placement

The EYEi Group's main objective is to grow the revenues of its EYEFi business and this has required investment of additional capital.

On 12 August 2019, EYEFi issued 1 million convertible preference shares with a par value of \$1 per share, of which:

- AUD \$460,000 was paid on the issue date;
- AUD \$460,000 was deferred and received on 9 January 2020 (AUD \$325,000) and 15 January 2020 (AUD \$135,000); and
- The remaining AUD \$80,000 as non-cash share-based payments earned by corporate advisors for services rendered.

The conversion date of preference shares to ordinary shares was 3 years from the date of the agreement or at any time before that date subject to the following:

- Either EBITDA or Revenue of the Company is equal to or greater than 75% of AUD \$7,395,267 or AUD \$11,329,217 respectively, such that the total of all ordinary shares held by new shareholders is equal to 20% of the total ordinary shares in the company.
- Both EBITDA and Revenue of the Company are each less than 75% of AUD \$7,395,267 or AUD \$11,329,217 respectively, such that the total of all ordinary shares held by the new shareholders is equal to 25% of the total ordinary shares in the company; or
- The company completes a fundraising act on or before the conversion date, with the company or business being valued (immediately before the fundraising act) at:
 - Greater than or equal to AUD \$5 million (on an equity-based valuation), such that the total of all ordinary shares held by new shareholders is equal to 20% of the total ordinary shares in the company subsequent to the fundraising activity; or
 - Less than AUD \$5 million (on an equity-based valuation), such that the total of all ordinary shares held by new shareholders is equal to 25% of the total ordinary shares in the company subsequent to the fundraising act.

These convertible preference shares have no cash redemption requirements.

On 27 May 2020, the AUD \$1,000,000 preference shares were converted to common shares at an agreed equity-based valuation of AUD \$5 million “unaudited” in accordance with the Preference Share Agreement dated 12 August 2019.

Private Placement (events after reporting period)

On February 22, 2021, EYEFI announced a private placement offering of Canadian \$2,200,000 with an offering of up to 4,400,000 units of the Company (the “Offering”) at \$0.50 per unit (“Unit”). Each Unit consists of one common share (“Share”) and one Share purchase warrant to purchase one additional Share at a price of \$0.75 per additional Share for a one-year term from the date of closing (“Closing”) of the Offering (a “Warrant”). The Warrants are subject to an acceleration clause: If the volume-weighted average closing price of the Shares on the CSE equals or exceeds \$1.00 or more for a minimum of ten consecutive trading days at any time after Closing, then the Issuer may, by providing written notice (the “Acceleration Notice”), accelerate the Expiry Date of the Warrants to that date which is 30 days from the date of providing the Acceleration Notice.

The funds raised will be used to assist with the Company’s growth plans, including employing new sales and support staff to service the increasing demand for the Company’s product suite from resellers such as Fujitsu and Telstra, along with accelerating product development. The Company also intends to pay down its loan to strengthen its balance sheet and to provide general working capital.

The placement closed on March 31, 2021 with \$2,200,000 raised and commissions paid of \$176,000 (8% of fund raised).

Upon completion of the private placement, as part of the loan facility agreement, the Company was required to repay the loan within 10 business days after the placement closing date. On April 12, 2021, the company fully repaid the AUD\$880,000 facility loan.

No other matter or circumstance has arisen since December 31, 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Risk Factors and Risk Management

Negative Cash Flows

During the year ended December 31, 2020, the EYEFI Group has had negative cash flows from its operating activities and, as a result, has had to fund its operations with cash on hand. The EYEFI Group’s cash on hand as at December 31, 2020 was \$654,666. On March 31, 2021, the EYEFI Group closed the private placement with \$2,200,000 raised and commissions paid of \$176,000 (refer above).

The funds raised will be used to assist with the Company’s growth plans, including employing new sales and support staff to service the increasing demand for the Company’s product suite from resellers such as Fujitsu and Telstra, along with accelerating product development. The Company also intends to pay down its loan to strengthen its balance sheet and to provide general working capital.

Risk Management

Any start-up or established business must continuously manage the risks by recognizing and mitigating the ambiguities and risks both in internal and external business environments that surround a company. The EYEFI Group’s management team manages risks proactively. Here are some of the risks that the Company faces:

Technology Risk

The EYEfi Group is dependent upon network communication or internetworking for product connectivity. The network communication defines a set of protocols allowing application programs to talk to each other without regard to the hardware and operating systems where they are run. A disruption in the internetworking would have a serious impact on the EYEfi Group's services to its customers.

Cybersecurity Risk:

EYEfi Cloud is a public cloud application and is subject to threats and attacks and data breaches that could affect for example delivery of service and supply lines. Security data is controlled by the cloud provider which could make it difficult to distinguish between everyday computing events and security events. The EYEfi Group is constantly monitoring for security events. The EYEfi Group is also subject to attacks by ransomware and the encrypting of data and hardware attacks that could affect computer chips.

Competitive Risks

There are other well established companies who are competitors to the EYEfi Group providing services and products to the same kind of customers the EYEfi Group Company is targeting. A discussion of these competitors is contained earlier in this section of the Prospectus.

Legal and Regulatory Risks

Some of the possible legal or regulatory issues are continuous reporting requirements by the Regulatory Authorities and Exchange, tax complications, user and privacy policy, customer complaints, etc. The EYEfi Group has retained professional advisors with the requisite experience to deal with these matters and will consult with them to keep it informed of possible complications before they arise.

Intellectual Property

The ability of the EYEfi Group to maintain or increase sales will depend in part on its ability to maintain and grow its brand equity through the use of its registered domain names and intellectual property. A loss of any of these may result in the EYEfi Group's brand equity being diminished and thus a loss of potential customers. As protection, the EYEfi Group usually requires its employees and independent contractors to enter into confidentiality agreements, however, it cannot be assured that the obligations therein will be maintained and honored. In spite of confidentiality agreements and other methods of protecting trade secrets, the EYEfi Group's proprietary information could become known to or independently developed by competitors.

COVID-19 Virus Disruption

Since December 31, 2020, the COVID-19 pandemic is causing a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on the EYEfi Group's business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the EYEfi Group's business, operations or financial results, including the EYEfi Group ability to secure financing; however, the impact could be material.

Date and Other Available Information

Unless otherwise indicated, the information contained in this MD&A is as of April 29, 2021.

Signed

"Simon Langdon"
Simon Langdon
CEO