

EYEfi Group Technologies Inc.

Unaudited Condensed Interim Consolidated Financial Statements - March 31, 2021

For the Three Months Ended March 31, 2021 and 2020

(Unaudited)

(Expressed in Canadian Dollars)

EYefi Group Technologies Inc.

Expressed in Canadian Dollars

Contents

For the three months ended March 31, 2021 and 2020

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General information

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards and reviewed by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

EYefi Group Technologies Inc.
Expressed in Canadian Dollars
Unaudited Condensed Interim Consolidated statements of financial position
As at March 31, 2021 and December 31, 2020

| | Note | March 31, 2021 \$ | December 31, 2020 \$ |
|---|------|-------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 2,386,895 | 654,666 |
| Trade and other receivables | 6 | 102,975 | 84,839 |
| Research and development tax credits receivable | 7 | 295,869 | 220,014 |
| Income tax refund due | | 36,918 | 37,930 |
| Total current assets | | <u>2,822,657</u> | <u>997,449</u> |
| Non-current assets | | | |
| Derivative financial instruments | 9 | 30,897 | 34,436 |
| Property, plant and equipment | | 37,862 | 35,808 |
| Right-of-use assets | 10 | 306,938 | 12,743 |
| Intangibles | | 53,133 | 50,594 |
| Lease bond | 11 | 30,710 | 31,554 |
| Total non-current assets | | <u>459,540</u> | <u>165,135</u> |
| Total assets | | <u>3,282,197</u> | <u>1,162,584</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 202,828 | 176,839 |
| Lease liabilities | 12 | 59,864 | 18,968 |
| Short-term employee benefits | | 22,681 | 124,126 |
| Contract liabilities | 13 | 322,347 | 331,203 |
| Total current liabilities | | <u>607,720</u> | <u>651,136</u> |
| Non-current liabilities | | | |
| Facility loan payable | 14 | 833,507 | 853,672 |
| Lease liabilities | 15 | 252,785 | - |
| Total non-current liabilities | | <u>1,086,292</u> | <u>853,672</u> |
| Total liabilities | | <u>1,694,012</u> | <u>1,504,808</u> |
| Equity | | | |
| Issued capital | | 5,277,109 | 3,649,090 |
| Contributed surplus | | 46,260 | 50,180 |
| Warrants | 17 | 400,981 | - |
| Cumulative translation adjustment | | (20,282) | (8,874) |
| Accumulated deficit | | (4,115,883) | (4,032,620) |
| Total surplus/(deficiency) in equity | | <u>1,588,185</u> | <u>(342,224)</u> |
| Total liabilities and shareholder's equity | | <u>3,282,197</u> | <u>1,162,584</u> |

Signed on behalf of the Board:

"Simon Langdon"
Director

"James Hope"
Director

The above unaudited condensed interim consolidated statements of financial position should be read in conjunction with the accompanying notes

EYefi Group Technologies Inc.**Expressed in Canadian Dollars****Unaudited Condensed Interim Consolidated statements of profit or loss and other comprehensive income****For the three months ended March 31, 2021 and 2020**

| | | 3 Months Ended March 31, | |
|--|-------------|-------------------------------------|------------------------|
| | Note | 2021 \$ | 2020 \$ |
| Revenue | | | |
| Sales from rendering services | 5 | 232,604 | 46,504 |
| Cost of Sales | | <u>(146,266)</u> | <u>(28,395)</u> |
| Gross profit | | <u>86,338</u> | <u>18,109</u> |
| Government subsidies | 8 | - | 19,660 |
| Research and development tax credits | 8 | 83,528 | 46,358 |
| Expenses | | | |
| Administration | | (123,443) | (81,941) |
| Employee benefits expense | | (85,116) | (86,083) |
| Depreciation and amortization expense | 10 | (21,742) | (12,721) |
| Interest expense | 6 | (22,828) | (6,285) |
| Share based payments | | <u>-</u> | <u>(30,021)</u> |
| Loss before income tax expense | | (83,263) | (132,924) |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Loss after income tax expense for the period | | (83,263) | (132,924) |
| Other comprehensive (loss) / income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>(11,408)</u> | <u>49,768</u> |
| Cumulative translation (losses) income | | <u>(11,408)</u> | <u>49,768</u> |
| Total comprehensive loss for the period | | <u>(94,671)</u> | <u>(83,156)</u> |
| | | Cents | Cents |
| Basic and diluted loss per share | 18 | (0.00) | (0.01) |

The above unaudited condensed interim consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

EYefi Group Technologies Inc.
Expressed in Canadian Dollars
Unaudited Condensed Interim Consolidated statements of changes in equity
For the three months ended March 31, 2021 and 2020

| | Number of shares \$ | Issued capital \$ | Contributed surplus \$ | Warrants \$ | Cumulative translation adjustment \$ | Accumulated deficit \$ | Total deficiency in equity \$ |
|--|------------------------------------|----------------------------------|---------------------------------------|------------------------|---|---------------------------------------|--|
| Balance at January 1, 2020 | 14,821,480 | 2,378,763 | - | - | 21,026 | (3,148,761) | (748,972) |
| Loss after income tax expense for the period | - | - | - | - | - | (132,924) | (132,924) |
| Other comprehensive income for the period, net of tax | - | - | - | - | 49,768 | - | 49,768 |
| Balance at March 31, 2020 | <u>-</u> | <u>2,378,763</u> | <u>-</u> | <u>-</u> | <u>70,794</u> | <u>(3,281,685)</u> | <u>(832,128)</u> |
| | Number of shares \$ | Issued capital \$ | Contributed surplus \$ | Warrants \$ | Cumulative translation adjustment \$ | Accumulated deficit \$ | Total equity \$ |
| Balance at January 1, 2021 | 23,005,600 | 3,649,090 | 50,180 | - | (8,874) | (4,032,620) | (342,224) |
| Loss after income tax expense for the period | - | - | - | - | - | (83,263) | (83,263) |
| Other comprehensive loss for the period, net of tax | - | - | - | - | (11,408) | - | (11,408) |
| Exercised options | 50,000 | 5,000 | (3,920) | - | - | - | 1,080 |
| Private Placements | 4,400,000 | 1,764,151 | - | 435,849 | - | - | 2,200,000 |
| Capital raising costs | - | (141,132) | - | (34,868) | - | - | (176,000) |
| Balance at March 31, 2021 | <u>27,455,600</u> | <u>5,277,109</u> | <u>46,260</u> | <u>400,981</u> | <u>(20,282)</u> | <u>(4,115,883)</u> | <u>1,588,185</u> |

The above unaudited condensed interim consolidated statements of cash flows should be read in conjunction with the accompanying notes

EYefi Group Technologies Inc.
Expressed in Canadian Dollars
Unaudited Condensed Interim Consolidated statements of cash flows
For the three months ended March 31, 2021 and 2020

| | Note | March 31, 2021 \$ | March 31, 2020 \$ |
|--|-------------|----------------------------------|----------------------------------|
| Cash flows from operating activities | | | |
| Loss before income tax expense for the period | | (83,263) | (132,924) |
| Adjustments for: | | | |
| Depreciation and amortization | | 21,742 | 12,721 |
| Share based payments | | - | 30,021 |
| Accretion of derivative financial instruments | | 1,498 | - |
| | | (60,023) | (90,182) |
| Change in operating assets and liabilities: | | | |
| Decrease/(increase) in trade and other receivables | | (22,056) | 40,969 |
| Research and development tax credits receivable | | (83,528) | (45,550) |
| Right-of-use assets | | (313,811) | - |
| Increase/(decrease) in trade and other payables | | 357,231 | (35,656) |
| Decrease in provision for income tax | | - | (27,059) |
| Increase/(decrease) in employee benefits | | (101,445) | 4,102 |
| Net cash used in operating activities | | (223,632) | (153,376) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (5,464) | 2,733 |
| Payments for intangibles | | (3,441) | - |
| Net cash from/(used in) investing activities | | (8,905) | 2,733 |
| Cash flows from financing activities | | | |
| Proceeds from exercised stock options | 16 | 5,000 | - |
| Lease payments | | (21,655) | (7,152) |
| Proceeds for issue of preference shares | | - | 412,615 |
| Net proceeds from private placements | 22 | 2,024,000 | - |
| Net cash from financing activities | | 2,007,345 | 405,463 |
| Net increase in cash and cash equivalents | | 1,774,808 | 254,820 |
| Cash and cash equivalents at the beginning of the financial period | | 654,666 | 111,053 |
| Effects of exchange rate changes on cash and cash equivalents | | (42,579) | (11,209) |
| Cash and cash equivalents at the end of the financial period | | <u>2,386,895</u> | <u>354,664</u> |

The above unaudited condensed interim consolidated statements of cash flows should be read in conjunction with the accompanying notes

EYefi Group Technologies Inc.
Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the three months ended March 31, 2021 and 2020

Note 1. Incorporation and operation

EYefi Group Technologies Inc. (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on October 4, 2018. The Company's registered office and principal place of business are: Registered Office #390-825 Homer Street, Vancouver BC, V6B 2W2 Canada and 17/71 Victoria Crescent, Abbotsford, Victoria 3067 Australia. The Company became a Reporting Issuer on November 10, 2020.

The Company's principal business activity is a software and engineering entity that has developed, patented and commercialized innovative spatial, predictive, approximation and radial convolution technology called SPARC and an associated product suite that turns any sensor, camera or smartphone device (fixed, mobile, airborne, portable or handheld) into a target co-ordinate acquisition system.

On March 12, 2020, the World Health Organization declared the global outbreak of the COVID-19 virus as a pandemic. The outbreak has spread throughout Europe, the Middle East, Canada and the United States, causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. Although effective vaccines are currently being distributed worldwide, the emergence of new and more infectious variants of the virus could slow the relaxing of restrictions and the recovery of the global economy. While these effects are expected to be temporary, significant uncertainty still remains as to the potential impact on the Company's ability to access capital and on its results of operations and financial condition. To date, the Company's operations have remained stable as the pandemic continues to progress and evolve.

Note 2. Basis of preparation

Statements of compliance and functional currency

These condensed interim consolidated financial statements have been presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

These condensed interim consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 27, 2021.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Effective January 1, 2020, the Company changed its presentation currency to Canadian Dollars from Australian Dollars. The financial statements as of March 31, 2021 and for the year ended December 31, 2020, have been translated into Canadian Dollars in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", as follows:

- Assets and liabilities presented and previously reported in Australian Dollars and have been translated into Canadian Dollars using the period-end-exchange rate of 0.9572;
- Statements of profit or loss and other comprehensive income or loss have been translated using average exchange rates prevailing during the reporting period of 0.97816 for the period-to-date average;
- Shareholders' equity balances have been translated using historical exchange rates in effect on the date that transactions occurred; and
- Resulting exchange differences have been recorded to the reserve of exchange differences account on translation.

Foreign currency transactions

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

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Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the three months ended March 31, 2021 and 2020

Note 3. Accounting policies

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the most recent audited annual financial statements for the Company for the year ended December 31, 2020.

Accounting standards issued but not yet effective

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Note 4. Operating segments

The Company has one operating segment: software and electronics engineering services. In identifying the operating segment, management generally follows the Company's service line representing Spatial Video Platform and IIoT Sensor Cloud services. The Company aims to solve critical problems for government and industry customers operating in infrastructure and asset management, emergency management and incident response markets. The Company operates in the Oceania region, which is situated in the Asia-Pacific region

The operations of the segment are monitored by the Company's Chief Operating Decision Maker and strategic decisions are made based on reporting results. For the three months period ended March 31, 2021, there have been no changes from prior periods to measurement methods used to determine the segment's profit or loss.

Major customers

For the three months period ended March 31, 2021, 27.16% of the Company's service revenue was derived from Telstra, 38.70% from Melbourne Water and 34.15% from VicRoads. Compared to the three months period ended March 31, 2020 100% of service revenue was derived from Telstra.

Telstra is an Australian telecommunications company which builds and operates telecommunications networks and markets voice, mobile, internet access, pay television and other products and services.

Melbourne Water is a statutory authority owned by the State of Victoria in Australia. It manages and protect Melbourne's major water resources, including the water storage reservoirs and how drinking water is supplied.

VicRoads is an agency that owned by the State of Victoria in Australia, it manages and regulates the arterial road network, delivers road safety initiatives, and provides customer focused registration and licensing services.

Note 5. Sales from rendering services

| | March 31, 2021 \$ | March 31, 2020 \$ |
|------------------------|----------------------------------|----------------------------------|
| IIoT Sensor Cloud | 17,529 | - |
| Spatial Video Platform | 215,075 | 46,504 |
| | <u>232,604</u> | <u>46,504</u> |

IIoT Sensor Cloud and Spatial Video Platform have all been recognized over the time the services have been rendered.

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Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the three months ended March 31, 2021 and 2020

Note 5. Sales from rendering services (continued)

| | March 31, 2021 | March 31, 2020 |
|--|---------------------------|---------------------------|
| Major customer revenue contribution | | |
| Revenue portion of total service revenue | | |
| Telstra | 63,167 | 46,504 |
| Melbourne water | 90,010 | - |
| VicRoads | 79,427 | - |
| | <u>232,604</u> | <u>46,504</u> |

Note 6. Interest expense

| | March 31, 2021 \$ | March 31, 2020 \$ |
|-------------------------------|----------------------------------|----------------------------------|
| Interest on loan facility | 21,224 | - |
| Interest on lease obligations | 1,604 | 1,743 |
| Interest expense | - | 4,542 |
| | <u>22,828</u> | <u>6,285</u> |

Note 7. Current assets - trade and other receivables

| | March 31, 2021 \$ | December 31, 2020 \$ |
|--------------------------------|----------------------------------|-------------------------------------|
| Other receivables | 73,130 | 31,216 |
| Goods and services tax credits | 5,152 | 6,911 |
| Prepaid interest | 24,693 | 46,712 |
| | <u>102,975</u> | <u>84,839</u> |

Note 8. Current assets - research and development tax credits receivable

Government grants

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 research and development grant income separately as part of the profit or loss as "research and development tax credits". 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 that all conditions have been met when they are recorded. There are no unfulfilled conditions or other contingencies attached to these grants.

The research and development expenditures are permitted as established by AusIndustry, the Australian government body that reviews and approves research and development claims. In considering this, the directors considered the methodology used in assessing such expenditures as qualifying expenditures to be consistent with the methodology applied to like-for-like claims it has lodged in previous years since 2014. The directors also considered the expertise and experience of the research and development consultant contracted to assist in the formulation and lodgment of those claims.

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Note 8. Current assets - research and development tax credits receivable (continued)

| | March 31, 2021 \$ | December 31, 2020 \$ |
|--------------------------------------|-------------------------|----------------------------|
| Research and development tax credits | 295,869 | 220,014 |

Government subsidies

The consolidated entity also received other one-off COVID-19 grants during the three month period ended March 31, 2020 which have been disclosed as Government subsidies in the profit and loss.

- Australian Government cash flow boost at the total amount of \$19,660

| | March 31, 2021 \$ | March 31, 2020 \$ |
|----------------------|-------------------------|-------------------------|
| Government subsidies | - | 19,660 |

Note 9. Non-current assets - derivative financial instruments

| | March 31, 2021 \$ | December 31, 2020 \$ |
|-----------------------------|-------------------------|----------------------------|
| Derivative financial assets | 30,897 | 34,436 |

For discussion on accounting for the facility loan payable that gave rise to this asset, refer to note 16.

Note 10. Non-current assets - right-of-use assets

On December 21, 2020, the Company signed a new lease at 17/71 Victoria Crescent, Abbotsford VIC 3067 with a commencement date of February 1, 2021 and term of four years.

The right-of-use asset is depreciated over 4 year and a lease liability are measured at the present value of the lease payments unpaid at commencement date, discounted using the consolidated entity's incremental borrowing rate of 6%.

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

| | Total \$ |
|----------------------------|-------------|
| Balance at January 1, 2020 | 119,152 |
| Exchange differences | (5,257) |
| Depreciation expense | (8,664) |
| Balance at March 31, 2020 | 105,231 |
| Balance at January 1, 2021 | 12,743 |
| Additions | 313,811 |
| Exchange differences | 82 |
| Depreciation expense | (19,698) |
| Balance at March 31, 2021 | 306,938 |

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Note 11. Non-current assets - Lease bond

| | March 31, 2021 \$ | December 31, 2020 \$ |
|-------------------|----------------------------------|-------------------------------------|
| Security deposits | <u>30,710</u> | <u>-</u> |

Note 12. Current liabilities - lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

The right-of-use asset and a lease liability are measured at the present value of the lease payments unpaid at commencement date and lease extension options, discounted using the Company's incremental borrowing rate of 6%. On December 21, 2020, the Company signed a new lease at 17/71 Victoria Crescent, Abbotsford VIC 3067 with a commencement date of February 1, 2021 and term of four years.

| | March 31, 2021 \$ | December 31, 2020 \$ |
|-----------------|----------------------------------|-------------------------------------|
| Lease liability | <u>59,864</u> | <u>18,968</u> |

Refer to note 19 for further information on financial instruments and risk management.

Note 13. Current liabilities - contract liabilities

Contract liabilities (refer to Consolidated Statements of Financial Position) represents deferred revenue relating to server licenses of EYefi's Spatial Video/SPARC platform deployed in Telstra Corporation Limited ("Telstra") data center, which have not yet been activated or configured for customer use. There is further configuration required once Telstra starts connecting cameras and customers (subscriptions) to those servers. This activity, when it occurs, will take less than a week and will be a one-off exercise. The Company has the resources to finish this configuration work and does not expect there to be significant costs associated with completing this work.

| | March 31, 2021 \$ | December 31, 2020 \$ |
|----------------------|----------------------------------|-------------------------------------|
| Contract liabilities | <u>322,347</u> | <u>331,203</u> |

Note 14. Non-current liabilities - facility loan payable

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% and a term of 2 years:

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Note 14. Non-current liabilities - facility loan payable (continued)

- 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 Cheryl Hargrave-Hill, in the amount of AUD\$300,000

In accordance with the term of the facility, options were also issued alongside the debt to each of the debt holders outlined in the agreement. 640,000 options were granted, note that for Shape Capital, 200,00 options were granted for their role in facilitating the loan facility agreement. See note 16.

The loan providers were paid 10% of the first year interest (AUD\$80,000) within 5 business days of the Commencement Date. There is no accrued interest as at March 31, 2020.

| | March 31, 2021 \$ | December 31, 2020 \$ |
|-----------------------|-------------------------|----------------------------|
| Facility loan payable | 833,507 | 853,672 |

For discussion on accounting for the facility loan payable, refer to note 16.

Note 15. Non-current liabilities - lease liabilities

| | March 31, 2021 \$ | December 31, 2020 \$ |
|-----------------|-------------------------|----------------------------|
| Lease liability | 252,785 | - |

Refer to note 19 for further information on financial instruments and risk management.

Note 16. Share capital

a) Authorized: Unlimited common shares without par value

b) Shares issued

Private Placements

On March 31, 2021, EYEFI closed a private placement offering of \$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. Total commissions paid were \$176,000 (8% of fund raised). See note 17.

c) Options from loan facility agreements

In July 2020, the Company granted stock options which were attached to the loan facility agreements. See note 14.

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Note 16. Share capital (continued)

- Shape Capital Pty Ltd granted 40,000 options
- Chajasa Pty Ltd (as trustee for Lorback Family Trust 2) granted 100,000 options
- Gilkat Pty Ltd granted 50,000 options
- 958 Consulting Pty Ltd granted 50,000 options
- Simon Langdon granted 50,000 options
- Cheryl Hargrave-Hill granted 150,000 options

Options from engagement fee

To facilitate the loan facility agreement, Shape Capital was engaged and was granted 200,000 options at ten cents with a 2-year expiry as the engagement fee.

Shape Capital Pty Ltd transferred 240,000 options to the following parties in December 2020:

- Accelerative Investments Pty Ltd received 50,000 options
- Polygon Fund Pty Ltd as trustee for Polygon Fund Unit Trust received 90,000 options
- Sigaras Family Investments Pty Ltd received 100,000 options

Stock options have been granted with an exercise price of \$0.10 and have a 2-year contractual term. The stock options were granted on July 16, 2020 with an effective date on December 4, 2020. The options will expire on December 4, 2022.

On January 12, 2021, Accelerative Investments Pty Ltd Exercised 50,000 options at \$0.10 share price.

The terms of the loan facility agreement are such that the debentures, denominated in AUD, have the option to be converted into common shares at CAD 10 day VWAP at the option of the borrower. This meets the definition of a derivative according to IAS, in that the settlement option represents a derivative that will not be settled for a fixed amount of cash for a fixed amount of shares as both the currency of the debt is in an amount that is different from the entity's functional currency and the settlement price is based on VWAP.

In accordance with IFRS, the derivative settlement option is separated from its host contract on the basis of its stated terms and initially measured at fair value, with the host debt contract being the residual amount after separation.

Consistent with the guidance in IAS for compound financial instruments, because equity instruments are defined as contracts evidencing a residual interest in the assets of an entity after deducting all of its liabilities, the options should be assigned the residual amount of consideration, after deducting the fair value of the liability components and subsequently should be carried at historical cost.

The following table summarizes the share options granted with the loan facilities remaining as at March 31, 2021

| Expiry Date | Exercise Price \$ | Remaining Life (Years) | Warrants Outstanding |
|------------------|-------------------|------------------------|----------------------|
| December 4, 2022 | 0.10 | 1.68 | 590,000 |

Note 17. Equity - Warrants

On March 31, 2021, the Company issued 4,400,000 warrants in connection with the private placement transaction described in note 16. The fair value of the warrants was estimated using the Barrier option pricing model with the following estimated assumptions:

| | |
|-------------------------|---------|
| Stock price | 0.85 |
| Strike price | 0.75 |
| Term | 1 |
| Risk-free interest rate | 0.23% |
| Dividend yield | 0% |
| Volatility | 181.64% |
| Barrier | 1 |
| Rebate | 0.25 |

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Note 17. Equity - Warrants (continued)

As the Company does not have sufficient history of past share prices, the expected volatility was calculated by taking the volatility of a comparable company.

| | March 31, 2021 \$ | December 31, 2020 \$ |
|----------|----------------------------------|-------------------------------------|
| Warrants | <u>400,981</u> | <u>-</u> |

The balance of warrants outstanding as at March 31, 2021 is as follows:

| Expiry Date | Exercise Price | Remaining Life (Years) | Warrants Outstanding |
|----------------|----------------|------------------------|----------------------|
| March, 31 2021 | \$0.75 | 2.0 | 4,400,000 |

Note 18. Loss per share

| | March 31, 2021 \$ | March 31, 2020 \$ |
|---|----------------------------------|----------------------------------|
| Loss after income tax attributable to the owners of EYefi Group Technologies Inc. | <u>(83,263)</u> | <u>(132,924)</u> |
| | Number | Number |
| Weighted average number of common shares used in calculating basic earnings per share | <u>21,735,166</u> | <u>14,921,480</u> |
| Weighted average number of common shares used in calculating diluted earnings per share | <u>21,735,166</u> | <u>14,921,480</u> |
| | Cents | Cents |
| Basic and diluted loss per share | (0.00) | (0.01) |

Accounting policy

Basic earnings (loss) per share

Basic earnings per share is calculated by dividing the profit/loss attributable to owners of the Company by the weighted average number of common shares outstanding during the financial period.

Diluted earnings (loss) per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential common shares; and
- the weighted average number of additional common shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Note 19. Financial instruments and risk management

Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Company includes equity, comprised of share capital and deficit, in the definition of capital.

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Note 19. Financial instruments and risk management (continued)

The Company's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

Fair value

Fair value represents the price at which an asset and liability could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of assets and liabilities according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at March 31, 2020, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy. The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and facility loan payable. The carrying values of accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

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 objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company will achieve this by maintaining sufficient cash and seeking equity financing when needed.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

| | 0-30 Days \$ | 30-60 Days \$ | 60-90 Days \$ | 90-365 Days \$ | 1-5 Years \$ | Total \$ |
|--------------------------|--------------------|---------------------|---------------------|----------------------|--------------------|-------------|
| March 31, 2021 | | | | | | |
| Trade and other payables | 202,828 | - | - | - | - | 202,828 |
| Facility loan payable | - | - | - | - | 833,507 | 833,507 |
| | 0-30 Days \$ | 30-60 Days \$ | 30-90 Days \$ | 90-365 Days \$ | 1-5 Years \$ | Total \$ |
| December 31, 2020 | | | | | | |
| Trade and other payables | 176,839 | - | - | - | - | 176,839 |
| Facility loan payable | - | - | - | - | 853,672 | 853,672 |

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Note 20. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

| | March 31, 2021 \$ | March 31, 2020 \$ |
|--------------------------|----------------------------------|----------------------------------|
| Salaries | 119,117 | 37,965 |
| Short-term benefits | 4,537 | 9,847 |
| Other long-term benefits | 928 | 7,610 |
| Post-employment benefits | 11,316 | 3,607 |
| | <u>135,898</u> | <u>59,029</u> |

Note 21. Related party transactions

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.

Key management personnel

Disclosures relating to key management personnel are set out in note 20.

Transactions with related parties

For the three months ended March 31, 2021, the Company has approximately \$NIL (2020 - \$7,125) of accrued payables to a Director of the Company for expenses incurred on the Company's behalf and approximately \$3,734 (2020 - \$NIL) in loan receivables to a Director.

Additionally, two Directors of the Company entered into the loan facility agreement with the Company in the amount of AUD\$200,000 which come with options. Refer to note 14 and note 16 for further information on facilities loan payable and options.

There was also \$49,221 of expenses paid to a company related to the CFO for accounting, tax and company secretarial services.

There were no other transactions with related parties for the three months period ended March 31, 2021.

Note 22. Events after the reporting period

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, refer note 14.

On April 1, 2021, Sigaras Family Investments Pty Ltd Exercised 100,000 options at \$0.10 share price.

No other matter or circumstance has arisen since March 31, 2021 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.