



## Management's Discussion and Analysis

For the three months ended March 31, 2021

### **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**

*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.*

### **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 three months ended March 31, 2021 ("the EYEfi Group" or Consolidated Entity"). The management financials 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 quarter ended 31 December 2021 and year ended December 31, 2020 and 2019.

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 three months ended March 31, 2021***

The revenues of the Consolidated Entity increased to \$232,604 or (500.18%), during the three months ended March 31, 2021, compared to revenues of \$46,504 during the quarter ended March 31, 2020, due to one off project work with Melbourne Water and VicRoads. Cost of sales increased to 62.88% of revenue during the three months ended March 31, 2021 from 61.06% of revenue in the period ended March 31, 2020.

At March 31, 2021, the EYEfi Group had cash and cash equivalents of \$2,386,895 (December 31, 2020 – \$654,666).

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).

### ***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 Company 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.

	<b>2020</b> <b>\$</b>	<b>2019</b> <b>\$</b>	<b>2018</b> <b>\$</b>
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
1103375	EYEFi®	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	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	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 three months ended March 31, 2021, the Consolidated Entity had sales from rendering services of \$232,604 (March 31, 2020 – \$46,504) and matching cost of sales of \$146,266 (March 31, 2020 – \$28,395) for a gross profit of \$86,338 (December 31, 2019 – \$18,109). The increase in gross profit of was mainly due additional project revenue from Melbourne Water and VicRoads of \$90,010 and \$79,427, respectively.

The Consolidated Entity derived Government Grant income of \$83,528 during the three months ended March 31, 2021 and \$46,358 during the quarter ended March 31, 2020 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.

Administrative expenses of \$123,443 for the quarter ended March 31, 2021 (March 31, 2020 - \$81,941). The increase of \$41,502 related to increases in audit fees and other general expenses.

Employee benefits expense was \$85,116 for the quarter ended March 31, 2021 (March 31, 2020 - \$86,083). The net decrease of \$967 was due to a decrease in the employee benefits provision offset by an increase in salaries and wages during the period.

Exchange differences on translation of (\$11,408) for the quarter ended March 31, 2021, related to the effects of changes of presentation currency to Canadian Dollars from Australian Dollars (March 31, 2020 - \$49,768).

As a result of the foregoing, the Consolidated Entity recorded a net comprehensive loss after tax of \$94,671 (\$0.004 per share) for the quarter ended March 31, 2021 compared to a net comprehensive loss after tax of \$83,156 (\$0.09 per share) for the quarter ended March 31, 2020.

## Summary of Quarterly Information

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2021	2020	2020	2020	2020	2019	2019	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Sales from rendering services	232,604	97,588	42,967	49,205	46,504	69,979	10,407	122,466
Other income	-	18,759	61,665	74,936	19,660	6,199	-	2,045
Government Grants	83,528	67,448	50,777	55,550	46,358	65,802	334,454	25,495
Total Sales and other income	316,132	183,796	155,409	179,691	112,522	141,980	344,862	150,006
Exchange differences on translation income / (loss)	(11,408)	(15,063)	(10,012)	(11,048)	49,768	(4,821)	2,653	(18,111)
Net Comprehensive Income (Loss)	(94,671)	(213,211)	(173,341)	(403,990)	(83,156)	(134,235)	62,131	(202,930)
Per Share*	(0.00)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	0.00	(0.01)
Per Share diluted*	(0.00)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	0.00	(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 quarter ended March 31, 2021 (Q1 2021), EYEfi derived Spatial Video Platform recurring revenue from one of its main Channel Partners (Telstra) and also one off Spatial Video Platform / IIoT Sensor Cloud project work from Melbourne Water and VicRoads. The Melbourne Water Spatial Video Platform professional services related to a one-off site deployment.

During the year ended December 31, 2020, EYEfi derived mainly Spatial Video Platform recurring revenue from 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 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 March 31, 2021, the EYEFI Group had a working capital of \$2,214,937 (December 31, 2020 – \$346,313). Current assets were \$2,822,656 (December 31, 2020 – \$997,449) and current liabilities were \$607,720 (December 31, 2020 – \$651,136).

For the three months ended March 31, 2021, negative cash flows used in operating activities totaled \$223,632 (March 31, 2020 – \$153,376).

For the three months ended March 31, 2021, negative cash flows used in investing activities totaled \$8,905 (March 31, 2020 - \$2,733).

For the three months ended March 31, 2021, cash flows from financing activities consisted of proceeds of the issue for issue of common shares of \$5,000 (March 31, 2020 - \$Nil), lease payments of \$21,655 (March 31, 2020 - \$7,152), net proceeds from private placements of \$2,024,000 (see below details) (March 31, 2020 - \$Nil) and proceeds from the issuance of preference shares of \$Nil (March 31, 2020 – \$412,615).

### ***Analysis of Financial Condition and Financial Performance***

The financial condition of the EYEFI Group is directly dependent on the performance of EYEfi. During the three months ended March 31, 2021 period, sales from rendering services was \$232,604 which was an increase of 500.18% from the March 31, 2020 period sales revenue of \$46,504.

### ***Related Party Transactions***

The following related party transactions occurred and were reflected in the consolidated financial statements during the quarter ended March 31, 2021 and 2020 as follows:

#### **Remuneration of key management**

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
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>

### ***Commitment***

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 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 has authorized an unlimited number of shares without par value. As at March 31, 2021, there were 27,455,600 common shares issued. As at December 31, 2020, there were 23,005,600 shares. During the quarter, the Company had the following transactions:

- 4,400,000 shares issued under a Private Placement which closed on March 31, 2021 (see below details)); and
- On January 12, 2021, Accelerative Investments Pty Ltd Exercised 50,000 options at \$0.10 share price (see below details).

As at the date of this MD&A, there were 27,555,600 common shares issued. On April 1, 2021, Sigaras Family Investments Pty Ltd exercised 100,000 options at \$0.10 share price (see below details).

## ***Private Placement***

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).

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 funds will also be used to pay down its loan to strengthen its balance sheet and to provide general working capital.

## ***Options from loan facility agreements***

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:

- 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; and
- Loan with Cheryl Hargrave-Hill, in the amount of AUD\$300,000.

The loan providers were paid 10% of the first year interest (AUD\$80,000) within 5 business days of the Commencement Date.

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

A total of 640,000 options were granted including the following:

- Shape Capital Pty Ltd granted 40,000 options (attached with the loan facility agreement) and 200,000 options (from their role in facilitating the loan facility agreement);
- 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; and
- Cheryl Hargrave-Hill granted 150,000 options.

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; and
- Sigaras Family Investments Pty Ltd received 100,000 options.

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

### ***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.

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 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 quarter ended March 31, 2021, the EYEfi Group has had negative cash flows from its operating activities and, as a result, has had to fund its operations with cash and cash equivalents. The EYEfi Group's cash and cash equivalents as at March 31, 2021 was \$2,386,895 (December 31, 2021). 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 paid down its loan facility of AUD\$880,000 on April 12, 2021.

**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 internet working 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 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**

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.

***Date and Other Available Information***

Unless otherwise indicated, the information contained in this MD&A is as of May 27, 2021.

***Signed***

"Simon Langdon"  
Simon Langdon  
CEO