

EYEfi Group Technologies Inc.

Unaudited Condensed Interim Consolidated Financial Statements – June 30, 2021 For the Three and Six Months Ended June 30, 2021 and 2020

(Unaudited)

(expressed in Canadian Dollars)

EYefi Group Technologies Inc.

Contents

For the period ended June 30, 2021 and 2020

Expressed in Canadian Dollars

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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.
Unaudited condensed interim consolidated statements of financial position
As at June 30, 2021
Expressed in Canadian Dollars

	Note	June 30, 2021 \$	December 31, 2020 (Audited) \$
Assets			
Current assets			
Cash and cash equivalents		837,010	654,666
Trade and other receivables	7	109,014	84,839
Research and development tax credits receivable	8	461,745	220,014
Income tax receivable		35,849	37,930
Total current assets		<u>1,443,618</u>	<u>997,449</u>
Non-current assets			
Derivative financial instruments	9	-	34,436
Plant and equipment		35,616	35,808
Right-of-use assets	10	272,989	12,743
Intangibles		50,830	50,594
Lease bond	11	29,821	31,554
Total non-current assets		<u>389,256</u>	<u>165,135</u>
Total assets		<u>1,832,874</u>	<u>1,162,584</u>
Liabilities			
Current liabilities			
Trade and other payables		198,423	176,839
Lease liabilities	12	33,096	18,968
Short-term employee benefits		57,897	124,126
Contract liabilities	13	313,018	331,203
Total current liabilities		<u>602,434</u>	<u>651,136</u>
Non-current liabilities			
Facility loan payable	14	-	853,672
Lease liabilities	12	245,470	-
Total non-current liabilities		<u>245,470</u>	<u>853,672</u>
Total liabilities		<u>847,904</u>	<u>1,504,808</u>
Equity			
Issued capital	16	5,286,297	3,649,090
Contributed surplus		-	50,180
Warrants	17	400,981	-
Cumulative translation adjustment		(48,152)	(8,874)
Accumulated deficit		(4,654,156)	(4,032,620)
Total equity/(deficiency) in equity		<u>984,970</u>	<u>(342,224)</u>
Total liabilities and shareholder's equity		<u>1,832,874</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.
Unaudited condensed interim consolidated statements of profit or loss and other comprehensive income
For the period ended June 30, 2021 and 2020
Expressed in Canadian Dollars

	Note	3 Months Ended June 30, 2021 \$	June 30, 2020 \$	6 Months Ended June 30, 2021 \$	June 30, 2020 \$
Revenue					
Sales from rendering services	5	64,394	49,205	296,998	95,691
Cost of sales		(145,806)	(33,850)	(292,073)	(55,022)
Gross margin		(81,412)	15,355	4,925	40,669
Other income		3	6,260	3	6,164
Government subsidies	8	-	68,676	-	87,592
Research and Development tax credits	8	179,119	55,550	262,647	101,789
Expenses					
Administration		(326,487)	(68,665)	(448,343)	(153,928)
Listing expense	15	-	(326,879)	-	(326,879)
Employee benefits expense		(249,895)	(91,261)	(335,011)	(177,307)
Depreciation and amortisation expense	10	(29,133)	(19,725)	(50,875)	(26,576)
Interest expense	6	(30,467)	(7,118)	(53,295)	(10,317)
Marketing		-	(13,198)	-	(20,149)
Share based payments		-	(11,937)	-	(22,083)
Profit/(loss) before income tax (expense)/benefit		(538,272)	(392,942)	(619,949)	(501,025)
Income tax (expense)/benefit		-	-	-	-
Profit/(loss) after income tax (expense)/benefit for the period		(538,272)	(392,942)	(619,949)	(501,025)
Other comprehensive income/(loss)					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Foreign currency translation		(29,457)	(11,048)	(39,278)	(5,396)
Other comprehensive income/(loss) for the period, net of tax		(29,457)	(11,048)	(39,278)	(5,396)
Total comprehensive income/(loss) for the period		(567,729)	(403,990)	(659,227)	(506,421)
		Cents	Cents	Cents	Cents
Basic and diluted loss per share	18	(0.02)	(0.03)	(0.03)	(0.03)

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.
Unaudited condensed interim consolidated statements of changes in equity
For the interim six-month periods ended June 30, 2021 and 2020
Expressed in Canadian Dollars
Unaudited

	Number of shares	Issued capital \$	Contributed surplus \$	Warrants \$	Cumulative translation adjustment \$	Accumulated deficit \$	Total equity \$
Balance at January 1, 2020	2,500,014	2,378,763	-	-	21,026	(3,148,761)	(748,972)
Profit/(loss) after income tax (expense)/benefit for the period	-	-	-	-	-	(501,025)	(501,025)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	(5,396)	-	(5,396)
Total comprehensive income/(loss) for the period	-	-	-	-	(5,396)	(501,025)	(506,421)
Share-based compensation	46,249	22,083	-	-	-	-	22,083
Issue of share capital	12,501	18,196	-	-	-	-	18,196
Conversion of preference shares	625,003	909,800	-	-	-	-	909,800
Adjustment to reflect the shares issued to former shareholders of EYefi	(3,183,767)	-	-	-	-	-	-
Shares issued to former shareholders of EYefi	19,002,500	-	-	-	-	-	-
EYEFI common shares issued and outstanding	4,003,100	320,248	-	-	-	-	320,248
Balance at June 30, 2020	<u>23,005,600</u>	<u>3,649,090</u>	<u>-</u>	<u>-</u>	<u>15,630</u>	<u>(3,649,786)</u>	<u>14,934</u>

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

EYefi Group Technologies Inc.
Unaudited condensed interim consolidated statements of changes in equity
For the interim six-month periods ended June 30, 2021 and 2020
Expressed in Canadian Dollars
Unaudited

	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)
Adjustment for correction of error	-	-	-	-	-	(1,587)	(1,587)
Balance at 1 January 2021 - restated	-	3,649,090	50,180	-	(8,874)	(4,034,207)	(343,811)
Profit/(loss) after income tax (expense)/benefit for the period	-	-	-	-	-	(619,949)	(619,949)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	(39,278)	-	(39,278)
Total comprehensive income/(loss) for the period	-	-	-	-	(39,278)	(619,949)	(659,227)
Stock options	-	-	(50,180)	-	-	-	(50,180)
Exercised options	150,000	15,000	-	-	-	-	15,000
Private placement	4,400,000	1,764,151	-	435,849	-	-	2,200,000
Capital raising costs	-	(141,944)	-	(34,868)	-	-	(176,812)
Balance at June 30, 2021	<u>27,555,600</u>	<u>5,286,297</u>	<u>-</u>	<u>400,981</u>	<u>(48,152)</u>	<u>(4,654,156)</u>	<u>984,970</u>

Please see note 16 and note 17 for further information.

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

EYefi Group Technologies Inc.
Unaudited condensed interim consolidated statements of cash flows
For the interim six-month period ended June 30, 2021 and 2020
Expressed in Canadian Dollars

	Note	June 30, 2021 \$	June 30, 2020 \$
Cash flows from operating activities			
Loss before income tax expense for the period		(619,949)	(501,025)
Adjustments for:			
Depreciation and amortisation	10	50,875	26,576
Share based payments		-	22,083
Listing expenses		-	326,879
Interest expense from leases		7,610	3,435
		(561,464)	(122,052)
Change in operating assets and liabilities:			
Decrease / (increase) in trade receivables and other receivables		(74,356)	(89,073)
(Decrease) / increase in trade creditors and other payables		22,781	(47,685)
Research and development tax receivable	8	(241,731)	-
Movement in income taxes payable		-	29,355
Increase/(decrease) in employee benefits		(66,229)	(33,248)
Income tax refund/(payable)		2,081	-
Effect of exchange rate changes on cash		-	(17,512)
Net cash used in operating activities		(918,918)	(280,215)
Cash flows from investing activities			
Payments for property, plant and equipment		(6,984)	-
Payments for intangibles		(3,441)	(2,611)
Net cash used in investing activities		(10,425)	(2,611)
Cash flows from financing activities			
Proceeds from exercised stock options	16	15,000	-
Proceeds from issue of ordinary shares	16	-	18,196
Lease payments		(53,235)	(17,602)
Net Proceeds from private placements	16,17	2,023,188	-
Facility loan	14	(853,672)	-
Cash acquired from acquisitions		-	23,815
Proceeds from the issue of preference shares	16	-	412,615
Net cash from financing activities		1,131,281	437,024
Net increase in cash and cash equivalents		201,938	154,198
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		(19,594)	9,122
Cash and cash equivalents at the end of the financial period		<u>837,010</u>	<u>274,373</u>

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

EYefi Group Technologies Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2021 and 2020
Expressed in Canadian Dollars

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 August 26, 2021.

Effective January 1, 2020, the Company changed its presentation currency to Canadian Dollars from Australian Dollars. The financial statements as of June 30, 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 0.9295;
- Statements of profit or loss and other comprehensive income or loss have been translated using average exchange rates prevailing during the reporting period of 0.96186 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.

EYefi Group Technologies Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2021 and 2020
Expressed in Canadian Dollars

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 six months period ended June 30, 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 six months period ended June 30, 2021, 41.83% of the Company's service revenue was derived from Telstra, 29.80% from Melbourne Water, 19.72% from VicRoads, 8.16% from Department of Transport and 0.49% from Emergency Warning System, and Compared to the six months period ended June 30, 2020, 99% 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

	June 30, 2021 \$	June 30, 2020 \$
IIoT Sensor Cloud	15,601	1,189
Spatial Video Platform	257,157	94,502
Consulting fees	24,240	-
Revenue from rendering services	<u>296,998</u>	<u>95,691</u>

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

EYefi Group Technologies Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2021 and 2020
Expressed in Canadian Dollars

Note 5. Sales from rendering services (continued)

	June 30, 2021	June 30, 2020
Major customer revenue contribution		
Revenue portion of total service revenue		
Telstra	122,229	94,485
Melbourne Water	88,510	-
VicRoads	55,577	-
	<u>266,316</u>	<u>94,485</u>

Note 6. Interest expense

	June 30, 2021 \$	June 30, 2020 \$
Interest on loan facility	45,685	6,882
Interest of lease obligations	7,610	3,435
	<u>53,295</u>	<u>10,317</u>

Refer note 14 for facility loan interest payments.

Note 7. Trade and other receivables

	June 30, 2021 \$	December 31, 2020 \$
<i>Current assets</i>		
Trade receivables	76,023	31,216
GST receivable	32,991	6,911
Prepaid interest	-	46,712
	<u>109,014</u>	<u>84,839</u>

EYefi Group Technologies Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2021 and 2020
Expressed in Canadian Dollars

Note 8. 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.

Balance at December 31, 2020	220,014
Research and Development tax credits accrued	241,731
Balance at June 30, 2021	461,745

Government subsidies

The consolidated entity also received other one-off COVID-19 grants during the six month period ended June 30, 2020 which have been disclosed as Government subsidies in the profit and loss.

- Australian Government cash flow boost at the total amount of \$87,592.

	June 30, 2021 \$	June 30, 2020 \$
Government subsidies	-	87,592

Note 9. Derivative financial instruments

	June 30, 2021 \$	December 31, 2020 \$
Derivative financial assets	-	34,436

For discussion on accounting for the facility loan payable that gave rise to this asset, refer to Note 14.

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.

EYefi Group Technologies Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2021 and 2020
Expressed in Canadian Dollars

Note 9. Derivative financial instruments (continued)

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.

Since the loan was repaid on April 12, 2021, the debentures were not converted into common shares and therefore the derivative financial asset balance is NIL as at June 30, 2021 (December 31, 2020: \$34.436).

Note 10. 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%.

	Total \$
Balance at January 1 2020	140,055
Additions	-
Exchange differences	(8,438)
Depreciation expense	(26,576)
Balance at June 30, 2020	<u>105,041</u>
Balance at January 1, 2021	12,743
Additions	313,811
Exchange differences	(2,690)
Depreciation expense	(50,875)
Balance at June 30, 2021	<u>272,989</u>

Note 11. Lease bond

	June 30, 2021 \$	December 31, 2020 \$
Security deposits	<u>29,821</u>	<u>31,554</u>

EYefi Group Technologies Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2021 and 2020
Expressed in Canadian Dollars

Note 12. 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.

	June 30, 2021 \$	December 31, 2020 \$
<i>Current liabilities</i>		
Lease liability	33,096	18,968
<i>Non-current liabilities</i>		
Lease liability	245,470	-
	<u>278,566</u>	<u>18,968</u>

Note 13. 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.

	June 30, 2021 \$	December 31, 2020 \$
Contract liabilities	<u>313,018</u>	<u>331,203</u>

Note 14. 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:

- 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

EYefi Group Technologies Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2021 and 2020
Expressed in Canadian Dollars

Note 14. Facility loan payable (continued)

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.

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.

	June 30, 2021 \$	December 31, 2020 \$
Facility loan payable	-	853,672
Interest on facility loan	45,685	6,882

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

Note 15. Reverse take-over

Cost of acquisition

Shares of the resulting issuer issued to shareholder of EYEFI	320,248
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Cost allocated as follows

<i>Net assets acquired</i>	23,815
Other assets	35,032

Total net assets of EYEFI acquired	58,847
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RTO Expense*	261,401
Transactional Expense	65,478

Total listing expense	326,879
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*EYEFI did not constitute a business as defined by IFRS 3. Accordingly, the excess of the consideration paid was recorded as share based payment under IFRS 2.

Share capital in the Company

Issue of new share capital per financing

The Company completed the RTO on May 27, 2020 and issued 4,003,100 shares at share price of \$0.08 based on equity raised by EYefi Group Technologies Inc. immediately prior to the RTO.

EYefi Group Technologies Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2021 and 2020
Expressed in Canadian Dollars

Note 16. Issued capital

a) Authorized: Unlimited common shares without par value

b) Shares issued

Details	Date	Number of Shares	Value of Shares \$
Balance	January 1, 2021	23,005,600	3,649,090
Issue of shares - exercised options	January 12, 2021	50,000	5,000
Issue of shares - private placement	March 31, 2021	4,400,000	1,764,151
Capital raising costs	March 31, 2021	-	(141,944)
Issue of shares - exercised options	April 1, 2021	100,000	10,000
Balance at June 30, 2021		<u>27,555,600</u>	<u>5,286,297</u>

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.

- 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

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Note 16. Issued capital (continued)

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.

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

On the May 5, 2021, EYEFI announced the appointment of Jeff Sharp to the Company's Australian based advisory board to assist with expansion activities. Jeff Sharp's remuneration included 20,000 options with an exercise price of \$1.18, with no vesting conditions with a 12 month expiry. An additional 100,000 options were granted with an exercise price of \$1.30, with vesting conditions (remain as consultant and provide a minimum of 3 strategic referrals) with an 18 month expiry.

On the June 23, 2021, EYEFI announced the appointment of Dr Ian Meredith to the Company's US based advisory board to assist with expansion activities. Dr Ian Meredith's remuneration included 20,000 options with an exercise price of \$0.82, with no vesting conditions with a 12 month expiry. An additional 100,000 options were granted with an exercise price of \$1.30, with vesting conditions (remain as consultant and provide a minimum of 3 strategic referrals) with an 18 month expiry.

The following table summarizes information about the share options as at June 30, 2021.

Details	Date	Number of Options	
Balance at January 1, 2021	January 1, 2021	640,000	
Exercise of options	January 15, 2021	(50,000)	
Exercise of options	April 1, 2021	(100,000)	
Issue of options	May 5, 2021	120,000	
Issue of options	June 23, 2021	120,000	
Balance at June 30, 2021		<u>730,000</u>	

Expiry Date	Exercise price \$	Remaining life (Years)	Options Outstanding
December 4, 2022	\$0.10	1.43	490,000
May 5, 2022	\$1.18	0.85	20,000
November 5, 2022	\$1.30	1.35	100,000
June 23, 2022	\$0.82	0.98	20,000
December 23, 2022	\$1.30	1.48	100,000

Note 17. 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

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.

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Note 17. Warrants (continued)

	June 30, 2021 \$	December 31, 2020 \$
Warrants	400,981	-

The balance of the warrants as at June 30, 2021 is as follows:

Expiry date	Exercise price	Remaining life (Years)	Warrants outstanding
March 31, 2022	\$0.75	0.75	4,400,000

Note 18. Loss per share

	3 Months Ended June 30, 2021 \$	June 30, 2020 \$	6 Months Ended June 30, 2021 \$	June 30, 2020 \$
Loss after income tax attributable to the owners of EYefi Group Technologies Inc.	(538,272)	(392,942)	(619,949)	(501,025)
	Number	Number	Number	Number
Weighted average number of common shares used in calculating basic earnings per share	27,554,501	15,485,738	25,314,164	16,431,700
Weighted average number of common shares used in calculating diluted earnings per share	27,554,501	15,485,738	25,314,164	16,431,700
	Cents	Cents	Cents	Cents
Basic and diluted loss per share	(0.02)	(0.03)	(0.03)	(0.03)

Accounting policy

Basic earnings 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 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 June 30, 2021, the fair value of cash and cash equivalents 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, trade receivables, 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 \$
June 30, 2021						
Trade and other payables	198,423	-	-	-	-	198,423
Facility loan payable	-	-	-	-	-	-
	<u>198,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,423</u>
	0-30 Days	30-60 Days	60-90 Days	90-365 Days	1-5 Years	Total \$
December 31, 2020						
Trade and other payables	176,839	-	-	-	-	176,839
Facility loan payable	-	-	-	-	833,507	833,507
	<u>176,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>833,507</u>	<u>1,010,346</u>

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Note 20. Key management personnel

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below. Simon Langdon is the only member of key management personnel for the period.

	June 30, 2021 \$	June 30, 2020 \$
Salaries	212,077	71,677
Short-term benefits	8,472	8,838
Other-long term benefits	17,055	7,536
Post-employment benefits	17,178	6,809
	<u>254,782</u>	<u>94,860</u>
Total short-term employee benefits	<u>254,782</u>	<u>94,860</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 six months ended June 30, 2021, the Company has approximately \$NIL (2020 - 148) of accrued payables to a Director of the Company for expenses incurred on the Company's behalf and approximately \$3,626 (2020 - \$3,695) 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.

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 two directors the AUD\$200,000 facility loan.

There were no other transactions with related parties for the six months period ended June 30, 2021.

Note 22. Events after the reporting period

On July 15, 2021, EYEFI retained Gale Capital Corporation to assist with investor relations activities, including communicating and marketing to potential investors, brokers, shareholders and media contacts.

Under the terms signed, Gale was granted 100,000 incentive stock options to acquire common shares of the Company ("Shares") with an exercise price of \$0.71 per share. In the event of early termination of the Agreement, the number of options would reduce accordingly. The options vest over the 12-month term of the Investor Relations Agreement with no more than 25% of the options vesting in any three-month period and expire on termination of the Agreement. The Shares issued upon exercise of the options have a hold period of four months and one day from the date of issue of the Shares.

No other matter or circumstance has arisen since June 30, 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.