

EYEfi Group Technologies Inc.

Unaudited Condensed Interim Consolidated Financial Statements – March 31, 2023

For the Three Months Ended March 31, 2023 and 2022

(Unaudited)

(Expressed in Canadian Dollars)

EYefi Group Technologies Inc.

Expressed in Canadian Dollars

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For the three-months ended March 31, 2023 and 2022

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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 statement of financial position
As at March 31, 2023

	Note	March 31, 2023 \$	December 31, 2022 (Audited) \$
Assets			
Current assets			
Cash		152,858	146,979
Trade and other receivables	7	3,457	1,006
Research and development tax credits receivable	8	72,088	376,113
Prepayments		-	130
Total current assets		<u>228,403</u>	<u>524,228</u>
Non-current assets			
Equipment		4,910	5,523
Right-of-use assets	9	136,471	157,410
Intangibles		33,550	35,346
Lease bond		29,073	29,509
Total non-current assets		<u>204,004</u>	<u>227,788</u>
Total assets		<u>432,407</u>	<u>752,016</u>
Liabilities			
Current liabilities			
Trade and other payables		163,835	416,129
Facility loan payable	10	208,031	202,076
Lease liabilities	11	79,360	78,504
Short-term employee benefits		61,222	56,920
Contract liabilities	12	305,105	333,961
Related party loans	18	146,257	70,279
Total current liabilities		<u>963,810</u>	<u>1,157,869</u>
Non-current liabilities			
Lease liabilities	11	72,308	94,419
Long-term employee benefits		7,111	5,854
Total non-current liabilities		<u>79,419</u>	<u>100,273</u>
Total liabilities		<u>1,043,229</u>	<u>1,258,142</u>
Equity (deficiency)			
Issued capital	13	5,779,104	5,779,104
Contributed surplus		183,089	161,417
Equity component of convertible debt		18,176	18,176
Cumulative translation adjustment		(62,577)	(69,218)
Accumulated deficit		<u>(6,528,614)</u>	<u>(6,395,605)</u>
Total equity (deficiency)		<u>(610,822)</u>	<u>(506,126)</u>
Total liabilities and shareholder's equity (deficiency)		<u>432,407</u>	<u>752,016</u>
On behalf of the Board:			
<u>"Simon Langdon"</u> Director		<u>"Anoosh Manzoori"</u> Director	

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

EYefi Group Technologies Inc.
Expressed in Canadian Dollars
Unaudited Condensed Interim Consolidated statement of loss and other comprehensive loss
For the three-months ended March 31, 2023 and 2022

	Note	March 31, 2023 \$	March 31, 2022 \$
Revenue			
Sales from rendering services	6	119,683	157,408
Cost of Sales		<u>(80,400)</u>	<u>(89,423)</u>
Gross profit		<u>39,283</u>	<u>67,985</u>
Interest received		530	-
Research and development tax credits	8	73,545	95,442
Expenses			
Administration		(80,517)	(171,742)
Employee benefits expense		(111,641)	(187,142)
Depreciation and amortization expense		(20,825)	(22,744)
Interest expense		(5,133)	(5,136)
Marketing		(6,579)	(33,920)
Share-based payments		<u>(21,672)</u>	<u>-</u>
Loss before income tax expense		(133,009)	(257,257)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the period		(133,009)	(257,257)
Other comprehensive income			
Foreign currency translation		<u>6,641</u>	<u>6,728</u>
Other comprehensive income for the period, net of tax		<u>6,641</u>	<u>6,728</u>
Total comprehensive loss for the period		<u><u>(126,368)</u></u>	<u><u>(250,529)</u></u>
		\$	\$
Basic and diluted loss per share	15	(0.005)	(0.009)

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

EYefi Group Technologies Inc.
Expressed in Canadian Dollars
Unaudited Condensed Interim Consolidated statement of changes in equity
For the three-months ended March 31, 2023 and 2022

	Number of shares \$	Issued capital \$	Contributed surplus \$	Warrants \$	Cumulative translation adjustment \$	Accumulated deficit \$	Total equity \$
Balance at January 1, 2022	27,555,600	5,292,160	113,761	399,524	(60,015)	(5,405,126)	340,304
Loss after income tax expense for the period	-	-	-	-	-	(257,257)	(257,257)
Other comprehensive income for the period, net of tax	-	-	-	-	6,728	-	6,728
Share-based payments	-	-	1,977	-	-	-	1,977
Balance at March 31, 2022	<u>27,555,600</u>	<u>5,292,160</u>	<u>115,738</u>	<u>399,524</u>	<u>(53,287)</u>	<u>(5,662,383)</u>	<u>91,752</u>

	Number of shares \$	Issued capital \$	Contributed surplus \$	Warrants \$	Equity component of convertible debt \$	Cumulative translation adjustment \$	Accumulated deficit \$	Total equity \$
Balance at January 1, 2023	28,045,600	5,779,104	161,417	-	18,176	(69,218)	(6,395,605)	(506,126)
Loss after income tax expense for the period	-	-	-	-	-	-	(133,009)	(133,009)
Other comprehensive income for the period, net of tax	-	-	-	-	-	6,641	-	6,641
Share-based payments	-	-	21,672	-	-	-	-	21,672
Balance at March 31, 2023	<u>28,045,600</u>	<u>5,779,104</u>	<u>183,089</u>	<u>-</u>	<u>18,176</u>	<u>(62,577)</u>	<u>(6,528,614)</u>	<u>(610,822)</u>

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

EYefi Group Technologies Inc.
Expressed in Canadian Dollars
Unaudited Condensed Interim Consolidated statement of cash flows
For the three-months ended March 31, 2023 and 2022

	Note	March 31, 2023 \$	March 31, 2022 \$
Cash flows from operating activities			
Loss before income tax expense for the period		(133,009)	(257,257)
Adjustments for:			
Accretion expense	10	5,955	-
Depreciation and amortization		20,825	22,744
Share-based payments	19	21,672	1,977
Interest on lease obligations	11	2,794	4,088
		<u>(81,763)</u>	<u>(228,448)</u>
Change in operating assets and liabilities:			
Increase in trade and other receivables		(2,451)	(11,100)
Decrease in prepayments		130	-
Research and development tax credits receivable		304,491	(106,947)
Increase/(decrease) in trade and other payables		(252,294)	94,281
Decrease in contract liabilities		(24,401)	-
Increase/(decrease) in employee benefits		5,559	(10,462)
		<u>(50,729)</u>	<u>(262,676)</u>
Net cash used in operating activities		<u>(50,729)</u>	<u>(262,676)</u>
Net cash provided by investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Lease payments	11	(21,869)	(21,303)
Net proceeds from related party loans		77,017	-
		<u>55,148</u>	<u>(21,303)</u>
Net cash provided by (used in) financing activities		<u>55,148</u>	<u>(21,303)</u>
Net increase/(decrease) in cash		4,419	(283,979)
Cash at the beginning of the financial period		146,979	354,947
Effects of exchange rate changes on cash		1,460	5,771
		<u>152,858</u>	<u>76,739</u>
Cash at the end of the financial period		<u><u>152,858</u></u>	<u><u>76,739</u></u>

The above unaudited condensed interim consolidated statement 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, 2023 and 2022

Note 1. Nature of operations and going concern

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 #800-1281 W. Georgia Street, Vancouver BC, V6E 3J7 Canada and 17/71 Victoria Crescent, Abbotsford, Victoria 3067 Australia. The Company became a Reporting Issuer on November 10, 2020. On December 4, 2020, the Company commenced trading on the Canadian Stock Exchange under the symbol "EGTI".

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.

The Company's condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of the presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. The Company incurred a loss of \$133,009 for the 3 months period ended March 31, 2023, (2022 - \$257,257) and as of that date has an accumulated deficit of \$6,528,614 (2022 - \$5,662,383). To date, the Company has funded operations through external financing and revenue from operations. The Company's ability to continue as a going concern is dependent upon its ability to achieve profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the company's ability to continue as a going concern. The consolidated financial statements do not reflect adjustments that would be necessary if the going assumption was not appropriate. These adjustments could be material.

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, United States and Australia, 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 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.

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 23, 2023.

Note 2. Basis of preparation

Statement of compliance

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.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of the Company's subsidiaries is the Australian dollar.

IAS 21 prescribes how an entity should: account for foreign currency transactions; translate financial statements of a foreign operation into the entity's functional currency; and translate the entity's financial statements into a presentation currency, if different from the entity's functional currency. The financial statements as of March 31, 2023 and for the year ended December 31, 2022, have been translated into Canadian Dollars in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", as follows:

EYefi Group Technologies Inc.
Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the three-months ended March 31, 2023 and 2022

Note 2. Basis of preparation (continued)

- Assets and liabilities presented and previously reported in Australian Dollars and have been translated into Canadian Dollars using the period-end-exchange rate;
- Statements of profit or loss and other comprehensive income or loss have been translated using average exchange rates prevailing during the reporting period;
- Shareholders' equity (deficiency) 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 cumulative translation adjustment account on translation.

Foreign currency transactions

Foreign currency transactions are translated into the consolidated entity's functional currency 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. For the purpose of the consolidated financial statements, assets and liabilities of the entities that have functional currencies other than the Canadian dollar are translated to Canadian dollars at the reporting date using the closing exchange rate. Revenue and expenses are translated at period average exchange rates that approximate those in effect at the transaction dates. Differences arising from these foreign currency translations are recognized in Cumulative Translation Adjustment ("CTA") and presented within equity.

Note 3. Summary of significant accounting policies

These condensed interim consolidated financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended December 31, 2022.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Note 4. Accounting policies

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 5. 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, 2023, there have been no changes from prior periods to measurement methods used to determine the segment's profit or loss.

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Notes to the unaudited condensed interim consolidated financial statements
For the three-months ended March 31, 2023 and 2022

Note 6. Revenue

	March, 31 2023 \$	March 31, 2022 \$
IloT Sensor Cloud	9,243	-
Spatial Video Platform	110,440	157,408
	<u>119,683</u>	<u>157,408</u>

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

Major customer revenue contribution:

	March 31, 2023 \$	March 31, 2022 \$
<i>The following customers contributed more than 10% of the total revenue:</i>		
Telstra	83,635	55,829
Melbourne Water	36,048	101,579
	<u>119,683</u>	<u>157,408</u>

Major customers

Telstra is an Australian telecommunications company that 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 protects Melbourne's major water resources, including the water storage reservoirs and how drinking water is supplied.

Note 7. Trade and other receivables

	March 31, 2023 \$	December 31, 2022 (Audited) \$
<i>Current assets</i>		
Goods and services tax credits	1,006	1,006
BAS receivable	2,451	-
	<u>3,457</u>	<u>1,006</u>

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.

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Note 8. Research and development tax credits receivable (continued)

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 lodgement of those claims.

	Total \$
Balance at January 1, 2022	420,848
Amounts Received	(424,115)
Amounts Accrued	378,373
Exchange Differences	1,007
Balance at December 31, 2022	<u>376,113</u>
Amounts Received	(378,036)
Amounts Accrued	73,545
Exchange Differences	466
Balance at March 31, 2023	<u><u>72,088</u></u>

Note 9. 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 four years and a lease liability is measured at the present value of the lease payments unpaid at commencement date, discounted using the consolidated entity's incremental borrowing rate of 6%.

The Company has one further option to extend the lease (for a further four years) with the last day to exercise the option being November 1, 2024. Given the uncertainty as to whether the option will be exercised at the end of the lease term, this has not been factored into the lease liability calculation.

	Total \$
Balance at January 1, 2022	231,391
Exchange Differences	107
Depreciation Expense	(74,088)
Balance at December 31, 2022	<u>157,410</u>
Exchange Differences	(1,953)
Depreciation Expense	(18,986)
Balance at March 31, 2023	<u><u>136,471</u></u>

Note 10. Facility loan payable

On November 29, 2022, the Company entered into an unsecured loan facility agreement with its shareholder Atom Jack Pty Ltd (the "Lender") and was advanced \$225,000. The loan bears interest of 10% per annum, and the interest \$22,500 was paid upfront to the lender on December 6, 2022, within 5 days upon receipt of the principal. The maturity date on the loan facility is November 29, 2023.

The principal amount of \$225,000, is convertible into 592,105 common shares of the Company at a price of \$0.38 per share. If the conversion option is not exercised by the Lender, the principal is repayable on the first anniversary of the loan facility agreement.

EYefi Group Technologies Inc.
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Note 10. Facility loan payable (continued)

The terms of the loan facility agreement also include the issuance of 592,105 bonus warrants to the Lender. Each bonus warrant grants the Lender the option to purchase one common share of the Company at an exercise price of \$0.40, expiring on November 25, 2024.

The facility loan contains both a financial liability component and an equity component given the conversion feature and the bonus warrants grant the Lender the option to acquire an equity interest in the Company and meet the fixed-for-fixed criteria. The Company bifurcated the loan facility using a discounted cash flow model and recognized a financial liability of \$200,000, representing the fair value of the liability component discounted at a rate of 12.5%. The equity component consists of the conversion feature and the bonus warrants and was assigned a fair value of \$25,000.

	Total \$
Balance at December 31, 2021	-
Issuance of convertible debt	225,000
Equity portion of the convertible debt	(25,000)
Accretion interest	2,076
Balance at December 31, 2022	<u>202,076</u>
Accretion interest	<u>5,955</u>
	<u><u>208,031</u></u>

Note 11. Lease liabilities

	Total \$
Balance at January 1, 2022	241,805
Payments towards lease	(82,209)
Accretion	13,086
Exchange Differences	241
Balance at December 31, 2022	<u>172,923</u>
Payments towards lease	(21,869)
Accretion	2,794
Exchange Differences	(2,180)
Balance at March 31, 2023	<u><u>151,668</u></u>

Refer to note 9 for further information on right-of-use assets.

	March 31, 2023 \$	December 31, 2022 (Audited) \$
Current lease liabilities	79,360	78,504
Non-current lease liabilities	<u>72,308</u>	<u>94,419</u>
	<u><u>151,668</u></u>	<u><u>172,923</u></u>

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Note 12. Contract liabilities

Contract liabilities presented in the consolidated statements of financial position represents deferred revenue relating to server licenses of EYefi's Spatial Video/SPARC platform deployed in 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, 2023 \$	December 31, 2022 (Audited) \$
Contract liabilities	305,105	333,961

Note 13. Issued capital

	March 31, 2023 Shares	December 31, 2022 (Audited) Shares	March 31, 2023 \$	December 31, 2022 (Audited) \$
Ordinary shares - fully paid	28,045,600	28,045,600	5,779,104	5,779,104

Movements in ordinary share capital

Details	Shares	\$
Balance - January 1, 2022	27,555,600	5,292,160
Exercised options	490,000	87,420
Warrants expired	-	399,524
Balance - December 31, 2022	<u>28,045,600</u>	<u>5,779,104</u>
Balance - March 31, 2023	<u>28,045,600</u>	<u>5,779,104</u>

Ordinary shares

Ordinary shares entitle the holder voting rights and to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorized capital.

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 Company 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 \$184,167. The fair value of the warrants issued during the year ended December 31, 2021, allocated to warrants as part of the Offering, was \$435,849. The warrants were valued using the Barrier option pricing model; refer to note 14 for further details.

Exercised options

During the year ended December 31, 2022, 490,000 options were exercised at \$0.10 per share. Refer to note 19 for further details.

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Notes to the unaudited condensed interim consolidated financial statements
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Note 14. Warrants

On November 29, 2022, the Company issued 592,105 bonus warrants in connection with the loan facility agreement described in note 10. The bonus warrants were assigned a fair value of \$nil.

On March 31, 2021, The Company issued 4,400,000 warrants in connection with the private placement transaction described in note 13. 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.

On March 11, 2022, the Company amended the warrants to extend the exercise term from March 31, 2022 to September 30, 2022. The warrants are otherwise unaltered. On September 30, 2022, the 4,400,000 warrants were expired without exercise and a value of \$399,524 was transferred from warrant reserves to issued capital as a result.

Warrants outstanding as at March 31, 2023 are summarized below:

Details		
Balance at December 31, 2021		4,400,000
Expired warrants	September 30, 2022	(4,400,000)
Issue of warrants	November 29, 2022	592,105
Balance at December 31, 2022		<u>592,105</u>
Balance at March 31, 2023		<u>592,105</u>

The balance of the warrants outstanding and exercisable as at March 31, 2023 is as follows:

Expiry Date	Exercise Price	Remaining Life (Years)	Warrants Outstanding
November 25, 2024	\$0.40	1.66	592,105

Note 15. Loss per share

	March 31, 2023	March 31, 2022
	\$	\$
Loss after income tax attributable to the owners of EYefi Group Technologies Inc.	<u>(133,009)</u>	<u>(257,257)</u>
	Number	Number
Weighted average number of common shares used in calculating basic loss per share	<u>28,045,600</u>	<u>27,555,600</u>
Weighted average number of common shares used in calculating diluted loss per share	<u>28,045,600</u>	<u>27,555,600</u>
	\$	\$
Basic and diluted loss per share	(0.005)	(0.009)

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Note 16. 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.

The Company's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the operations. 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.

The Company's financial instruments consist of cash, trade and other receivables, and trade and other payables as their carrying values approximate the fair values because of the short-term nature of these instruments. The employee benefits are carried at amortized cost and carried at the Company's estimated settlement value.

The Company's financial instruments classified as level 1 in the fair value hierarchy is cash. Trade and other receivables, trade and other payables, and related party loans are short term which approximate their fair value. Lease liabilities, employee benefits and facility loan payable use a market rate to approximate their fair value.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The cash at bank is subject to credit risk where the bank cannot repay the principal and interest to the Company. The Company mitigates this risk by using the major banks in Australia and Canada. 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. Liabilities are payable as follows:

	0-30 Days \$	30-60 Days \$	60-90 Days \$	90-365 Days \$	1-5 Years \$	Total \$
March 31, 2023						
Trade and other payables	163,835	-	-	-	-	163,835
Lease liabilities	-	-	-	79,360	72,308	151,668
Facility loan payable	-	-	-	225,000	-	225,000
Related party loans payable	4,548	-	-	141,709	-	146,257

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Note 16. Financial instruments and risk management (continued)

	0-30 Days \$	30-60 Days \$	30-90 Days \$	90-365 Days \$	1-5 Years \$	Total \$
December 31, 2022						
Trade and other payables	416,129	-	-	-	-	416,129
Lease liabilities	-	-	-	86,752	97,765	184,517
Facility loan payable	-	-	-	225,000	-	225,000
Related party loans payable	-	-	-	70,279	-	70,279

Currency risk

The Company's main operating business is in Australia. As such, the Company is exposed to some foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar and Australian dollar may have an adverse effect on the Company's business. The Company may mitigate its foreign currency risk by substituting Canadian vendors for certain services. Foreign currency risk is considered low relative to the overall financial operating plan.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's facility loan payable (note 10) currently provides for interest at 10% per annum.

Note 17. 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, 2023 \$	March 31, 2022 \$
Salaries	74,127	94,471
Short-term benefits	40,840	41,149
Other long-term benefits	5,271	1,203
Post-employment benefits	7,783	6,465
	<u>128,021</u>	<u>143,288</u>

Note 18. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 17.

Transactions with related parties

For the three months ended March 31, 2023, the Company paid accountancy and advisory fees of \$44,366 (2022 - \$47,715) to DLK Advisory (DLK). DLK acts as the Company's CFO team and Tax advisory team. Ben Melin, who acts as the secretary/public officer of EYefi Group Technologies Inc and its wholly-owned subsidiaries, is also a director at DLK.

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Note 18. Related party transactions (continued)

Loans to/from related parties

On May 1, 2022, the Company entered into a loan facility agreement with Brendan Dunne, the Chief Operating Officer of the company, to borrow an amount up to \$46,025 (AUD \$50,000). As at March 31, 2023, the outstanding balance of the loan is \$45,300 (AUD \$50,000).

On October 1, 2022, the company entered into a loan facility agreement with Simon Langdon, the Chief Executive Officer of the company, to borrow an amount up to \$181,400 (AUD \$200,000). As at March 31, 2023, the outstanding balance of the loan is \$96,409 (AUD \$106,411).

Both facility loans are unsecured, non-interest bearing, and have a maximum term of 12 months from loan commencement date. On May 1, 2023, Brendan Dunne has agreed to extend the term of the loan for another 6 months.

On March 29, 2023, DLK extended a short-term credit of \$4,553 (AUD \$5,020) to the company to meet a temporary working capital short-fall. As at March 31, 2023, the outstanding balance of the loan is \$4,548 (AUD \$5,020).

There were no other transactions with related parties during the year ended March 31, 2023.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 19. Stock options

On 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 three strategic referrals) with an 18-month expiry. The fair value of the options granted was \$9,278 and \$42,665 (\$22,326 recorded in 2021 and \$20,339 recorded in 2022) respectively. On June 23, 2022, the 20,000 options issued to Ian Meredith with an exercise price of \$0.82 expired. On December 23, 2022, the 100,000 options issued to Ian Meredith with an exercise price of \$1.30 expired. Upon expiry, the aggregate fair value of \$51,943 was transferred from contributed surplus to deficit.

On July 15, 2021, EYEFI retained Gale Capital Corporation ("Gale") 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 options with an exercise price of \$0.71 per share, with a 12-month expiry. The options vest evenly on a monthly basis 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 options have a fair value of \$39,547 (\$31,440 recorded in 2021 and \$8,107 recorded in 2022). On July 15, 2022, the 100,000 options issued to Gale expired, and the fair value of \$39,547 was transferred from contributed surplus to deficit.

On June 17, 2022, Polygon Fund Pty Ltd ATF Polygon Fund Unit Trust exercised 90,000 options at \$0.10 share price. The Company issued 90,000 shares and received gross proceeds on exercise of \$9,000. The fair value of \$7,057 was transferred from contributed surplus to issued capital.

On July 8, 2022, Cheryl Hargrave-Hill exercised 150,000 options at \$0.10 share price. The Company issued 150,000 shares and received gross proceeds on exercise of \$15,000. The fair value of \$11,761 was transferred from contributed surplus to issued capital.

On October 13, 2022, EYEFI issued 500,000 options each (1,000,000 options in total) to Polygon Fund Pty Ltd ATF Polygon Unit Trust, owned by Anoosh Manzoori, and Accelerative Investments Pty Ltd, owned by Justin Hanka, in connection with their appointment as non-executive directors of the Company, announced on December 15, 2022. The options have an exercise price of \$0.50 per share and expiry date of December 31, 2024. The shares issuable upon exercise of the options will have a four-month holding period and one day. The options have a fair value of \$161,419.

The stock options granted during the years ended December 31, 2022 and 2021 were determined using Black-Scholes pricing model at the weighted average assumptions as follows:

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Note 19. Stock options (continued)

	2022	2021
Share price	\$0.40	\$0.70 - \$1.17
Expected volatility	83.59%	130% - 160%
Expected life	2.22 years	1 - 1.5 years
Expected dividends	-%	-%
Risk-free interest rate	4.11%	0.30% - 0.42%

On November 30, 2022, Chajasa Pty Ltd exercised 100,000 options at \$0.10 share price. The Company issued 100,000 shares and received gross proceeds on exercise of \$10,000. The fair value of \$7,842 was transferred to issued capital.

On December 4, 2022, Simon Langdon exercised 50,000 options at \$0.10 share price. The Company issued 50,000 shares and received gross proceeds on exercise of \$5,000. The fair value of \$3,920 was transferred to issued capital.

On December 8, 2022, Gilkat Pty Ltd exercised 50,000 options at \$0.10 share price. The Company issued 50,000 shares and received gross proceeds on exercise of \$5,000. The fair value of \$3,920 was transferred to issued capital.

On December 14, 2022, Wasals Investments Pty Ltd exercised 50,000 options at \$0.10 share price. The Company issued 50,000 shares and received gross proceeds on exercise of \$5,000. The fair value of \$3,920 was transferred to issued capital.

On February 2, 2023, EYEFI retained public eye CONSULTING BUSHE ("Public Eye") to facilitate a new listing application for the Frankfurt Stock Exchange (FSE). Under the terms signed, Public Eye was granted 200,000 options with an exercise price of \$0.50 per share and expiry date of February 2, 2026. Public Eye has chosen "Karsten Busche" as the nominee Option holder. The shares issued upon exercise of the options will have a four-month holding period and one day. The options have a fair value of \$21,672.

The stock options granted during the three months ended March 31, 2023 were determined using Black-Scholes pricing model with the following estimated assumptions:

Share price	\$0.30
Expected volatility	83.01%
Expected life	3 years
Expected dividends	-%
Risk-free interest rate	4.11%

	Weighted average exercise price	Number of stock options outstanding
Balance at December 31, 2021	\$0.38	710,000
Granted	\$0.50	1,000,000
Exercised	\$0.10	(490,000)
Expired	\$0.99	(220,000)
Balance at December 31, 2022		<u>1,000,000</u>
Granted	\$0.50	<u>200,000</u>
Balance at March 31, 2023		<u><u>1,200,000</u></u>

As at March 31, 2023, the Company had the following stock options outstanding and exercisable:

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Note 19. Stock options (continued)

Expiry date	Weighted average exercise price \$	Weighted average remaining life (Years)	Options outstanding and exercisable
December 31, 2024	\$0.50	1.76	1,000,000
February 2, 2026	\$0.50	2.85	200,000

Note 20. Events after the reporting period

The Company advised in the News Release dated May 2, 2023 that its contract with Telstra, in relation to the services provided to Department of Transport (DoT), is coming to an end. In FY2022, Telstra provided \$301,625 in contract revenue to EYefi for servicing the DoT. EYEFi has been advised by Telstra the project has been decommissioned as part of a major managed services review, which the EYEFi solution is part of and no longer be required. The Company has not received the final letter from Telstra detailing the end date but has started decommissioning some of the services.

The loss in revenue will have a material impact on EYefi's operations and the board is undertaking a strategic review of the business. Simon Langdon and management are proactively managing company expenditure and sales activities across all product lines including the Axis camera opportunity.

No other matter or circumstance has arisen since March 31, 2023 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.