

**EONX Technologies Inc.**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2021**

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**DISCLAIMER FOR FORWARD-LOOKING INFORMATION**

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations, or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance, or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of June 30, 2021. These assumptions, which include, management's current expectations, estimates and assumptions about the global economic environment may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn or volatility in general economic conditions, (2) our expectations regarding revenue, expenses, operations and costs, (3) meeting our anticipated cash needs and the need for additional financing, (4) our competitive position, (5) meeting our expected business objectives and milestones, (6) adverse effects for the global coronavirus pandemic and (7) future dilution to existing and future shareholders, (8) cybersecurity attacks and data breaches, (9) changes in laws and industry regulations and (10) other factors beyond our control. There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. Unless otherwise required by applicable securities laws, the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new events, circumstances and information, future events or results or otherwise. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

**1.1 – Date and Basis of Discussion & Analysis**

This management discussion and analysis ("MD&A") is dated as of October 26, 2021 and should be read in conjunction with the audited consolidated financial statements of EonX Technologies Inc for year ended June 30, 2021 ("Financial Statements"). These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Unless expressly stated otherwise, all financial information is presented in Australian dollars.

**1.2 – Overall Performance**

**Overview**

EonX Services Pty Ltd. ("EonX") provides Enterprise Clients with a branded web and mobile platform to better engage with their customers using payment and loyalty solutions. The solutions include a payment processor, e-wallets, inventory of online loyalty cards and an online store marketplace. The implementation of the EonX solution allows Enterprise Clients to improve customer satisfaction, reduce customer churn, and build loyalty.

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**1.2 – Overall Performance – continued**

**Business Model**

EONX charges an annual platform fee plus transaction fees to its Enterprise Clients. The Enterprise Clients integrate the EONX Platform with their existing website. Their end user customers are then invited into the White Label Platform that leads to payment processing and sale of products, vouchers and gift cards, and other services and earn reward points on every transaction. EONX charges either a monthly fee or a fee on every transaction generated in its platform.

**MATERIAL CONTRACTS**

**Clients and Channel Partners**

All agreements with the Company's Enterprise clients for the EONX Platform and EONX Program include: EONX White Label Sites, Platforms and software; a fully paid-up, non-exclusive non-transferable license to allow the clients and their members to access and use the EONX Program as a service over the internet; contain confidentiality and privacy agreements; no transfer of intellectual property; governance by Australian law and limitations on liability.

EONX is required to manage a Customer Call Centre for each client, seven days a week, with a 1300 telephone number and email address for member's enquiries staffed by EONX Pty employees (the "1300 Help Desk").

The EONX Program is integrated into each client's software and available to all members of each client on their respective websites.

All \$ amounts disclosed in this Material Agreements section are in AUD\$.

EONX signed two New Clients and Channel Partners in the year ended 30 June 2021.

**Fletcher Building Ltd Pty Ltd. ("Stramit")**

Stramit is a division of ASX listed Fletcher Building Ltd, one of the largest building supply companies in Australasia, supplying products to a national network of businesses and contractors across the industry. EONX will provide Stramit with the SteelCred Program, designed to reward Stramit customers by influencing their spending behavior to help grow Stramit's market share. Customers will earn points from their spending activity that can be redeemable on a wide selection of rewards, products and gift cards via the EONX marketplace. EONX will receive transaction fees on VISA and MASTERCARD payment processing, and process all marketplace rewards points and transactions on its platform. EONX will also receive a software platform fee of \$625,000 including \$355,000 payable in the first two years of the contract period and an additional two-year option for a further \$270,000.

**Mastercard Loyalty Solutions Pty Ltd. ("Mastercard")**

EONX signed a two year agreement with Mastercard Loyalty Solutions for provision and fulfilment of physical and digital gift cards in Australia. EONX has established a successful loyalty platform that includes delivering digital and physical gift card solutions to leading Australian enterprises. This includes agreements with major national retail brands in Australia, and now advanced in launching a similar solution in the United States. Mastercard delivers a global loyalty and rewards program for their partners, which rewards customer spending habits and helps influence customer behavior. The strategic Master Supplier Agreement with Mastercard is the first step for EONX to deliver digital and physical gift card

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**1.2 – Overall Performance – continued**

solutions to Mastercard’s customers and network of partners. EONX will facilitate the end-to-end creation, distribution, stock management, warehousing and fulfilment of digital and physical gift cards for Mastercard Loyalty Solutions. The commercial terms are yet to be fully determined including the amount of inventory EONX is required to hold.

**EXISTING MATERIAL CONTRACTS**

**Symbion**

Symbion is fully owned by EBOS GROUP LIMITED (listed on the ASX, \$4B market cap). EBOS is the largest human and animal healthcare company in Australasia. Symbion is an Australian national wholesaler of healthcare services and products. It discloses it has over 4,000 retail pharmacy customers (“Pharmacies”) and 1,300 hospital customers across Australia. Dun & Bradstreet advises they have 2,316 employees across all locations and had annual revenue of USD\$4.35 billion in 2020. They process over \$8 Billion in transactions per year. It has 11 warehouses around Australia and coordinates daily delivery and houses over 16,500 product lines from more than 550 manufacturing partners.

The signed contract with EONX allows the Company to provide payment processing and loyalty reward points to the Pharmacies. Symbion will save on the transaction payment fees and also allow it to provide the Symbion Points (powered by EONX) to the pharmacies to drive higher transaction volumes. These points can be used in the Symbion marketplace (a white label e-store run by EONX) of which EONX also receives further fees. The system will go live in January 2022 and will see revenue from this contract climb quarter by quarter as pharmacies start using it. Symbion client members can register to participate in the Eonx program, set a Program Tier, pay invoices, be awarded Program Points upon payment of client invoices and Client Members can redeem Program points for products, concierge payments or transfer Program points to an affiliated points partner

An establishment fee of up to \$250,000 is payable but will be waived on the condition that both parties use reasonable effort to implement the Eonx Program. \$250,000 is payable if the agreement is terminated within 6 months of the Program Commencement Date, \$150,000 is payable if termination within 6-12 months of Program Commencement Date and \$50,000 if agreement is terminated within 12-18 months of Program Commencement in June 2021.

**Payment Service Fees**

Payment type	Service Fee
Visa and MasterCard	1.2%
American Express	1.99%
Direct debit	\$0.10
BPay	\$0.80
Chargeback fee	\$ 45.

**Henry Schein Regional Pty Ltd. dba Henry Schein Trust (“Schein”)**

The Schein agreement dated September 14, 2020 for a five-year term expiring September 14, 2023. EONX provides its Platform for a White Label branded payment and rewards program and is providing Payment Processor Services for Schein’s Payment Processor Services with its merchants and their clients for credit and debit card transactions.

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**1.2 – Overall Performance – continued**

Schein’s client members can register to participate in the program, set a program tier, pay client invoices, be awarded program points for the successful payment of client invoices and redeem and transfer program points, run promotional campaigns and clients able to promote their own products. Eonx will supply activity and reconciliation reports and provide access to the 1300 Help Desk. Termination is on 180 days’ notice unless earlier terminated for cause which cannot be rectified.

Program Fees and Tiers

Program Tier	program fee	program points per AUD\$1
Platinum tier	4.5%,	3 points
Gold tier	2%	1 point

Additional Fees: Bonus points can be provided to members for a fee of \$0.17 per point. Ad hoc fees will be mutually agreed to.

Payment Services Fees Table

Payment types	Service Fees
Visa and MasterCard	0.85%
American Express	1.90%
Direct Debit	AUD\$0.10
BPay*	AUD\$0.08
Chargeback Fee	\$45

\*An electronic bill payment system in Australia which enables payments to be made through a financial institution’s online, mobile or telephone banking facility to organizations which are registered BPay billers.

**Suncorp Corporate Services Pty Ltd. (“Suncorp”)**

The Suncorp Master Services Order Agreement dated December 18, 2018 as amended on June 26, 2020 to provide Suncorp with the Payment Processing Services, a White Label Platform enabling Suncorp’s clients to purchase a range of discounted eGift Cards, online offers, travel and lifestyle products from Australia’s leading retailers and brands. E-Gifts and digital products are delivered directly to a customer’s eWallet for redemption in store. Prior to July 2020, Eonx was paid a sliding scale for Platform Fees. In July 2020, this was changed to a monthly platform fee of \$80,000 commencing July 2020. Eonx is also paid a fixed monthly retainer of \$35,000 for services up to 500,000 Suncorp members. The agreement is effective until December 31, 2021. EONx is currently in negotiations to extend this agreement.

Eonx provides the following services: access to a branded site, access to the 1300 Help Desk, member clients enter and storage of personal details and payment methods via their eWallet, client members can purchase a range of discounted eGift cards, online offers, travel and lifestyle products from Australia’s leading retailers and brands; options for communication methods, platform ability for Suncorp to control the accrual and redemption of customer points, redemption of point, integration with Suncorp’s marketplace, gamification triggers based on events for activities performed, customer tiering with specific offer values. In addition, Eonx will provide regular reports on use by Suncorp clients.

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**1.2 – Overall Performance – continued**

Services, access to the 1300 Help Desk and to provide a White Label website to enable members to purchase eGift Cards. AMS is a subsidiary of Australian Motoring Services Pty Ltd. which includes five motoring clubs in Australia and Tanzania whose shareholders are the members.

	Service Fees
Transaction Fee	\$0.05 per eGiftCard
Merchant Fee	0.95% of the total transaction price It may be increased after 12 months on 90 days' notice.

**Guild Trustee Services (“Guild”)**

The Guild five-year agreement dated July 6, 2018 to provide the Guild with Payment Processor Services for Guild’s White Label website and its members and provide the Eonx Platform for a loyalty, rewards, membership and payments software program to members of Guild’s superannuation fund in which financial rewards are directed to the superannuation fund of each member. The 1300 Help Desk service is also provided.

Guild is a trustee for the Guild Retirement Fund consisting of three products: GuildSuper, Childcare Super and Guild Pension. GTS has been in operation for approximately 15 years providing superannuation services to members, employers and the self-employed in the childcare and pharmaceutical industries.

Guild uses the program in a marketing effort to increase member’s engagement with superannuation, increase member superannuation balances and improve member retention rates and attract new members. It has established a SuperSuper online shopping program with hundreds of retailers to offer cash rewards. For every purchase made by a member from a retailer on the platform, a contribution is submitted to the member’s superannuation account.

Guild can monthly provide a list of members for which the Company is to provide raw IT transaction logs to include sufficient information to enable Guild to complete a reconciliation of that member’s reported savings. The Company provides monthly, quarterly and annual report to Guild regarding the call center activity, trends and other matters.

Guild’s platform includes retailers which must maintain minimum member levels - at or above 75% of a minimum of 80,000 Retailers must have an average discount of a minimum of 5% on purchases which is paid to the member’s superannuation fund.

Guild is required to commit to a minimum of 80,000 members.

Fees:

- Development fees of AUD\$113,000
- Ongoing Development fees of \$250 per hour.
- Rewards Program Fee

Member base	Rewards program fee per annum
Minimum commitment of 80,000	\$2.25
Above 80,000	\$2.00
Fraud Protocol Implementation	\$6,000

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**1.2 – Overall Performance – continued**

**Guild– continued**

Client Contact Centre fee:

	Per annum	Additional fees
500 calls a month to a maximum of 4,000 minute a month	46,000	
Each call above 500 -can be renegotiated once call volumes exceed 4000 minutes per month,		\$9.00 monthly

The parties also agreed after three years, the further fees for each member for each call above 500 monthly, with a minimum commitment of 10,000 members would be:

- Up to 25,000 members: \$9.00 each
- 25,001 to 50,000 members: \$7.00 each
- 50,001 – 100,000: \$4.00 each
- 100,001 and above: \$3.00 each

Indemnity: The Company provides a limited indemnity for breach of a third party’s intellectual property rights, damage to tangible property, unlawful, fraudulent acts or omissions of the Company, personal injury and breach or nonperformance of the agreement. The Company has no physical contact with members, or the products provided at Guild’s website.

**Statewide Superannuation Pty Ltd.**

Statewide Superannuation Pty Ltd., as trustee of the Statewide Superannuation Trust (“Statewide”), three-year agreement dated April 20, 2018 for the Company to provide the EONX branded loyalty, rewards, membership and payments software Platform and Program to Statewide and its clients. Statewide manages superannuation funds and offers various pension products, investment and financial advice.

Statewide must commit to a minimum of 50,000 members.

Rewards Program Fee

Member base	Rewards program fee per annum
Minimum commitment of 50,000	\$0.58
50,000 +1	\$0.58
Fraud Protocol Implementation	\$6,000

Statewide elected not to take on the full rewards offering and additional functionality including integrations or single sign-on consumer mapping modules. This is bespoke work which is required per platform and comes at an additional cost.

**Westfund Limited (“Westfund”)**

The Westfund three-year agreement dated July 31, 2019 commencing 6 – 8 weeks after signing, for the Company to provide the EONX branded loyalty, rewards, membership and payments software Platform and Program to Westfund and its clients commencing on the Program Commencement Date. Westfund’s business includes managing pensions, retirement, health and welfare funds. EONX will also provide the 1300 Help Desk.

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**1.2 – Overall Performance – continued**

**MATERIAL CONTRACTS – continued**

**Westfund– continued**

Reward Platform

The Fee is \$237,600 for access to 45,000 client members and is the minimum client member commitment per annum multiplied by the applicable rewards program fee.

Member base	Rewards program fee per annum
Minimum commitment of 45,000	\$5.28
45,000 +1	\$4.20
Fraud Protocol Implementation	\$6,000

**Optus Administrator Pty Ltd. (“Optus”)**

The Optus master supply agreement signed on October 16, 2018 and effective on the date of the first statement of work which was Oct 2, 2018, for the Company to provide the EONX Platform and Program for Optus telecommunications services: mobility, network, enterprise communication and integration of corporate services with voice, data and video. It can be terminated on 30 days’ notice.

Optus focuses on ways to engage with customers through unique experiences, loyalty programs (Lifestyle Rewards and Relationship Rewards) and benefits and operates an eWallet for its customers. Eonx manages the Loyalty and Rewards Program known as Perks which is a key pillar of Optus’s service brand. Eonx is required to: supply client services program management; reporting and analytics; Rewards Sourcing and Management; Call Centre Customer Service; provide project management services; physical network construction work; update on September 28 of each year a scoping of capability for the next financial year; comply with ISO and industry standards for cybersecurity; report weekly; monthly and quarterly on different matters; provide termination assistance for customers; carry comprehensive general liability insurance for injury to persons and property of AUD\$10,000,000 and professional liability insurance of AUD\$1,000,000 as well as workmen’s compensation insurance, insurance for damage to goods and for supply contracts under which construction work is done in the amount of U.S.\$10,00,000 per occurrence and all other insurance required by law; report all records of greenhouse data as required by the National Greenhouse and Energy Reporting Act of Australia.

The Company limits its liability for each supply contract to an amount not exceeding three times the gross value of a supply contract or \$5,000,000, whichever is larger.

Opus and the Company also signed a Goods and Services Module on October 16, 2018 which forms part of the supply agreement signed on the same day regarding: delivery of services; packaging; project management; management of the Optus consumer and rewards programs including day to day operations, meetings, working with third party suppliers, analytical support regarding customer data and modelling for targeting customers; and personnel to carry out the services and network construction work.

Fees:

Ongoing Fee-fixed fee	Year 1 (AUD\$)	Year 2 (AUD\$)	Year 3 (AUD\$)	Total (AUD\$)
LoyaltyCorp Account Management	1,800,000	1,800,000	1,800,000	5,400,000
Call center management fee	216,000	216,000	216,000	648,000
total	2,016,000	2,016,000	2,016,000	6,048,000

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**1.2 – Overall Performance – continued**

**MATERIAL CONTRACTS – continued**

**Smartgroup Benefits Pty Ltd. (“Smartgroup”)**

The Smartgroup agreement dated June 30, 2020 for a 12-month term from the EONX Program Commencement Date, which was six months from the agreement date, to provide Smartgroup with the EONX Program. This will include the client’s branded platform, access to discounted eCards, gift cards, online offers and eStore, rec room live feed, live chat, groups, events and awards, live analytics and reporting via admin dash.

The Company is required to: have public liability insurance for any event of \$20,000,000, professional liability insurance of at least \$10,000,000 per claim and cyber liability insurance of at least \$2,000,000 for each event and workmen’s compensation insurance.

**Fees**

Rewards Platform Fee for a maximum of 5,000 members	AUD\$25,000 Annually
Rewards Platform fee above 5000 members	\$10 payable at the end of each month
Call center management fee	
total	

**Bank Contracts**

**First Data Merchant Services LLC (“First Data”)**

The First Data member service provide agreement dated October 16, 2019 whereby First Data sponsors Eonx to provide payment services to merchants wishing to accept payment by credit and debit cards for the territory of Australia.

**Payment Solutions Agreement with First Data and Metabank, National Association (“Metabank”).**

The Metabank agreement dated September 30, 2020. Metabank is a member of the Visa and MasterCard Networks and is an Acquiring Bank. First Data is authorized by Metabank to process payment authorizations, transmissions and settlement activities for Visa and MasterCard transactions. First Data will acquire the Eonx electronic transactions for payment organization and networks (“Acquiring Services”) for Visa, MasterCard, American Express and Discover and also provide debit services. First Data will be the primary provider of the Acquiring Services unless Eonx requires services that First Data does not provide.

**Split Payments Pty Ltd. (“Split”)**

The Split agreement dated April 21, 2020 to provide the Eonx Platform Payment Services for Split to connect, reward and securely transact with its members, customers and employees which accesses a user’s payment account for the transfer of funds. The agreement was for one year and will automatically renew for a further two years on written confirmation of proof of concept on the anniversary date. The agreement may be terminated by Split on 90 days’ notice or earlier to Eonx in the event of a material breach of contract and immediately in the event of insolvency, material risk activity, unauthorized activity, non compliance with law and regulation and unacceptable risk to Split.



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**1.2 – Overall Performance – continued**

**Other Non Material Agreements**

**Gift Card Supplier Agreements**

The Company has numerous gift card supplier agreements with numerous companies (the “Suppliers”) for the supply to the Company by the Supplier of a visual depiction of a Supplier’s gift cards and logo, with a minimum card value of \$10 and a maximum of \$500 with discounts ranging from 5% to 15% for use on the Company’s website, social media channels and electronic direct marketing channels. The Company is not required to make any advance payments for the gift cards.

Internet Services Australia 1 Pty Ltd dba The Ionic (“Ionic”) gift card supplier agreement dated May 14, 2019 for six months which was renewed on November 14, 2019 for a further 12 months for the supply by EonX of Gift Cards. The parties have agreed to continue under an automatic renewal arrangement at the end of each year.

The Hairhouse Warehouse Pty Ltd. (“Hairhouse”) gift card supplier agreement dated June 15, 2019 for 36 months with a renewal term of 36 months for the supply by Hairhouse of a visual depiction of its gift cards and logo, with a minimum card value of \$50 and a maximum of \$100 with an 10% discount for use on the Company’s website, social media channels and electronic direct marketing channels. The Company is not required to make any advance payments for the gift cards.

Deliveroo Australia Pty Ltd. (“Deliveroo”) gift card supplier agreement December 18, 2019 for 36 months with a renewal term of 36 months for the supply by Deliveroo of a visual depiction of its gift cards and logo, with values of \$10, \$25, \$50, \$75 and \$100 with a 15% discount for use on the Company’s website, social media channels and electronic direct marketing channels. The Company is not required to make any advance payments for the gift cards.

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**1.2 – Overall Performance (continued)**

**Financing**

At June 30, 2021, the Company had not yet achieved profitable operations on a consistent basis, had accumulated a deficit of \$6,783,571 (June 30, 2020 – \$2,079,563), had a working capital of \$1,053,746 (June 30, 2020 deficit \$2,162,024), and had cash outflow deficit by operations of \$1,551,169 (June 30, 2020 proceeds of \$1,794,879) The Company expects to incur further losses in FY2022 as it further develops additional capability to process payments in the United States. It should be noted that should the Company stop its expansion plans to North America the business will deliver more profitable quarters by servicing the local Australian market. The current rate of expenditure is expected to reduce quarter by quarter as the Company completes its development activities and moves its focus to business development and marketing activities. It has flexible staff resourcing with all contract staff and the majority of employed staff focused on technical and engineering activities form part of the expansion plans. As these activities are completed, EONX will reduce its headcount and operating cost. The mix of both contract staff and employed staff provide flexibility to manage costs and project delivery objectives.

A large focus for the quarter was on expansion plans in further developing the technology to service the North American market. This includes the implementation of payment systems for processing payments in the United States and Canada and also integrating new retail partners for the EONX North America marketplace.

The Company has an established history of generating both recurring software revenue and transactional revenue from large multinational companies from operating activities. It has two bank facilities provided for working capital from National Australia Bank Limited (NAB), including a \$2.5M facility and a \$3.7M facility and combined with the Company's existing working capital it is expected that these funds are sufficient to complete its business as discussed in "Financing" below. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations, or to raise further finance via debt or equity.

The Company has borrowings from the CEO Andrew Kallen in the amount of \$2,282,499 (June 30, 2020 – \$1,756,782). This loan was converted to shares on August 17, 2021.

**1.3 – Results of Operations – Year to Date and Quarter**

Operations during the year ended and the three-month period ended June 30, 2021 were primarily related to the providing payment processing services and fully branded white label platforms. There were no legal proceedings, contingent liabilities, defaults under debt or other contractual obligations, breach of any laws or special resolutions during the three-month period ended June 30, 2021.

During the twelve-month period ended June 30, 2021, the Company incurred a net loss from operations of \$4,704,008 (June 2020 – profit of \$90,729). This was comprised of revenue of \$5,473,703 (June 2020 – \$8,229,579), less operating expenses of \$5,513,228 (June 2020 – \$5,086,881), other expenses of \$1,846,743 (June 2020 – \$2,090,066), Listing expenses relating to the reverse takeover of Eonx Services Pty Ltd \$2,113,308 (2020 \$0) and income tax expense of \$704,432 (June 2020 – \$961,903).

Revenue was generated from trading revenue of \$5,473,429 (June 2020 – \$8,147,232) and other income of \$271 (June 2020 – \$82,347).

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***1.3 – Results of Operations – Year to Date and Quarter - Continued***

Operating expenses consisted of employee expenses of \$2,575,290 (June 2020 – \$3,907,017), research and development and technology expenses of \$1,837,020 (June 2020 – \$733,931), and administrative expense of \$1,100,918 (June 2020 – \$445,933). Research and development expenses were higher in 2021 due to increased product development.

Other expenses consisted of depreciation and amortization of \$175,630 (2020 – \$187,473), finance costs of \$85,545 (2020 – \$100,960) and directors fees of \$1,200,000 (30 June, 2020 \$1,200,000). There were also costs incurred during the financial year relating to the reverse takeover of \$2,085,120 (30 June 2020 \$0) and development costs of technology product for the insurance sector \$0 (30 June 2020 \$601,633) and stock-based compensation costs of \$385,568 (30 June 2020 \$0). The remaining costs were generally consistent.

Operations during the interim three-month period ended June 30, 2021 were primarily related to the listing process and the business activities of providing payment processing services and fully branded white label platforms. There were no legal proceedings, contingent liabilities, defaults under debt or other contractual obligations, breach of any laws or special resolutions during the three-month period ended June 30, 2021.

During the three-month period ended June 30, 2021, the Company incurred a net loss from operations of \$3,097,099 (June 2020 –profit \$585,138). This was comprised of revenue of \$1,721,362 (June 2020 – \$2,772,159), less operating expenses of \$2,912,595 (June 2020 – \$1,576,309), Stock based compensation costs of \$385,568 (June 2020 - \$0), Listing expenses for the reverse takeover of \$2,113,308 ( June 2020 \$0) other expenses of \$27,822 (June 2020 – \$73,022) and income tax expense of \$(620,892) (June 2020 – \$537,691).

Revenue was generated from trading revenue of \$1,721,362 (June 2020 – \$2,750,287 and other income of \$0 (June 2020 – \$21,872).

Operating expenses consisted of employee expenses of \$2,021,608 (June 2020 – \$748,245), research and development and technology expenses of \$568,125 (June 2020 – \$570,824), and administrative expense of \$322,862 (June 2020 – \$257,240). Employee cost were higher in 2021 due to the inclusion of directors' fees in this expense line.

Other expenses consisted of depreciation and amortization of \$ 48,116 (2020 – \$46,868). and finance costs of \$(20,234) (2020 – \$26,154).

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***1.4 – Summary of Quarterly Results (Unaudited)***

A quarterly summary of the results for the three-month period ended June 30, 2021 is set out in the table below. The Company generates revenue by charging new clients a software license fee followed by transactional fees. Software license fees reduce over time whilst there is an increase in transaction volumes it may not initially fully replace software revenue causing trading revenue fluctuations. Furthermore, transactional revenue can also fluctuate due to seasonal trends and campaign requirements, specific to retail market conditions. Research and development credits fluctuate based on the level of product development from time to time. The credits are realized once the Company has completed the work, filed the claim and has reasonable assurance of collection. Employee benefits expense have remained generally consistent. The fluctuations were related to additional research and development in those periods.

Cash and cash equivalents have been generally consistent on a quarterly basis. The June 30, 2021 quarter amount has increased due to drawing of cash from the debt facilities. Inventories are comprised of gift cards. This inventory fluctuates based on seasonal trends, and marketplace campaigns. Research and development credits were high reflecting the increase in platform investment. Trade and other payables consist primarily of retail product sold within a platform. Borrowings are primarily from director loans and bank debt facilities put into place to sustain growth. During the quarter, the bank debt facilities were negotiated to a longer term and have been classified as non-current. Contract liabilities were reflective of float payments held in trust, to ensure instant product delivery when customers transact on the platform. The remaining Non-current liabilities are lease related pursuant to IFRS 16. These have been consistently declining over time due to the reduction in the outstanding commitment for the office occupation.

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**1.4 – Summary of Quarterly Results (Unaudited) – continued**

A summary of the quarterly results to June 30, 2021 is as follows:

	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
			\$	\$	\$	\$	\$	\$
Cash and cash equivalents	5,125,690	5,973,469	2,723,124	390,421	2,355,189	2,633,032	3,178,496	4,054,706
Accounts receivable	702,311	384,484	73,417	288,212	394,412	202,655	1,188,545	664,781
Inventories -gift cards	698,435	963,752	1,284,127	383,037	572,491	615,803	1,165,975	717,205
Research and dev credits receivable	2,390,942	1,842,596	1,228,397	3,011,167	2,396,968	1,762,284	2,551,901	2,551,901
Other current assets	3,746	141,244	263,547	82,858	58,727	75,629	96,668	41,668
Non current assets	635,166	694,097	725,344	767,849	810,355	860,722	907,591	954,459
<b>Total Assets</b>	<b>9,556,290</b>	<b>9,999,642</b>	<b>6,297,956</b>	<b>4,923,544</b>	<b>6,588,142</b>	<b>6,150,125</b>	<b>9,089,176</b>	<b>8,984,720</b>
<b>Liabilities</b>								
Trade and other payables	2,965,253	3,194,556	4,626,694	3,509,413	3,632,203	2,442,538	2,163,611	1,645,390
Borrowings	2,561,700	268,276	2,969,596	3,459,517	3,719,950	5,321,392	6,663,744	6,584,879
Provisions	445,393	212,963	214,585	215,068	206,439	152,265	1,092,356	1,563,144
Income taxes payable	704,432							
Contract liabilities	1,190,600	399,645	545,667	0	381,219	0	0	0
Non current Liabilities	5,935,395	8,962,799	632,628	884,624	727,774	898,511	909,750	920,904
<b>Total Liabilities</b>	<b>13,802,773</b>	<b>13,038,239</b>	<b>8,989,170</b>	<b>8,068,622</b>	<b>8,667,585</b>	<b>8,814,706</b>	<b>10,829,461</b>	<b>10,714,317</b>
Issued Capital	2,151,520	367,240	120	120	120	120	120	120
Share-based payments reserve	385,568	280,634	0	0	0	0	0	0
Deficit	(6,783,571)	(3,686,471)	(2,691,334)	(3,145,198)	(2,079,563)	(2,664,701)	(1,740,405)	(1,729,717)
<b>Shareholders' Equity</b>	<b>(4,246,483)</b>	<b>(3,038,597)</b>	<b>(2,691,214)</b>	<b>(3,145,078)</b>	<b>(2,079,443)</b>	<b>(2,664,581)</b>	<b>(1,740,285)</b>	<b>(1,729,597)</b>
<b>Total Liabilities and shareholders equity</b>	<b>9,556,290</b>	<b>9,999,642</b>	<b>6,297,956</b>	<b>4,923,544</b>	<b>6,588,142</b>	<b>6,150,125</b>	<b>9,089,176</b>	<b>8,984,720</b>
	0	0	0	0	0	0	0	0
<b>Revenues</b>								
Trading Revenue	1,721,362	1,109,955	2,253,783	388,329	2,750,287	1,036,072	2,415,812	1,945,061
Other income	0	0	271	0	21,872	4,507	8,057	47,911
	1,721,362	1,109,955	2,254,054	388,329	2,772,159	1,040,579	2,423,869	1,992,972
<b>Operating Expenses</b>								
Employee benefits expense	(2,021,608)	(625,648)	(528,061)	(599,969)	(748,245)	(940,037)	(1,016,793)	(1,321,896)
Research and development expense	(568,125)	(373,753)	(351,637)	(543,505)	(570,824)	(474,088)	(848,474)	470,604
Administrative expense	(322,862)	(115,350)	(352,180)	(310,526)	(257,240)	(279,875)	(480,173)	(421,474)
Depreciation and amortisation expense	(48,116)	(42,503)	(42,505)	(42,506)	(46,868)	(46,865)	(46,868)	(46,872)
Stock based compensation	(385,568)	0	0	0	0	0	0	0
Listing expenses for the reverse acquisition of Eonx Services Pty Ltd	(2,113,308)							
Finance costs	20,234	(30,382)	(46,816)	(28,581)	(26,154)	(47,672)	(42,249)	15,115
Transaction costs re share swap agreement								
Income Tax Expense	620,892	(917,456)	(478,991)	71,123	(537,691)	(176,338)	0	(247,874)
	(4,818,461)	(2,105,092)	(1,800,190)	(1,453,964)	(2,187,021)	(1,964,875)	(2,434,557)	(1,552,397)
Other Comprehensive income for the period								
Translation of foreign operations								
<b>Loss and Comprehensive Loss for Period</b>	<b>(3,097,099)</b>	<b>(995,137)</b>	<b>453,864</b>	<b>(1,065,635)</b>	<b>585,138</b>	<b>(924,296)</b>	<b>(10,688)</b>	<b>440,575</b>
Basic and diluted loss per share	- 0.272	- 0.087	3,782	(8,880)	4,876	(7,702)	(89)	3,671
Weighted average number of shares outstanding	11,391,736	11,391,736	120	120	120	120	120	120

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**1.5 – Liquidity and Capital Resources**

The Company's main business activity is financial technology, providing Payment Processing Services and fully branded White Label platforms for large enterprises looking to better engage, reward and securely transact with their members, customers and employees. The Company's ability to raise cash depends on various capital and debt market conditions. There is no assurance that the Company will be able to obtain any additional financing on terms acceptable to the Company. The quantity of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Actual funding requirements may vary from those planned due to a number of factors, including evaluation of new business opportunities.

There can be no certainty that the Company's existing cash balances or that the proceeds from the issuance of its common shares will provide sufficient funds for all of the Company's cash requirements. Should the need arise, the Company may pursue other financing options or rely on joint venture partners to supply some of funds required to evaluate any acquisitions. There is no assurance that the Company will be successful in obtaining the funds it may require to sustain operations or that the terms of any financing obtained will be acceptable.

As at June 30, 2021, the Company had net a working capital of \$1,053,746 (June 30, 2020 – (\$2,162,024) comprised of cash and cash equivalents on hand of \$5,125,690 (June 30, 2020 – \$2,355,189), accounts receivable of \$702,311 (June 30, 2020 – \$394,412), inventories of \$698,435 (June 30, 2020 – \$572,491), research and development credits receivable of \$2,390,942 (June 30, 2020 – \$2,396,968), other current assets of \$3,746 (June 30, 2020 – \$58,727) less trade and other payables of \$2,965,253 (June 30, 2020 – \$3,632,203), borrowings of \$2,561,700 (June 30, 2020 – \$3,719,950) provision for employee entitlements of \$445,393 (June 30, 2020 – \$206,439) and contract liabilities of \$1,190,600 (June 30, 2020 – \$381,219) and income taxes payable of \$704,432 (June 30, 2020 \$0).

During the twelve-month period ended June 30, 2021, cash provided by operating activities was negative \$1,551,169 (2020 – positive \$1,794,879); and net cash from financing activities was \$5,416,493 (2020 – \$(2,704,658)). Cash from investing activities was \$193,302 (June 30, 2020 \$3,500). Cash used in operating activities during the interim nine-month period ended June 30, 2021 is primarily related to business activities. The cash received from financing activities during the interim twelve-month period ended June 30, 2021 related primarily to proceeds from commercial borrowings, funding from related party loans and repayment of lease commitments.

Total deficit as at June 30, 2021 was \$6,783,571 (June 30, 2020 – \$2,079,564). The Company has two finance facilities from National Australia Bank Limited totally \$6,200,000. As of June 30, 2021, \$5,711,700 was drawn. The terms of the NAB Credit facility (\$3,150,000) have been negotiated so that this can be treated as a non current liability. The overdraft facility (\$2,561,700 is a current Liability). Although the Company has been successful in the past in raising the necessary funding to continue operations, there can be no certainty it will be able to do so in the future.

On January 1, 2021, the Company executed a share exchange agreement with EonX Technologies Inc. This agreement has been executed in order to pursue capital raising through the Canadian incorporated entity, in order to pursue a listing on the Canadian Securities Exchange.

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**1.6 – Off Balance Sheet Arrangements**

As at June 30, 2021, there were no off-balance sheet arrangements to which the Company was committed.

**1.7 – Transactions with Related Parties**

The Company had the following balances and transactions with executive officers or companies controlled by these officers for the year ended June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Transactions:		
Directors fees paid to Andrew Kallen	\$1,200,000	\$ 1,200,000
Directors fees paid to Anoosh Manzoori		
Directors fees paid to Justin Hanka		
Balances		
Due to Andrew Kallen	\$ 2,282,499	\$1,756,782

**1.8 – Critical Accounting Estimates**

The critical accounting estimated used in the preparation of the financial statements are as follows:

*Share-based payments*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards granted as common share warrants and stock options requires estimate as to the appropriate valuation model (Black-Scholes pricing model) and the inputs for the model require assumptions including the rate of forfeiture of warrants or options granted, the expected life of the warrant or option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

*Deferred taxes*

Deferred taxes are based on estimates as to the timing of the reversal of temporary and taxable differences, substantively enacted tax rates and the likelihood of assets being realized.

*Revenue recognition*

Where the outcome of performance obligations for contracts can be estimated reliably, revenue is recognized. The Company recognizes revenue when obligations have been satisfied and, where such provisions exist, the Company does not begin revenue recognition for license subscriptions that have conditional or trial periods until such periods expire. Where the outcome of performance obligations for sales contracts cannot be reliably measured, contract revenue is recognized in the current year to the extent that costs have been incurred until such time that the outcome of the performance obligations can be reasonably measured. Assumptions are sometimes required to estimate total contract costs, which are recognized as expenses in the year in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

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***1.8 – Critical Accounting Estimates - Continued***

*Leases*

The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term

*Employee Benefits*

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

***1.9 – Changes in Accounting Policies – International Financial Reporting Standards (“IFRS”)***

**Future Changes in Accounting Policies**

Certain new standards, interpretations and amendments to existing standards have been periodically issued by the IASB. The current updates are not applicable, or are not consequential, to the Company. The Company has initially assessed that there will be no material reporting changes as a result of new accounting standards, however, there may be enhanced disclosure requirements.



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**1.10 – Financial Instruments and Other Instruments**

*Fair values*

The Company's financial instruments include cash, accounts receivable, research and development credits receivable, trade and other payables, provision for employee entitlements, and borrowings. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments are all carried at amortized cost and are not subject to the above level inputs.

*Financial risk management objectives and policies*

The risks associated with financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Currency risk*

The Company's expenses are denominated in Australian dollars. The Company's corporate office is based in Australia and current exposure to exchange rate fluctuations is minimal. Assets and liabilities that are held in foreign currencies are converted to Australian dollars at the exchange rate prevailing at the balance date. Income and expenses that are earned or incurred in foreign countries are also converted to Australian dollars at the exchange rate prevailing at the balance date.

*Interest rate risk*

The Company has two floating rate loan facilities with the National Australia Bank, which are subject to interest rate risk. The floating and market risk interest rates are subject to a review in 12 months. An increase in the interest rates above of 1% will result in an increase in interest expense of \$62,000. A reduction in the rates of 1% will result in a decrease in the interest expense of \$62,000.

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. As cash balances were held with Tier 1 banks subject to stringent liquidity threshold requirements, the Company had no material exposure to any credit risk.

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**1.10 – Financial Instruments and Other Instruments - Continued**

The Company has customer concentration risk as one customer accounted for 25% of revenue for the year ended June 30, 2021 (June 30, 2020 – one customer, 19% ).

*Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and operating activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

As at June 30, 2021	Carrying Amount	Contractual cash flows	2022	2023	2024
Trade and other payables	2,929,269	2,929,269		–	
NAB – overdraft	3,150,000			3,150,000	
NAB – credit facility	2,561,700		2,561,700		
Related party loan	2,282,500				2,282,500
Provision for entitlements	445,393		445,393		
	<b>11,368,862</b>	<b>2,929,269</b>	<b>3,007,093</b>	<b>3,150,000</b>	<b>2,282,500</b>

The related party loan has been converted to equity (ref note 21) and will not be required to be repaid.

**1.11 – Other MD&A Requirements**

**Share Capital**

The authorized share capital consists of an unlimited number of common fully paid shares without par value.

Current issued Share capital of 29,400,000, detailed as follows:

As at incorporation	-
Issue of founder share (August 2020 at 1 CAD cents per share)	1
Issue of shares (Nov – Dec 2020 at 2 CAD cents per share)	2,999,999
Issue of shares (February 2021 at 8 CAD cents per share)	1,400,000
Share swap agreement (issue of 25m shares - roll in of EonX Services Pty Ltd capital)	25,000,000
	<u>-</u>
	<u>29,400,000</u>

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") which complies with the rules and policies of the Exchange.

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**1.11 – Other MD&A Requirements - Continued**

The Company has a stock option plan under which it is authorized to grant options to its directors, officers, employees, management companies and consultants enabling them to acquire up to 10% of the issued and outstanding shares of the Company. Under the Plan, the exercise price of options granted is determined by the Board of Directors, provided that the exercise price is not less than the price permitted by an exchange or a quotation system on which the Company's shares may be listed or quoted for trading. The term of any options granted under the Plan is fixed by the Board of Directors and may not exceed five years from the date of grant. Vesting, if any, and other terms and conditions relating to such options shall be determined by the Board of Directors of the Company. Any options granted pursuant to the Plan will terminate generally within ninety days of the option holder ceasing to act as a director, officer, employees, or consultant.

Options outstanding and exercisable	Number of options	Exercise Price	Expiry Date
Balance at June 30, 2020	-	-	
Granted on March 23, 2021	3,520,000	\$0.10	December 23, 2023
Granted on April 20, 2021	2,352,000	\$0.10	January 20, 2024
<b>Balance at June 30, 2021</b>	<b>5,872,000</b>	<b>\$0.10</b>	

As at June 30, 2021, the options have a weighted average remaining contractual life of 2.76 years (2020 – nil) and a weighted average exercise price of \$0.10 (2020 – nil)

The Company issued 3,520,000 stock options on March 23, 2021. The fair value was calculated as \$231,130 using the Black Scholes pricing model using the assumptions listed below. The Company issued 2,352,000 stock options on April 20, 2021. The fair value was calculated as \$154,438 using the Black Scholes pricing model using the assumptions listed below.

Fair value is impacted by stock price volatility, determined using historical share prices for a term equivalent to the expected life of the options. There were no forfeitures of stock options during the year ended June 30, 2021.

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**1.11 – Other MD&A Requirements - Continued**

	March 23, 2021	April 20, 2021
Share price on grant date	\$0.08	\$0.08
Exercise price	\$0.10	\$0.10
Expected life (years)	3.0	3.0
Interest rate	0.40%	0.40%
Volatility	150%	150%
Dividend yield	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

**RISK FACTORS AND UNCERTAINTIES**

The Company's securities should be considered a speculative investment due to the nature of the Company's business and its present operations. Due to the nature of the Company's business and the present stage of its activities, many risk factors will apply. An investor should carefully review the risk factors set out below and all the information available before making an investment decision. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material, but which also may have a material adverse effect on its business, financial condition, operating results or prospects. This section describes the material risks affecting the Company's business, financial condition, operating results and prospects.

**General**

**Going Concern and Financing Risks**

The financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the year ended June 30, 2021, the Company generated a net loss of \$4,704,008 (2020 - profit of \$90,729) and negative cash flows from operating activities of \$1,551,169 (2020 – positive cash flow from operations - \$1,794,879). As at June 30, 2021, the Company has an accumulated deficit of \$6,783,571 (2020 – \$2,079,563). As such, there is an uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing.

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**1.11 – Other MD&A Requirements - Continued**

**Global Financial Conditions – COVID -19.**

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain products and services. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company are difficult to determine. Operating revenue for the twelve months to June 30, 2021 is down by 30%, which reflects the lockdowns that have been experienced in the reporting period. Melbourne (and the State of Victoria) in particular has been locked down six times, two for extended periods. The Victorian Government has announced that when the vaccination levels reach 70%, the economy will re open. This is expected to be late October, and the economic growth is expected to be positive for the last quarter of the calendar year 2021. Eonx has been steadily working through the lockdowns with the staff working remotely and therefore is ready to accommodate the expected high level of activity that will resume once the economy opens.

**Risks Specific to the Company**

**Relationships with Key Third Party Suppliers and Service Providers**

EONX's business is dependent upon maintaining successful relationships with a limited number of key third-party suppliers and service providers, who provide a number of services that are key to EONX's service offering, including hosting, certain software applications, data providers, provision of services and retail products. Contracts with these suppliers and service providers are typically terminable without cause, in some cases on short notice.

Any loss of a key third-party supplier or service provider, a material limitation of the services provided, a deterioration in the level of service provided, or a material alteration of the terms on which they are provided, could result in a disruption to its business and may negatively impact EONX's ability to win and retain contracts, each of which could materially adversely affect EONX's business, operating and financial performance.

Where EONX relies on third party systems, EONX always seek to have service level agreements with minimum performance criteria set. Payment to the service providers is dependent on their continuity of their services. EONX will actively seek alternative supply channels to mitigate the impact should there occur a "no fault" termination of a supply agreement. There is no assurance that EONX can always maintain or replace its third party systems in a timely manner and prevent loss of service.

**RISK FACTORS AND UNCERTAINTIES**

**Loss of Customer Contracts**

The Company's contracts, including with key customers are secured by a fixed term as per supply agreements. EONX could lose key customers or material contracts, due to a range of events including, because of failure to renew a contract, a loss of a tender, a deterioration in customer service levels that have not been remedied as per supply agreement, or disputes with customers subject to the supply agreements. Any of these factors could materially adversely affect EONX's business, operating and financial performance.

EONX, like all service providers, must deliver services that continue to meet the needs of its customers. EONX is dependent on retaining in-house software development capability to ensure its business continues to evolve and service the needs of its customers. There is no assurance that it will be successful in recruiting and keeping the personnel required for delivery of its services.

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***1.11 – Other MD&A Requirements - Continued***

**Profit Margins**

Margins vary considerably across the range of products and services that EONX provides and a change in the mix of products and services that EONX sells to its customers could have a material adverse impact on EONX's financial performance.

**Operational Risks**

The Company will be affected by several operational risks against which it may not be adequately insured or for which insurance is not available, including: catastrophic accidents; fires; changes in the regulatory environment; impact of non-compliance with laws and regulations; labor disputes; natural phenomena such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's premises, personal injury or death, environmental damage, resulting in adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and future cash flows, earnings and financial condition. The Company may also be subject to or affected by liability or sustain loss risks and hazards against which it cannot insure or which it may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

**Security Risks**

Rapid Technology Change

The Company's products and services are dependent upon advanced technologies, which are susceptible to rapid technological change. There can be no assurance that the Company's products and services will not be seriously affected by, or become obsolete because of, such technological changes. There can be no assurance that the Company can respond in a timely manner so that its response will be adequate to successfully overcome the technological change.

## **RISK FACTORS AND UNCERTAINTIES**

### Disruption of Technology Platforms

EONX's ability to provide reliable services, effective payment and transaction processing and accurate and timely reporting for its customers is a key aspect of its business. This depends on the efficient and uninterrupted operation of its core technologies, which include specialized and proprietary software systems, IT infrastructure and back-end data processing systems.

EONX's core technologies and other systems could be exposed to damage or interruption from systems failures, computer viruses, cyber-attacks or other events. Any systemic failure or sustained disruption to the effective operation of EONX's technology platform could severely damage EONX's reputation and its ability to generate new business or retain existing business, directly impair EONX's operations and customer service levels or necessitate increased expenditure on technology or generally across the business. Any of these outcomes could materially adversely affect EONX's business, operating and financial performance.

### **Security Risks**

#### Data Security Risk

The Company does utilize servers with significant amounts of data stored via third party companies. Should the Company be responsible for the loss of any or all the data stored by it, the liability could materially undermine the financial stability of the Company. Also, much of the data will be confidential. The company does not store full card data. If the company's data is ever compromised, then customer card data will not be accessible to those in possession of the data. Anyone who can circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations.

#### Cybersecurity

EONX is subject to Australian Privacy legislation which includes the requirement to advise an entity if their identity has been compromised. EONX is also required to comply with the Payment Card Industry (PCI) standard, which sees us adhere to very strict rules in the use of the software and hardware we implement in our hosting environment. All our data is hosted remotely by Amazon Web Services (AWS), which also complies with the PCI standard. The Company relies on AWS cybersecurity arrangements. The Payment Card Industry Data Security Standard (PCI DSS) is a set of security standards designed to ensure that all companies that accept, process, store or transmit credit card information maintain a secure environment. The AWS/EONX secure environment incorporates firewalls, routing rules, authorized access only and encryption.

#### Internet Fraud

EONX has detailed merchant vetting / Know Your Client (KYC) procedures used to detect or mitigate fraud. Merchant accounts all have transaction limits, in line with the industry they are in, and all transactions are monitored and approved by multifactor authentication. EONX also has transaction monitoring including the flagging of chargeback activity; EONX has the ability to withhold settlements pending an investigation into transactions.

#### Money Laundering

This is a significant issue for all businesses. EONX has developed its Anti-Money Laundering Counter Terrorism Funding manual and policies with Holley Nethercote lawyers. EONX also operates a PCI (Payment Card Industry) compliant manner when dealing with credit card information and payments.

## **RISK FACTORS AND UNCERTAINTIES**

### **Management of Growth**

The Company may experience a period of significant growth that may place a strain upon its management systems and resources. Its future will depend in part on the ability of its executive officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

### **Increase in Competition**

There is significant competition from other much larger well-established successful software companies with larger staff and resources to develop software and products equal to or superior to the Company's. This industry is highly competitive and EONX may face increased competition from actions by existing competitors, the entry of new competitors, consolidation between existing competitors or from major customers bypassing payment processing and transactions switching companies and transacting directly with end customers.

EONX's competitive position may deteriorate because of these factors, or a failure by EONX to continue to position itself successfully to meet changing market conditions, customer demands and technology. Any material deterioration in the Company's competitive position could materially adversely affect the Company's business, operating and financial performance. A list of some of the competitors is in "General Description of the Business".

### **Credit Card Chargeback Risk**

EONX payments is at risk if merchants fail to deliver goods to their customers that were purchased using scheme cards. As a payment processor, EONX contracts its enterprise clients to take on the liability for charge back exposure. However, EONX is potentially exposed to chargebacks in the event of default by its enterprise customer to repay the chargeback amounts. This risk is somewhat mitigated by having the transaction approved via text or email prior to processing.

### **Damage to Reputation or Brand**

EONX's reputation and brand is important in winning and retaining contracts, maintaining its relationship with third-party suppliers and service providers and attracting employees. Reputational damage could arise due to a number of circumstances, including inadequate or deteriorating service levels, improper conduct, adverse media coverage or underperformance of customer-facing third-party suppliers and service providers. Reputational damage may potentially result in a failure to win new contracts and impinge on EONX's ability to maintain relationships with existing customers, suppliers and service providers and impede its ability to compete successfully in the payment transactions industry and to attract key employees. If any of these occur, this could materially adversely affect EONX's business, operating and financial performance.

The Company is proactive in dealing with these risks by regular reporting to customers about service levels, which allows the Company's representatives to be proactive in identifying and mitigating any service level deterioration. Regular systems maintenance is also important to ensure optimum services levels and minimum disruption to customers. There is no assurance that the Company's efforts to mitigate these risks will always be successful.



## **RISK FACTORS AND UNCERTAINTIES**

### **Exposure to Adverse Macroeconomic Conditions**

EONX is exposed to changes in general economic conditions in Australia and internationally and is affected by macroeconomic conditions such as tariffs and other trade barriers, economic recessions, downturns or extended periods of uncertainty or volatility, which may influence customer decisions in relation to whether to enter into transaction processing arrangements. These macroeconomic conditions may materially adversely affect EONX's business, operating and financial performance. Payment transactions are the core of most commercial activity. Unless there is a catastrophic event, payment processing will occur.

### **Protection of Intellectual Property**

EONX relies on laws relating to patents, trade secrets, copyright and trademarks to assist in protecting its proprietary customer-facing technology platform. There is a risk that unauthorized use and copying of EONX customer-facing technology platform will occur, or third parties will successfully challenge the validity, ownership or authorized use of intellectual property. This could involve significant expense and potentially the inability to use the intellectual property, which could materially adversely affect EONX's business, operating and financial performance.

### **Expansion of its Merchant Base and Industries Service**

There is no assurance that the Company's plans to expand its Merchant Base and to expand the industry sectors in which it currently operates will be successful. See "Description of the Business" and "Use of Funds".

### **Acquisition Risk and Associated Risk of Dilution**

EONX's possible expansion strategy includes pursuing acquisitions. The successful implementation of acquisitions will depend on a range of factors including acquisition costs, funding arrangements, business cultural compatibility and operational integration. To the extent acquisitions are not successfully integrated with EONX's existing business, the financial performance of EONX could be materially adversely affected. Future acquisitions may involve the issue of Ordinary Shares for consideration. In this event, Shareholders' interests will be diluted. Ordinary Shares may also be issued for other purposes such as debt reduction. Effective due diligence by the Company is ongoing to minimize the risk in integrating acquisition targets although this cannot be guaranteed. There are no specific acquisitions proposed at this time.

EONX attempts to mitigate these risks by withholding the chargeback value from settlements to merchants and holds direct debit authority with merchants to recover unfunded chargebacks. EONX may request security deposits from merchants at risk of prepayment default. EONX has cyber insurance in place to protect itself from such occurrences.

### **Exchange Rate Risk**

EONX currently operates in Australia. The Company is not exposed to significant currency risk on fluctuations considering that its assets and liabilities are stated in Australian dollars.

### **Unforeseen Expenses**

All expenses that EONX is aware of are taken into account. There is a risk that unforeseen expenses may develop which could materially negatively affect the business operations.

## **RISK FACTORS AND UNCERTAINTIES**

### **Permits and Government Regulations**

There are no permits or government regulations in Australia that affect the Company's operations beyond business license requirement and employment standards. The future operations of the Company outside of Australia may require permits from various federal, state/provincial and local governmental authorities and will be governed by laws and regulations governing taxes, labor standards, occupational health, and other matters. There can be no guarantee that the Company will be able to obtain all necessary permits and approvals that may be required.

### **Environmental and Safety Regulations and Risks, Climate Change**

There are currently no environmental laws and regulations that affect the operations of the Company. None are anticipated as the Company's does not have physical operations other than business offices. EONX, like all other businesses and persons in the world is exposed to the effects of climate change. The direct effects on EONX's business is not foreseeable at this time.

### **Covid 19 Virus Disruption**

Impacts Resulting from Ongoing COVID-19 Crisis The respiratory illness COVID-19 (also referred to as the "coronavirus") has resulted in a widespread health crisis that has already adversely affected the economies and financial markets of many countries around the world. The international response to the spread of COVID-19 has led to significant restrictions on travel; temporary business closures; quarantines; global stock market and financial market volatility; a general reduction in consumer activity; operating, supply chain and project development delays and disruptions; and declining trade and market sentiment; all of which have and could further affect commodity prices, interest rates, credit ratings and credit risk. The continuing and additional business interruptions, expenses and delays relating to COVID-19, could have a material adverse impact on the Company's operations and its operating results, financial condition and the market for its securities. As at the date of this Prospectus, the duration of the business disruptions and related financial impact of COVID-19 cannot be reasonably estimated.

Some of the effects of the Covid 19 include:

- uncertainty of how long the Covid 19 virus will cause the current widespread disruption,
- timely and novel government fiscal policy to deal with: shutdown of non-essential businesses, high rates of unemployment, novel evolving wage programs for laid off workers, financial concessions to business, tax cuts and government spending,
- central banks' monetary policy reaction to the novel problems caused by the Covid 19 Virus to ensure adequate credit facilities to banks and other lenders,
- the ability of non- essential businesses, in particular small businesses, to withstand a lengthy shut down,
- response of those sectors of the economy directly impacting business such as credit lines, interest rates and recurring expenses such as rent, property taxes,
- novel difficulties for business short- and long-term planning,
- disruptions to supply chains affecting the ability to manufacture and sell products, and,
- permanent loss of trained staff.

This list is not exhaustive and is also subject to the almost daily evolving response of governments and health authorities to the Covid 19 Virus.

## **RISK FACTORS AND UNCERTAINTIES**

### **Insurance Risk**

No claims have ever been made against the Company. There is always the possibility that the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. EONX has workers compensation insurance, insurance for the contents and stock and property in its custody, an indemnity on gross profit for a 12-month period of AUD\$3,000,000, public liability insurance of AUD\$20,000,000, products liability insurance of AUD\$20,000,000. The Company does not have key man insurance for its CEO who is instrumental to the Company's operations and growth. The loss of his services would cause considerable disruption to the Company's operations.

### **Reliance on the Directors and Officers**

The Company has a small management team composed of the directors and the unexpected loss of any of these individuals would have a serious impact on the business. They are responsible for the successful operation of the Company. At present, there is no key-man insurance in place for any members of the management team. The loss of services of any of these personnel to develop the business and make appropriate decisions in respect of the management thereof could have a material adverse effect on the business of the Company.

### **Conflicts of Interest**

Other than the CEO, the directors and officers of the Company are not in any way limited or affected in their ability to carry on other transactions or business ventures for their own account or for the account of others. The CEO has signed an employment contract with a confidential covenant and a non- compete covenant. Future conflicts of interest will be dealt with in accordance with applicable laws, statutes and regulations.

**Exposure to Adverse Macroeconomic Conditions:** The Company is exposed to changes in general economic conditions in Australia and internationally and is affected by macroeconomic conditions such as tariffs and other trade barriers, economic recessions, downturns or extended periods of uncertainty or volatility, especially now with the Covid 19 virus, all of which may materially adversely affect the Company's business, operating and financial performance.

### **Currency Exchange Risk**

The Company's operations are currently in Australia and are thus exposed to fluctuations in currency exchange rates, which could negatively affect its financial condition and results of operations. In the event the operations expand outside of Australia, the currency exchange risk could increase.

### **Unforeseen Expenses**

All expenses that the Company is aware of are taken into account. There is a risk that unforeseen expenses may develop which could materially negatively affect the business operations.

### **Permits and Government Regulations**

There are currently no permits or government regulations in Canada and Australia that affect the Company's operations beyond business license requirement and the requirements of the Act and Corporations Act, 2001 (Cth) Australia.

## **RISK FACTORS AND UNCERTAINTIES**

### **Environmental and Safety Regulations and Risks, Climate Change**

There are currently no environmental laws and regulations affect the operations of the Company. None are anticipated as the Company's does not have physical operations other than business offices. The Company, like all other businesses and persons in the world is exposed to the effects of climate change. The direct effects on the Company's business is not foreseeable at this time.

### **Dividends**

The Company does not anticipate paying any dividends on its Shares in the near future.

### **List Not Exhaustive**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by Shareholders. The above factors and others not specifically referred to above may in the future materially affect the financial performance of the Company and the value of the shares described by this Prospectus. Accordingly, the Shares under this Prospectus carry no guarantee with respect to the payment of dividends, return of capital or the market value of those Shares.

### **APPROVAL**

The Board of Directors of the Company has approved the disclosure contained in this MD&A on October 26, 2021.