

**HAPBEE TECHNOLOGIES, INC.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

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**General**

The following Management’s Discussion and Analysis (“MD&A”) is intended to assist the reader to assess material changes in financial condition and results of operations of Hapbee Technologies, Inc. (“Hapbee” or the “Company”) for the nine months ended September 30, 2021.

This interim MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2021 and 2020, the audited consolidated financial statements for the year ended December 31, 2020, and the annual MD&A for the year ended December 31, 2020. These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

All monetary amounts are in U.S. dollars unless otherwise specified. The effective date of this MD&A is November 29, 2021.

**Forward-Looking Statements**

All statements made in this MD&A, other than statements of historical fact, are forward-looking statements. The Company’s actual results may differ significantly from those anticipated in the forward-looking statements and readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by law, the Company undertakes no obligation to release the results of any revisions to forward-looking statements that may be made to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events. Forward-looking statements include, but are not limited to, statements with respect to future price levels, success of technology development, success of marketing and product adoption, development time lines, currency fluctuations, requirements for additional capital, unanticipated expenses, trademark or patent disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation.

In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the integration of acquisitions; future price levels; accidents, labor disputes and other risks of the technology industry; delays in obtaining approvals or financing. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## **History of the Company**

Hapbee Technologies, Inc. (the "Company") is a company incorporated on January 3, 2019 under the Business Corporations Act (British Columbia). The head office is located at 1055 West Hastings Street, Suite 2250, Vancouver, BC V6E 2E9. Its registered and record office and corporate office is located at 700 West Georgia Street, Suite 2500, Vancouver, BC V7Y 1B3. The Company's principal business activity is to commercialize consumer digital products that will deliver one or more ultra-low radio frequency energy signals to produce mood-altering effects.

On June 15, 2020, the Company completed a forward stock split of its shares on a 1 for 4.5 basis. The Company had 13,455,000 common shares issued and outstanding and the resulting post stock split common shares outstanding are 60,547,500. The numbers of common shares issuable pursuant to all share capital have been retrospectively adjusted in accordance with the stock split ratio. On the same day, the Company amended its articles in order to change its authorized capital from an unlimited number of common shares, without par value, to an unlimited number of Subordinated Voting Shares, and created a new class of unlimited number of Multiple Voting Shares, all without par value.

During May 2020, the Company entered into a definitive agreement with Zander Capital Ltd. ("Zander") and to complete a transaction structured as a three-cornered amalgamation ("Amalgamation") with Zander and the Company's wholly-owned subsidiary, 1245802 B.C. Ltd ("802"). As consideration for the Amalgamation, each outstanding common share of the Zander was exchanged for one Subordinated Voting Shares of the Company. Pursuant to the amalgamation agreement, an aggregate of 8,724,401 the Company's Subordinated Voting Shares will be issued to the shareholders of Zander. The transaction closed on June 16, 2020 with Zander becoming a wholly-owned subsidiary of the Company.

On October 30, 2020, the Company's Subordinate Voting Shares were listed on the TSX Venture Exchange (the "Listing").

## **Business of the Company**

The Company develops wearable wellness products that enhance the human experience through magnetic field technology. Our core product, the Hapbee Wearable Wellness Product, is a wearable that "plays" or delivers unique magnetic signals, which produce sensations. These sensations fall under six broad categories including: Happy, Alert, Focus, Relax, Calm and Sleepy. The Hapbee Wearable Wellness Product can be controlled through the Hapbee App with both iOS and Android smartphones. Potentially hundreds of different sensations can be produced using patented ultra-low radio frequency energy (uIRFE).

EMulate Therapeutics, Inc ("EMulate") is a disruptive, commercial, platform technology company with multiple market opportunities. They have received 32 global patents on technologies relating to the Hapbee Wearable Wellness Product. In particular, EMulate invented and patented uIRFE technology that utilizes precisely targeted ultra-low radio frequency energy to specifically regulate metabolic pathways on the molecular and genetic levels – without chemicals, radiation or drugs – delivered via simple-to-use, non-sterile, non-invasive, non-thermal, non-ionizing devices.

While EMulate remains focused on medical devices, the Company has acquired exclusive global licenses to adapt the uIRFE technology for a non-medical consumer product aimed at the wellness industry – namely, the Hapbee Wearable Wellness Product.

The science and technology behind the Hapbee Wearable Wellness Product are based on magnetically induced effects. We use a specialized process to create unique uIRFE signals that produce precise biological

responses. The Company is adapting this technology for “at home”, non-medical, recreational use by consumers to alter moods and produce sensations expected to be helpful in everyday life. Certain emulated magnetic fields are played through the Hapbee Wearable Wellness Product to deliver several types of unique sensations or moods.

## **Overall Performance**

The following discussion of the Company's financial performance is based on the unaudited interim condensed consolidated financial statements for the nine months ending September 30, 2021 and the audited consolidated financial statements for the year ended December 31, 2020.

The statement of financial position as at September 30, 2021 indicated a cash balance of \$825,295 (December 31, 2020 - \$3,414,952), receivables of \$33,274 (December 31, 2020 - \$92,164), inventory and prepayments of \$257,882 (December 31, 2020 - \$257,490) and intangible assets of \$2,336,359 (December 31, 2020 - \$2,475,356). The decrease in total assets is mainly due cash used in daily operations and maintenance of working capital.

Liabilities at September 30, 2021 totaled \$3,578,951 (December 31, 2020 - \$4,030,789). Shareholders' equity is comprised of share capital of \$11,319,660 (December 31, 2020 - \$10,294,915), reserves of \$3,992,618 (December 31, 2020 - \$2,621,825), an accumulated other comprehensive income of \$30,375 (December 31, 2020 - \$29,520) and a deficit of \$15,468,794 (December 31, 2020 - \$10,737,087). The increase in reserves is mainly due to share-based compensation to directors, officers and consultants.

During the nine months period ended September 30, 2021, the Company reported a net loss of \$4,731,707 (\$0.10 basic and diluted loss per share) compared to a net loss of \$4,154,803 (\$0.17 basic and diluted loss per share) for the nine months period ended September 30, 2020. During the period, the Company has recorded sales on products of \$1,147,311 (2020 - \$326,700) and cost of goods sold of \$576,782 (2020 - \$213,638). Expense for the period mainly included amortization of intangible assets of \$158,997 (September 30, 2020 - \$81,749), consulting fees of \$1,911,579 (September 30, 2020 - \$789,496), general and administrative of \$1,486,080 (September 30, 2020 - \$582,319), interest accretion and expense on convertible debentures of \$Nil (September 30, 2020 - \$232,789), product development costs of \$244,510 (September 30, 2020 - \$181,537), professional fees of \$151,583 (September 30, 2020 - \$208,574), royalty fees of \$223,805 (September 30, 2020 - \$32,500) and share-based compensation of \$1,380,797 (September 30, 2020 - \$692,467). The increase in net loss is mainly due to the increased operating expenses incurred by the Company during the period, which include the increase in amortization of intangible assets, consulting fees, recruitment of employees and general and administrative expenses as well as share-based compensation.

## **Results of operations**

### Current Quarter

During the three months quarter ended September 30, 2021, the Company has recorded sales on products of \$437,835 (September 30, 2020 - \$326,700) and cost of goods sold of \$205,959 (September 30, 2020 - \$213,638). During the current quarter, the major expenses of the Company were the amortization of intangible assets of \$53,124 (September 30, 2020 - \$81,749), consulting fees of \$828,590 (September 30, 2020 - \$171,930), general and administrative of \$492,982 (September 30, 2020 - \$206,921), product development costs of \$45,000 (September 30, 2020 - \$181,537), and professional fees of \$71,875 (September 30, 2020 - \$107,785). The increase in net loss is due to the increased operating expenses

incurred by the Company during the period and the increase in share-based compensation as explained above.

#### Year-to-Date

During the nine months period ended September 30, 2021, the Company reported a net loss of \$4,731,707 (\$0.097 basic and diluted loss per share) compared to a net loss of \$4,154,803 (\$0.165 basic and diluted loss per share) for the nine months period ended September 30, 2020. During the period, the Company has recorded sales on products of \$1,147,311 (September 30, 2020 - \$326,700) and cost of goods sold of \$576,782 (September 30, 2020 - \$213,638). Expenses for the period mainly included amortization of intangible assets of \$158,997 (September 30, 2020 - \$81,749), consulting fees of \$1,911,579 (September 30, 2020 - \$789,496), general and administrative of \$1,486,080 (September 30, 2020 - \$582,319), product development costs of \$244,510 (September 30, 2020 - \$181,537), professional fees of \$151,583 (September 30, 2020 - \$208,574), royalty fees of \$223,805 (September 30, 2020 - \$32,500), share-based compensation to directors, officers and consultants of \$1,380,797 (September 30, 2020 - \$692,467), share-based Zander acquisition of \$Nil (September 30, 2020 - \$1,466,434), and change in fair value of warrant liability of \$405,685 (September 30, 2020 - \$Nil). The net loss and other comprehensive loss remained fairly stable because the increase in sales was offsetting the increase in operating expenses incurred by the Company during the period.

#### Products

##### *Hapbee Wearable Wellness Product*

A working prototype of the Hapbee Wearable Wellness Product was completed in September 2019.

The Hapbee Wearable Wellness Product weighs 4.5 ounces and comes with a micro USB-C charging and holding cradle that allows the headband to stand upright as it charges. It is designed to have eight hours of battery life for each charge. The lightweight, and low-profile design of the Hapbee Wearable Wellness Product allows users to wear the product comfortably on their heads, over the brim of a hat, or discreetly around their collars under their shirts.

The Hapbee Wearable Wellness Product allows wearers to choose how they feel by producing a variety of sensations by “playing” precise electromagnetic fields. The sensations fall under several broad categories such as: Happy, Alert, Relax, Calm, Sleepy, and Focus. The product connects to and is controlled by the customizable Hapbee App that is available for both iOS and Android compatible smartphones.

The Company retained Crown Bioscience International Inc. (“CrownBio”), a third-party contract research organization, in April and August 2019 to conduct in vivo studies for both safety and basic efficacy (behavioral response) of the electromagnetic signals. CrownBio is a global company with facilities in the United States, United Kingdom, China, and Taiwan. CrownBio used a blinded study protocol, where even lab technicians were not advised of which signals were tested on which cage of mice. The studies had 80 test subjects. Each of the cages of mice were given the unique magnetic fields at different time intervals (N=5 mice/group), and all cages were then tested with a 15-day continuous signal to gauge safety. No adverse effects were reported. Significantly, the activity levels of the mice changed based on the signal used. Among the many results/effects that were observed, the “Alert” signal caused the mice to be mildly hyperactive, the “Relax” signal caused mild hypoactivity, and the “Sleepy” signal caused the mice to be somnolent. In addition, the blinded lab techs reported being able to guess with full accuracy which signal was being played onto each group of mice.

The first small group of Hapbee Wearable Wellness Products were designed by Product Creation Studios. These products were then circulated for beta testing to hundreds of users across the United States who provided their feedback. All six of the basic sensations were tested with the prototype and the response was decidedly positive by mostly all of the users, according to anecdotal responses and testimonials.

A soft launch of the Hapbee Wearable Wellness Product began on February 12, 2020, with a popular crowdfunding site, indiegogo.com. The “Hapbee – Choose How You Feel” campaign introduced the Hapbee Wearable Wellness Product to Indiegogo’s nine million followers and offered early-bird pricing with several product bundling options for presale. Indiegogo provided additional marketing for the Company through newsletters and social media platforms as the campaign raised certain target amounts. The campaign’s fixed goal of US\$15,000 in presales was surpassed within just 7 minutes of the campaign launch.

The Company has entered into a supply agreement with Pinnacle Technology Group in Toledo, Ohio, where certain components of the Hapbee Wearable Wellness Product will be manufactured, and the product will be assembled and packed for distribution to the Company’s e-commerce partners who will receive the units through their procurement channels.

### *Hapbee App*

A working prototype of the Hapbee App was completed in September 2019.

The Company engaged three full-time and one part-time mobile app developers and one full-time and one part-time API/Web development team to collaborate, together with several independent contractors, on the development of the Hapbee App, including how signals will be deployed and the strict security protocols for software, servers and products. The Hapbee App currently has over 2051 unique builds and updates and has been cleared for commercial launch.

The signals themselves, which are played on the Hapbee Wearable Wellness Products, are security protected using encryption standards such as AES 128-bit song encryption keys, 128-bit device communication encryption keys and 2048 key length using RSA1 and ECDSA2 encryption providers on the Company’s server resources. Songs are transferred from EMulate via Secure HTTPS to our secure server hosted by Microsoft Azure to distribute to users via the Hapbee App and transferred to each product using a secure device key determined by the manufacturer (over the Bluetooth LE frequency).

The Company has also developed a protective song encryption tool for enhanced software security. The Company will be able to encrypt songs using the specifications of our product, and there is no reliance on a third-party vendor to create updates, nor are there security violations inside the encryption tool that would compromise the product. The utility for song encryption uses Microsoft .NET Framework and Windows Desktop Platform to ensure the highest security. Subscriber data, which includes basic contact information, is encrypted and saved on the Company’s secure server.

In addition to platform security protection through encryption protocols, which protect the loading and playing of the signals through the Hapbee App onto the Hapbee Wearable Wellness Products, the product is also sealed through sonic welding, and if broken open or tampered with, the product and embedded signals are rendered useless.

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<sup>1</sup> Rivest–Shamir–Adleman (“RSA”) is one of the first public-key cryptosystems and is widely used for secure data transmission.

<sup>2</sup> Elliptic Curve Digital Signature Algorithm (“ECDSA”) offers a variant of the Digital Signature Algorithm (“DSA”) which uses elliptic curve cryptography.

The Hapbee App will allow the Company to collect trends on user habits including time of day plays, duration, and other demographics. The Hapbee App will also give the Company the opportunity to cobrand and release new signals with other companies for products such as VR, float pod, pillow and mattress companies.

The Hapbee App stores all available predictable electromagnetic signals on a "playlist" that can be accessed via a monthly subscription which is priced according to the features included. Currently, signals can be added, updated and removed on the fly, and the app can specify suggested play time on a per signal basis. The Hapbee App will launch with six signals that fall in the broad categories: Happy, Alert, Calm, Relax, Sleepy, Focus. At the time of this MD&A, there are seven more signals related to performance, sleep, and memory function, amongst others that are in research and development. The Company's research and development team is evaluating additional signals to potentially license from EMulate. Consumer feedback will determine the priority of the development of additional signals. Features such as controlling signal intensity, scheduling signal playtimes or mixing custom signal "playlists" are also on the research and development agenda.

#### *Research and Development*

To date, the Company has spent \$1,468,643 on the creation of the Hapbee Wearable Wellness Product and the Hapbee App. Management has planned ongoing form factor and application development to increase the portfolio of sensations that are available to users.

Over the next 12 to 18 months, the Company expects to release new signals. Currently there are additional signals in evaluation stages while other signals are being investigated with respect to optimizing their strength.

The prototype of the current form factor is a headband/necklace product. With the advent of new material such as flexible battery and circuit electronics and electronics integrated into washable fabrics, the Company is considering developing form factors for activity-specific application such as a helmet or a yoga mat for relaxation or a pillowcase for sleep.

#### Intangible Assets

The Company capitalized the acquisition costs of licenses and development costs related to the design and development of the device prototype.

##### (a) Licenses

#### License Agreement for certain sensory technologies

On March 29, 2019, the Company acquired a license from EMulate Therapeutics Inc. ("EMulate"). The Company paid an up-front fee of USD \$1,500,000 for this license. The Company will pay EMulate, on a quarterly basis, 20% royalties on the net income from use, sales, lease or rental of the authorized product containing cognate signals. In exchange, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize a consumer digital products using EMulate's technology. The license has a term of 20 years from the effective date.

On October 30, 2019, an amended and restated exclusive license agreement with EMulate was signed by the Company. The effective date of the original licensing agreement was changed to October 30, 2019, and the entire agreement was restated in its entirety, superseding previous signed licenses. On January 24, 2020, another amended and restated exclusive license agreement with EMulate was signed by the Company. As

per the amended and restated exclusive license agreement, the effective date of the original licensing agreement was changed to January 24, 2020, and the entire agreement was restated in its entirety, superseding previous signed licenses. On June 1, 2020, another amended and restated exclusive license agreement with EMulate was signed by the Company. As per the amended and restated exclusive license agreement, the effective date of the original licensing agreement was changed to June 1, 2020, and the entire agreement was restated in its entirety, superseding previous signed licenses. On October 26, 2020, another amended and restated exclusive license agreement with EMulate was signed by the Company. As per the amended and restated exclusive license agreement, the effective date of the original licensing agreement was changed to October 26, 2020, and the entire agreement was restated in its entirety, superseding previous signed licenses.

License Agreement for certain sensory technologies

On October 30, 2019, the Company acquired another license from EMulate. The Company paid an up-front fee of USD \$30,000 for this license. The Company will pay EMulate, on a quarterly basis, 20% royalties on the net income from sales, lease or rental of the authorized product containing cognate signals. The royalty rate on the first USD \$10,000,000 will be 25% on the net income from use of the authorized product containing cognate signals. In exchange, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize a consumer digital products using EMulate's technology. The license has a term of 20 years from the effective date.

On January 24, 2020, an amended and restated exclusive license agreement with EMulate was signed by the Company. As per the amended and restated exclusive license agreement, the effective date of the original licensing agreement was amended to January 24, 2020, and the entire agreement was restated in its entirety, superseding previous signed licenses. On June 1, 2020, another amended and restated exclusive license agreement with EMulate was signed by the Company. As per the amended and restated exclusive license agreement, the effective date of the original licensing agreement was amended to June 1, 2020, and the entire agreement was restated in its entirety, superseding previous signed licenses. On October 26, 2020, another amended and restated exclusive license agreement with EMulate was signed by the Company. As per the amended and restated exclusive license agreement, the effective date of the original licensing agreement was amended to October 26, 2020, and the entire agreement was restated in its entirety, superseding previous signed licenses.

On April 21, 2021, the Company acquired another license from EMulate. The Company paid an up-front fee of USD \$10,000 for this license. The Company will pay EMulate, on a quarterly basis, 20% royalties on the net income from sales, lease or rental of the authorized product containing cognate bedtime signals. The royalty rate on the first USD \$10,000,000 will be 25%. In exchange, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize a consumer digital products using EMulate's technology. The license has a term of 20 years from the effective date.

On July 29, 2021, the Company acquired another license from EMulate. The Company paid an up-front fee of USD \$10,000 for this license. The Company will pay EMulate, on a quarterly basis, 20% royalties on the net income from sales, lease or rental of the authorized product containing cognate bedtime signals. The royalty rate on the first USD \$10,000,000 will be 25%. In exchange, the Company will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize a consumer digital products using EMulate's technology. The license has a term of 20 years from the effective date.

Sensory technologies licensed in both agreements include the human senses of being happy, sleepy, focused, alert, calm and relaxed.

(b) Development Costs

During the nine months period, the Company incurred development costs of \$Nil (year ended December 31, 2020: \$314,983) related to the developing an augmentative wearable device that emulates normal molecular interactions in the body through small, specific magnetic fields. These costs have met the criteria for capitalization under IAS 38.

The following table outlines the Company's intangible assets as at September 30, 2021:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	\$	\$
License Agreement for certain sensory technologies	1,500,000	1,500,000
License Agreement for certain sensory technologies	30,000	30,000
License Agreement for certain sensory technologies	10,000	-
License Agreement for certain sensory technologies	10,000	-
Development costs capitalized	<u>1,079,980</u>	<u>1,079,980</u>
Amortization of intangible assets - license fees	(102,375)	(44,625)
Amortization of intangible assets - development costs	<u>(191,246)</u>	<u>(89,999)</u>
	<u>2,336,359</u>	<u>2,475,356</u>

Revenues

The Company's revenues are derived from both the sale of hardware as well as subscriptions fees related to the use of its products.

Sales of hardware is recognized upon the transfer of control of the promised product to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products.

During the current period, the Company has recorded sales on products of \$1,147,311 and cost of goods sold of \$576,782.

## Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company for the eight most recent quarters of operation. This information is derived from unaudited quarterly financial statements prepared by management. The financial data for the quarters ended from October 1, 2019, to September 30, 2021, are prepared in accordance with IFRS.

	3rd Quarter 2021 September 30, 2021	2nd Quarter 2021 June 30, 2021	1st Quarter 2021 March 31, 2021	4th Quarter 2020 December 31, 2020	3rd Quarter 2020 September 30, 2020	2nd Quarter 2020 June 30, 2020	1st Quarter 2020 March 31, 2020	4th Quarter 2019 December 31, 2019
Total revenues	\$437,835	\$221,543	\$241,068	\$335,182	\$326,700	\$Nil	\$Nil	\$Nil
Net loss from continuing operations	(\$1,739,202)	(\$1,573,476)	(\$1,824,713)	(\$2,833,314)	(\$937,690)	(\$2,239,902)	(\$977,211)	(\$192,050)
Net loss from continuing operations per common share outstanding – basic & diluted	(\$0.04)	(\$0.03)	(\$0.04)	(\$0.06)	(\$0.04)	(\$0.02)	(\$0.00)	(\$0.00)
Net income loss	(\$1,625,880)	(\$1,403,929)	(\$1,701,043)	(\$6,151,221)	(\$937,690)	(\$2,239,902)	(\$977,211)	(\$192,050)
Net income loss per common share outstanding - basic	(\$0.03)	(\$0.03)	(\$0.04)	(\$0.14)	(\$0.04)	(\$0.04)	(\$0.00)	(\$0.00)

Overall, amortization of intangible assets, consulting fees, general and administrative (including advertising and marketing), interest accretion and expense on convertible debentures, product development costs, professional fees, royalty fees and share-based compensation were the major components that caused variances in net losses from quarter to quarter.

## Liquidity and Capital Resources

The Company had working capital deficit of \$57,793 (December 31, 2020 – \$2,969,459) as at September 30, 2021. Cash as at September 30, 2021 was \$825,295, as compared with \$3,414,952 at December 31, 2020. The decrease in working capital was mainly due to increased cash used in maintenance of daily operations.

During the nine months ended September 30, 2021, the Company received proceeds of \$Nil (2020 - \$555,000) from subordinated voting shares issuances and \$Nil (2020 - \$4,717,807) from convertible debentures issuances.

During the nine months ended September 30, 2021, the Company experienced cash outflows of \$3,160,003 (2020 – \$1,562,148) from operating activities. Cash outflows from investing activities were \$20,000 versus \$734,138 for 2020. Financing activities realized inflows of \$589,491 (2020 – \$5,272,807) and included proceeds from exercise of warrants of \$589,491 (2020 - \$Nil), proceeds of \$Nil (2020 - \$555,000) from subordinated voting shares issuances and \$Nil (2020 - \$4,717,807) from convertible debentures issuances.

The Company has financed its operations to date primarily through the issuance of its shares and convertible debentures. The Company believes that it has sufficient working capital for its short-term corporate obligations but generation of additional capital will be required for future operations until sufficient revenue can be generated from the Company's sales of its wearable wellness products. As the Company cannot

predict the time at which revenue will exceed expenses, the Company continues to seek capital through various means including the issuance of equity and/or debt.

The Company's financial success will be dependent upon the extent to which it can complete development of its current product and the user absorption the product receives. Such development may take longer than expected and the amount of resulting revenue, if any, is difficult to determine. The value of the core product is largely dependent upon many factors beyond the Company's control.

### Off Balance Sheet Transactions

There are currently no off balance sheet arrangements which could have a material effect on current or future results of operations, or the financial condition of the Company.

### Related Party Transactions

The aggregate value of transactions recorded relating to key management personnel and entities which they have control or significant influence were as follows:

	Notes	Nine Months ended September 30, 2021	Nine Months ended September 30, 2020
EMulate Therapeutics Inc. – License Fees	(a)	\$20,000	-
EMulate Therapeutics Inc. – Development Costs	(b)	-	\$94,871
EMulate Therapeutics Inc. – Royalty Fees	(c)	\$223,805	-
Shares issued to Emulate Therapeutics Inc.	(d)	-	\$1
Scott Donnell	(e)	\$96,000	\$128,000
Les Consultants Shtern Inc.	(f)	\$133,336	-
Shares issued to Scott Donnell	(g)	-	\$38
Shares issued to Robert Dzisiak	(h)	-	\$44,256

- (a) During the interim period ended September 30, 2021, EMulate Therapeutics Inc., an entity which has significant influence on the Company charged licence fees.
- (b) During the interim period ended September 30, 2021, EMulate Therapeutics Inc., an entity which has significant influence on the Company charged development costs.
- (c) EMulate Therapeutics Inc., an entity which has significant influence on the Company charged royalty fees.
- (d) During the year ended December 31, 2019, 28,125,000 common shares were issued to Emulate Therapeutics Inc. for gross proceeds of \$1. During June 2020, these 28,125,000 common shares were cancelled and replaced by 281,250 Multiple Voting Shares.
- (e) Scott Donnell, the former CEO charged consulting fees to the Company.
- (f) Les Consultants Shtern Inc., an entity owned by Yona Shtern, the new CEO charged consulting fees to the Company.
- (g) During the year ended December 31, 2019, 16,875,000 common shares were issued to Scott Donnell for gross proceeds of \$38. During June 2020, these 16,875,000 common shares were cancelled and replaced by 168,750 Multiple Voting Shares.
- (h) During June 2020, 200,000 Subordinated Voting Shares were issued to Robert Dzisiak, a director of the Company as compensation.

The following table outlines the Company's related party payables:

	September 30, 2021 \$	December 31, 2020 \$
Scott Donnell	-	54,069
EMulate Therapeutics Inc.	78,965	165,675
	78,965	219,744

### **Proposed Transactions**

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the condensed consolidated interim financial statements for the nine months ended September 30, 2021.

### **Critical Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical accounting judgments and estimates in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements are outlined below.

#### *Share-based payments*

The Company makes certain estimates and assumptions when calculating the estimated fair values of stock options granted and warrants issued. The significant assumptions used include estimates of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for grants of stock options and the issuance of warrants.

#### *Deferred income taxes*

The Company is periodically required to estimate the tax base of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of changes.

Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, the market price for commodities, production costs, quantities of proven and probable reserves, interest rates, and foreign currency exchange rates.

*Going concern*

The determination of the Company's ability to continue as a going concern requires the Company to make certain judgements about whether the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

*Capitalization of intangible assets*

Management is required to use judgement in determining the economic useful lives of identifiable intangible assets and the capitalization of costs for internally generated intangible assets is subject to judgment including the technical feasibility, timeframe to commercialization, assessment of availability of resources to complete the project, and if economic benefits will be generated from its use. Management is required to use judgement in determining the economic useful lives of identifiable intangible assets. Judgement is also required in identifying indicators of impairment of the Company's intangible assets.

**Change in Accounting Policies including Initial Adoption**

Please refer to Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2020 for more information regarding the Company's significant accounting policies and changes.

**Business Objectives and Milestones**

The Company receipted and filed a final prospectus (the "Prospectus") dated October 26, 2020 on SEDAR. Per the Prospectus, as at September 30, 2020, being the most recent month end before the date of the Prospectus, the Company had working capital of approximately US\$3,897,383.

The following table sets forth the principal purposes for which the estimated use of funds available to the Company would be used per the Prospectus and the actual use of funds available for each such principal purpose:

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Use of Funds Available	Estimated	Actual	Variance
	Use of Funds Available	Use of Funds Available	
Objective A – Develop an E-Commerce Platform	US\$90,000	US\$90,000	-
Objective B – Develop Hapbee App	US\$130,000	US\$130,000	-
Objective C – Further Develop Hapbee Signals	US\$75,000	US\$75,000	Expect to incur additional US\$50,000 to complete the fourth signal
Objective D – Establish and Develop Marketing and Media Partnership	US\$40,000	US\$40,000	-
Objective E – Further Develop Hapbee Wearables Hardware	US\$508,000	US\$508,000	-
Listing Costs	US\$170,000	US\$241,968	Increased legal fees incurred for the listing.
Operating Expenses for 12 months	US\$2,675,000	US\$2,812,415	Estimated amount is for the whole year.
Unallocated Working Capital	US\$209,383	-	Estimated amount is for the whole year. The working capital available will be used to accomplish the business objectives and milestones that have not been completed.
<b>Total</b>	<b>US\$3,897,383</b>	<b>US\$3,897,383</b>	

The Company has outlined certain business objectives and milestones in the Prospectus that it would expect to accomplish using its estimated working capital as at September 30, 2020. The table below outlines the current status with respect to the extent of accomplishment of such business objectives and milestones.

	Target Completion Date	Target Budget	Current Status
<b>Objective A: Develop an E-Commerce Platform</b>			
<b>Milestone 1:</b> Finish E-Commerce Hapbee.com website – The Company will finish all of the public facing website pages including product pages, signal pages, science pages, and blogs, so that the Company will be able to begin the commercial launch and start advertising online.	October 2020	US\$40,000	Completed within budget.
<b>Milestone 2:</b> Web ecommerce platform approved with test ads - new web rollout – The Company will complete our sales copy, images and videos to start paying for traffic to convert on our website.	October 2020	US\$50,000	Completed within budget.
	<i>Subtotal:</i>	<i>US\$90,000</i>	
<b>Objective B: Develop Hapbee App</b>			
<b>Milestone 1:</b> Final approved version 1.0 of the Hapbee App goes live - The full list of launch features will be complete to allow users to download the Hapbee App, sign up, connect a Hapbee product, and play a signal securely.	October 2020	US\$80,000	Completed within budget.
<b>Milestone 2:</b> Upgrade App features for smoother user interface (“UI”) - Update our Hapbee App to fix any basic errors and bugs reported by the first beta users of the Hapbee App.	November 2020	US\$30,000	Completed within budget.
<b>Milestone 3:</b> Hapbee App version 2.0 for future signals and partnership launches - These features are more long-term features in the Hapbee App to help with gamification, mini-players, adding new	January 2020	US\$20,000	Completed within budget.

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signals in the future, and allowing users to provide feedback on signals in real time.

**Objective C: Further Develop Hapbee Signals**

**Milestone 1:** Four new additional signals through testing and market ready - These signals will be researched, analyzed and tested to be ready for commercialization to customers in the Hapbee App. Any new licenses relating to such additional signals would result in the Company incurring additional license costs and royalty payments.

	<i>Subtotal</i>	<i>US\$130,000</i>	
December 2020	US\$60,000		The Company has completed three signals and is working on the fourth one. The first signal “Bedtime” was launched on April 22, 2021. The Company intends to launch the other two signals in about 45 days to 60 days. The Company plans to complete the fourth signal in the third and fourth quarters using its existing working capital.
February 2021	US\$15,000		Completed within budget.
	<i>Subtotal</i>	<i>US\$75,000</i>	

**Milestone 2:** Begin optimization of signals – We will study our current signals and provide adjustments to such signals to further optimize and improve user experience.

**Objective D: Establish and Develop Marketing and Media Partnerships**

**Milestone 1:** Influencer Outreach – We will work with our advisors to identify certain high profile celebrities and influencers who can test out and promote our brand.

**Milestone 2:** First major influencer partnership - We plan to lock in the first major influencer with over 5 million followers on social media in either sports, music or entertainment.

**Milestone 3:** Begin third party distribution - We will work with our distributors to market our products to third party distribution channels such as Amazon, Ebay, Google Express and Walmart.

October 2020	US\$10,000		Completed within budget.
October 2020	US\$5,000		Completed within budget.
November 2020	US\$10,000		The Company has started third party distribution and will carry on this task. In particular, the Company expects to work with distribution channels such as Amazon and others in the second and third quarters.
March 2021	US\$15,000		Completed within budget.
	<i>Subtotal</i>	<i>US\$40,000</i>	

**Milestone 4:** Major products roll out at Upgrade Labs Convention - This is a major biohacking convention in North America with over 1,500 potential customers for our technology, and we plan to roll out a marketing launch at this event.

**Objective E: Further Develop Hapbee Wearables Hardware**

**Milestone 1:** Iterate next run of units with upgraded hardware - We will gather feedback from users to improve certain pieces of the hardware such as buttons, firmware, batteries, sizing, and brightness of the logo.

**Milestone 2:** Research new product categories for next product – We will research and survey our customers to learn other ways that we can deliver our signals to them, in addition to our headband/necklace products.

**Milestone 3:** Design and create new form factor – We will work with our main design engineers and firmware teams to ideate, design, test and build new wearables that would be appealing to a broader market of customers.

January 2021	US\$250,000		Completed within budget.
January 2021	US\$8,000		Completed within budget.
July 2021	US\$250,000		Completed within budget.
	<i>Subtotal</i>	<i>US\$508,000</i>	

**Total (Objectives A to E)** **US\$843,000**

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While the Company intends to spend its current working capital as stated, there may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary or advisable.

The actual amounts that the Company would spend in connection with its stated business objectives and milestones may vary significantly from the amounts specified, and will depend on a number of factors, including those listed under the heading "Risk Management".

### **Financial Instruments and Risk Management**

The Company's financial instruments consist of cash, accounts payable and convertible debentures. The fair values of the Company's cash and accounts payable approximate their carrying values, due to their short-term natures. The Company's cash is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

#### Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company believes that the capital sources will be sufficient to cover the expected cash requirements by obtaining financing through the issuance of debt or shares. Liquidity risk is assessed as high.

#### Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

##### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed to interest rate risk.

##### (b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company is not exposed to price risk as it has no instruments in publicly held securities.

(c) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk as all of its operations are in the United States of America, except of cash held in Canadian Dollars which amounted to \$76,357 Canadian Dollars as at September 30, 2021 (December 31, 2020 - \$3,803,311), accounts receivable which amounted to \$Nil Canadian Dollars at September 30, 2021 (December 31, 2020 - \$3,619) and accounts payable which amounted to \$109,422 Canadian Dollars at September 30, 2021 (December 31, 2020 - \$8,770).

### **Disclosure of Outstanding Share Data**

The following information relates to share data of the Company as at the date of this MD&A:

#### **(A) Share capital**

On June 15, 2020, the Company amended its articles in order to change its authorized capital from an unlimited number of common shares, without par value, to an unlimited number of Subordinated Voting Shares, and created a new class of unlimited number of Multiple Voting Shares, all without par value.

#### **Authorized**

The Company's authorized capital consists of (i) an unlimited number of Subordinated Voting Shares, and (ii) an unlimited number of Multiple Voting Shares. The holders of Subordinated Voting Shares are entitled to one vote for each Subordinated Voting share held. The holders of Multiple Voting Shares are entitled to 100 votes for each Multiple Voting Share held.

#### **Voting Rights**

All holders of Subordinated Voting Shares and Multiple Voting Shares are entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the Business Corporations Act (British Columbia). A quorum for the transaction of business at any meeting of shareholders is two persons present at the meeting, each of whom is entitled to vote at the meeting, and who hold or represent by proxy in the aggregate not less than 5% of the outstanding shares of the Company entitled to vote at the meeting.

On all matters upon which shareholders the Company are entitled to vote:

- each Subordinated Voting Share is entitled to one vote per Subordinated Voting Share; and
- each Multiple Voting Share is entitled to 100 votes per Multiple Voting Share.

Unless a different majority is required by law or the articles of the Company, resolutions to be approved by shareholders require approval by a simple majority of shareholders.

#### **Conversion Rights and Conditions**

Issued and outstanding Multiple Voting Shares, including fractions thereof, may at any time, subject to the FPI Condition (as defined below), at the option of the holder, be converted into Subordinated Voting Shares

at a ratio of 100 Subordinated Voting Shares per Multiple Voting Share. Further, the board of directors of the Company may determine in the future that it is no longer advisable to maintain the Multiple Voting Shares as a separate class of shares and may cause all of the issued and outstanding Multiple Voting Shares to be converted into Subordinated Voting Shares at a ratio of 100 Subordinated Voting Shares per Multiple Voting Share. The right of the Multiple Voting Shares to convert into Subordinated Voting Shares is subject to certain conditions in order to maintain the status of the Company as a "foreign private issuer" under United States securities laws (the "FPI Condition").

As at September 30, 2021, the Company has 48,526,333 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding.

As at the date of this MD&A, the Company has 69,040,956 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding. (See "Subsequent Events")

### **(B) Stock Options and Restricted Share Units**

The Company has adopted a stock option plan (the "Old Plan") on November 6, 2019, providing the Board of Directors with the discretion to issue an equivalent number of options of up to 7,515,000 Subordinated Voting Shares of the Company. Stock options are granted with an exercise price of not less than the closing share price the date preceding the date of grant.

On January 20, 2020, Company granted 3,600,000 stock options. The options are all exercisable at the price of \$0.22 (C\$0.30) per share until January 20, 2028.

On August 12, 2020, the Company replace its Old Plan with a new 10% rolling stock option plan (the "New Plan") and adopted a 10% fixed restricted share unit plan (the "RSU Plan"), which were subsequently approved by the TSX Venture Exchange upon the Listing.

On November 12, 2020, the Company granted 4,266,875 incentive stock options to officers, directors and consultants of the Company pursuant to the Company's New Plan. Of the 4,266,875 options, 2,784,375 vested immediately; 1,102,500 options vested 1/2 on grant date and 1/4 every year afterwards; 380,000 options vested 1/4 on grant date and 1/4 every year afterwards. The options are all exercisable at the price of \$0.56 (C\$0.73) per share until November 12, 2028, subject to earlier termination in accordance with the New Plan.

On February 17, 2021, the Company signed an agreement with Octagon Media Corp. ("Octagon") where Octagon is engaged to provide marketing services to the Company for a period of 6 months ending August 16, 2021. The Company agreed to pay \$125,000 upfront and granted 600,000 options at an exercise price of \$0.63 (C\$0.80) to Octagon in return for marketing services. The options vested immediately are exercisable unit February 17, 2022

On March 5, 2021, the Company granted 40,000 stock options exercisable to purchase up to an aggregate of 40,000 shares to a consultant. The options vested immediately are exercisable at the price of \$0.53 (C\$0.67) per share until March 5, 2029.

On June 1, 2021, the Company granted 330,000 stock options exercisable to purchase up to an aggregate of 330,000 shares to an entity owned by the new CEO of the Company. The options will be vested 1/3 on the 12, 24 and 36 months anniversary. The options are exercisable at the price of \$0.40 (C\$0.48) per share until June 1, 2029.

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The options outstanding and exercisable as at September 30, 2021 are as follows:

	Expiry date	Number of options	Exercise price (\$)
Outstanding at December 31, 2019		-	-
Granted	January 20, 2028	3,600,000	0.22
Granted	November 12, 2028	4,266,875	0.56
<b>Outstanding at December 31, 2020</b>		<b>7,866,875</b>	<b>0.40</b>
<b>Exercisable at December 31, 2020</b>		<b>7,030,625</b>	<b>0.39</b>
Granted	February 17, 2022	600,000	0.63
Granted	March 5, 2029	40,000	0.53
Granted	June 1, 2029	330,000	0.40
<b>Outstanding at September 30, 2021</b>		<b>8,836,875</b>	<b>0.42</b>
<b>Exercisable at September 30, 2021</b>		<b>7,670,625</b>	<b>0.41</b>

As at the date of this MD&A, the Company has 8,836,875 options issued and outstanding and 8,041,250 options exercisable.

During the year ended December 31, 2020, the Company granted an aggregate of 5,466,875 restricted stock units (the "RSU") to officers, directors, key employees and consultants pursuant to the Company's RSU Plan with a fair value of \$0.45 per RSU. The RSU will be vested 1/2 on the 12 and 24 months anniversary. These units are exercisable until November 12, 2023.

On March 5, 2021, the Company granted 100,000 RSU to a consultant with a fair value of \$0.26 per RSU. The RSU will be vested 1/2 on the 12 and 24 months anniversary. These units are exercisable until March 5, 2024.

On June 1, 2021, the Company granted 1,072,000 RSU to an entity owned by the new CEO of the Company, with a fair value of \$0.19 per RSU. The RSU will be vested 1/2 on the 12 and 24 months anniversary. These units are exercisable until June 1, 2024.

On September 29, 2021, the Company granted total 179,000 RSU to two consultants with a fair value of \$0.11 per RSU. Out of these units, 62,333 RSU are vested on the grant date; 58,333 RSU on December 31, 2021 and 58,334 RSU on March 9, 2022. These units are exercisable until September 30, 2022, December 31, 2022 and March 9, 2023 respectively.

As at September 30, 2021, the Company has 6,817,875 RSUs issued and outstanding; and 62,333 RSUs exercisable.

As at the date of this MD&A, the Company has 6,817,875 RSUs issued and outstanding; and 2,795,771 RSUs exercisable.

**(C) Warrants**

During the year ended December 31, 2020, the Company granted 976,523 non-transferable finder’s warrants (the “Finder’s Warrant”). Each Finder’s Warrant will be exercisable into one Subordinate Voting Share for a period of two years at an exercise price of \$0.22 (C\$0.30) per share.

The Company also granted 223,073 consultant warrants (the “Consultant Warrants”) during the year. Each Consultant Warrant will be exercisable into one Subordinate Voting Share for a period of two years at an exercise price of \$0.22 (C\$0.30) per share.

On October 27, 2020, the Company issued 10,827,938 Convertible Debenture Warrants upon conversion of the Convertible Debentures. Out of these issued Convertible Debenture Warrants, a total of 93,916 units were exercised during the fiscal year.

During the nine months ended September 30, 2021, a total of 1,588,277 warrants were exercised and converted into Subordinated Voting Shares.

The warrants outstanding and exercisable as at September 30, 2021 are as follows:

	Expiry date	Number of warrants outstanding	Number of warrants exercisable	Exercise Price (\$)
Balance December 31, 2019		-	-	-
Granted	June 25, 2022	976,523	976,523	0.22
Granted	July 31, 2022	223,073	223,073	0.22
Granted	October 27, 2022	10,827,938	10,827,938	0.37
Exercised	October 27, 2022	(93,916)	(93,916)	0.37
<b>Balance December 31, 2020</b>		<b>11,933,618</b>	<b>11,933,618</b>	<b>0.36</b>
Exercised	June 25, 2022	(259,112)	(259,112)	0.22
Exercised	October 27, 2022	(1,329,165)	(1,329,165)	0.37
<b>Balance September 30, 2021</b>		<b>10,345,341</b>	<b>10,345,341</b>	<b>0.36</b>

As at the date of this MD&A, the Company has 31,243,470 warrants issued and outstanding. (See “Subsequent Events”)

### Additional Disclosure for Venture Issuers without Significant Revenue

The Company has incurred the following expenses:

	Nine-Month Period Ended September 30, 2021	Nine-Month Period Ended September 30, 2020
	\$	\$
Consulting fee	1,911,579	789,496
Payroll and staff benefits	157,425	-
Accretion	-	232,789
General and administrative:		
Advertising and marketing	1,286,028	456,435
Foreign exchange recovery	(263,090)	(114,600)
Office	415,963	221,719
Travel and entertainment	47,179	18,765
	1,486,080	582,319

During the nine-month period ended September 30, 2021, consulting fees totalling \$1,911,579 (September 30, 2020 - \$789,496) were mainly paid to directors, officers and consultants of the Company to provide corporate communication, administrative, investor relations, computer services, and management services to the Company. The transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

The increase in advertising and marketing expenses \$1,286,028 (September 30, 2020 - \$456,435) was mainly due to increased promotion of Hapbee brand and Hapbee products via various channels and media.

### Subsequent Events

On November 24, 2021, the Company closed a non-brokered private placement of 20,308,963 units at \$C0.30 per unit for a total proceeds of \$C6,092,689. Each unit consisted of one subordinate voting share and one subordinate voting share purchase warrant, and each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.50 per share for a period of 36 months from the closing date. The Company may, in its sole discretion, provide notice to warrant holders to shorten the warrant expiry date to 60 days from the notice date if the daily volume weighted average closing price of the Company's subordinate voting share is greater than \$C1.00 for the 10 consecutive trading days preceding the notice date. In connection with the private placement, the Company paid finders' fees of \$C115,052 in cash, and issued 205,660 finder's shares and 589,166 non-transferrable warrants. Each finder's warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.50 per share for a period of 12 months from the closing date.