

HAPBEE TECHNOLOGIES, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE 3- AND 9-MONTH PERIODS ENDED SEPTEMBER 30, 2022

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 3- and 9-month periods ended September 30, 2022.

This interim MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the 3- and 9-month periods ended September 30, 2022 and 2021, the audited consolidated financial statements for the year ended December 31, 2021, the MD&A for the interim period ended June 30, 2022 and the annual MD&A for the year ended December 31, 2021. 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 December 8, 2022.

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 timelines, 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 products, the Hapbee Smart Sleep Pad and the Hapbee Wearable Neckband, are wearables that "play" or deliver unique magnetic signals, which produce sensations. These sensations fall under 3 broad categories: Sleep, Perform and Mood. The Hapbee Wearables are 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 (*u*lRFE[®]) technology.

EMulate Therapeutics, Inc ("EMulate") is a disruptive 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 *u*lRFE 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 stimulants – 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 *u*lRFE technology for a non-medical consumer application aimed at the wellness industry—namely, signals used with the Hapbee Wearable Devices.

The science and technology behind the Hapbee - Wellness Products are based on magnetically induced effects. We use a specialized process to create unique *u*lRFE 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 Wellness Products to deliver several types of unique sensations or moods including signals, blends and routines that optimize sleep, performance and mood.

Overall Performance

The following discussion of the Company's financial performance is based on the unaudited interim condensed consolidated financial statements for the 3- and 9-month periods ending September 30, 2022 and the audited consolidated financial statements for the year ended December 31, 2021.

The statement of financial position as at September 30, 2022 indicated a cash balance of \$279,368 (December 31, 2021 - \$3,630,119), receivables of \$36,529 (December 31, 2021 - \$91,926), inventory and prepayments of \$364,190 (December 31, 2021 - \$283,596) and intangible assets of \$2,123,987 (December 31, 2021 - \$2,283,235).

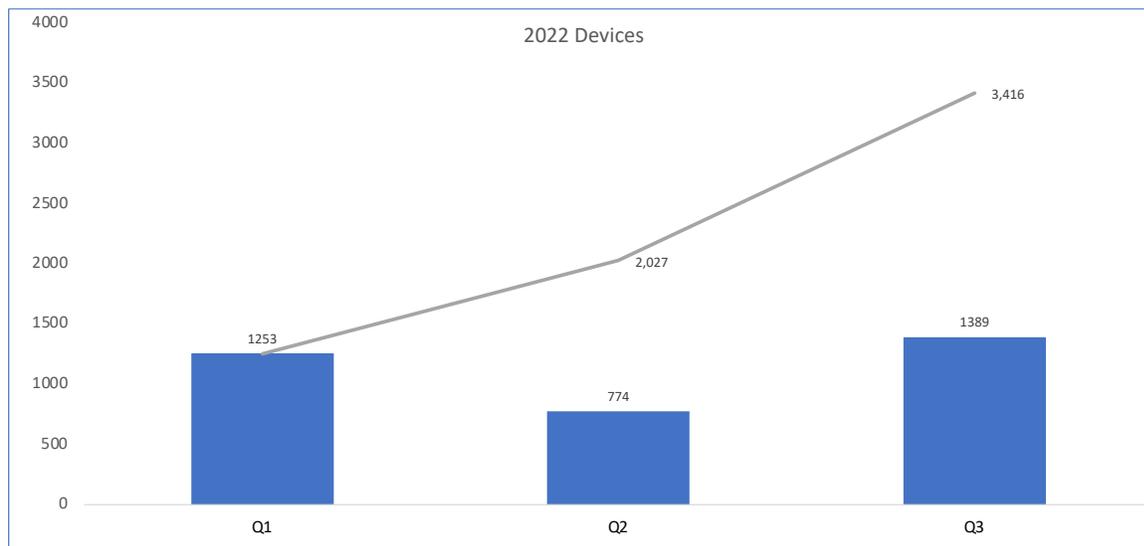
Liabilities as at September 30, 2022 totaled \$2,405,575 (December 31, 2021 - \$4,680,590). Shareholders' equity is comprised of share capital of \$13,958,823 (December 31, 2021 - \$13,341,355), reserves of \$6,299,483 (December 31, 2021 - \$5,702,819), an accumulated other comprehensive income of \$29,520 (December 31, 2021 - \$33,171) and an accumulated deficit of \$18,891,426 (December 31, 2021 - \$17,469,059). The increase in share capital is primarily due to the January 2022 private placement. The increase in reserves is mainly due to share-based compensation to directors, officers and consultants.

During the nine months ended September 30, 2022, the Company reported a net loss and other comprehensive loss of \$2,414,797 (\$0.05 basic and diluted loss per share) compared to a net loss and other comprehensive loss of \$4,731,707 (\$0.10 basic and diluted loss per share) for the nine months ended September 30, 2021.

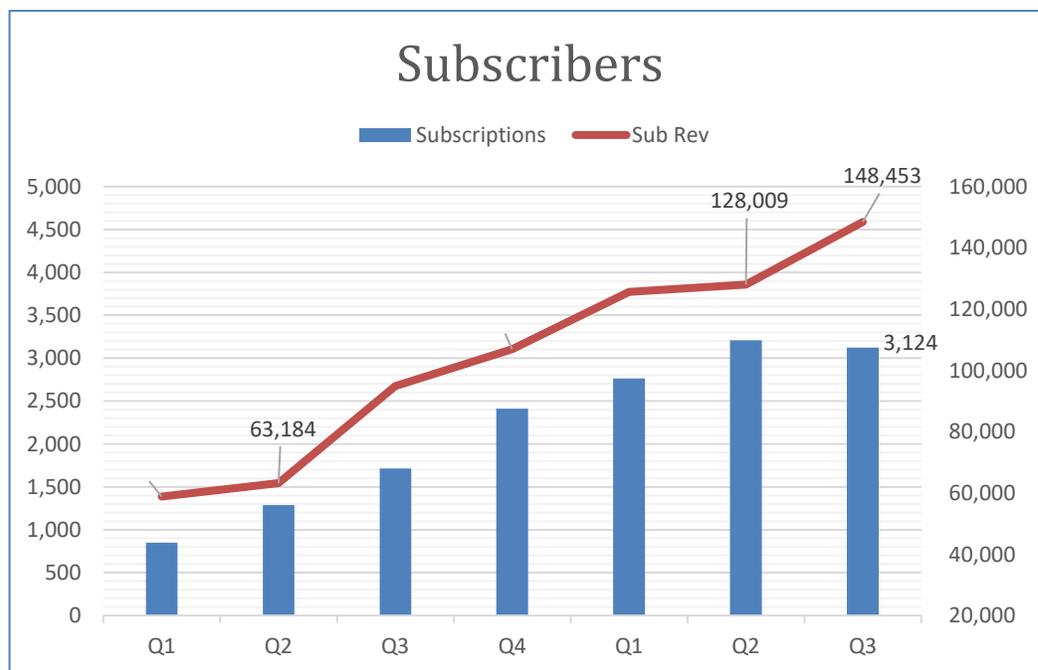
Results of operations

Current Quarter

During the third quarter, the Company sold a total of 1,389 devices compared to 1,253 devices and 774 devices in the first and second quarters of 2022, respectively.



The Company finished the Quarter with 3,124 paid members (including monthly, annual and lifetime memberships) and generated approximately \$148,000 in subscription revenue up from approximately \$130,000 in Q2 2022. Paid members maintained a retention rate of 70% after 7 months following commencement of their membership.



The Company recorded sales on devices and subscriptions in the third quarter of 2022 of \$326,604 (Q3 2021—\$437,835) and cost of goods sold of \$186,329 (2021—\$205,959).

During the three months ended September 30, 2022, the major expenses of the Company were the amortization of intangible assets of \$52,999 (September 30, 2021 - \$53,124), consulting fees of \$491,372 (September 30, 2021 - \$828,590), general and administrative of \$214,972 (September 30, 2021 - \$492,982), product development costs of \$119,289 (September 30, 2021 - \$45,000), professional fees of \$25,629 (September 30, 2021 - \$71,875), share-based compensation to directors, officers and consultants of \$231,975 (September 30, 2021 - \$1,380,797), and change in fair value of warrant liability of nil (September 30, 2021 - \$405,685).

Year-to-Date (for 9-months ended September 2022 compared to the 9-months ended September 30, 2021)

During the nine months period ended September 30, 2022, the Company has recorded sales on products of \$993,407 (2021 - \$1,147,311) and cost of goods sold of \$732,178 (2021—\$576,782). The Company reported a net loss and other comprehensive loss of \$2,414,797 (\$0.05 basic and diluted loss per share) compared to a net loss of \$4,731,707 (\$0.10 basic and diluted loss per share) for the nine months period ended September 30, 2021. Net loss for the period mainly included amortization of intangible assets of \$159,248 (September 30, 2021 - \$158,997), consulting fees of \$2,816,392 (September 30, 2021 - \$1,911,579), general and administrative of \$1,642,740 (September 30, 2021 - \$1,486,080), product development costs of \$729,508 (September 30, 2021 - \$244,510), professional fees of \$99,866 (September 30, 2021 - \$151,583), share-based compensation to directors, officers and consultants of \$703,090 (September 30, 2021 - \$1,380,797), and change in fair value of warrant liability of \$3,471,306 (September 30, 2021 - \$405,685). The net loss and other comprehensive loss decreased due to the impact of ongoing operations partially offset by the change in the warrant liability during the period.

Devices

Hapbee Wearable Wellness Devices

On September 15, 2022, Hapbee launched the new Hapbee Smart Sleep Pad and made it available for pre-order on its website. The Smart Sleep Pad - which measures approximately 11" x 9" x 2" with a comfortable foam covering - is engineered specifically to optimize sleep. Designed for placement under a pillow during sleep or behind the back on chair while seated, it features a larger magnetic sweet spot for optimal efficacy despite movement.

The original Hapbee Wearable Neckband was launched in September 2019. It weighs 4.5 ounces and was designed for daytime use. The lightweight, and low-profile design of the Hapbee Wearable Neckband allows users to wear the product comfortably discreetly around their collars under their shirts.

Both Hapbee devices allow wearers to optimize their sleep, performance and moods by producing a variety of sensations by “playing” precise electromagnetic fields. The sensations fall under several broad categories such as: Sleep, Perform and Mood. The devices connect to and are 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 somnolescent. 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 Neckband began on February 12, 2020, with a popular crowdfunding site, indiegogo.com. The "Hapbee – Choose How You Feel" campaign introduced the Hapbee Wearable Neckband 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 are manufactured, and the product is assembled and packed for distribution to the Company's e-commerce partners who receive the units through their procurement channels.

Since its development, close to 10,000 Hapbee Wearable Wellness Bands have been sold. The company is in development of innovative new form factors which will allow users to benefit from the Hapbee signals through different delivery hardware.

Hapbee Subscription and the Hapbee App

The Hapbee App is the main user interface that allows users to control and use their Hapbee devices. The Hapbee App currently includes 40 different blends and lifestyle routines —each for a specific use. Buyers receive a free trial of premium membership which provides all-access to the complete library for a limited time (typically 30 days) followed by the option to continue premium membership via a monthly or annual paid subscription. Buyers opting out of a paid subscription continue to have access to certain base signal blends that still provide core functionality (like sleep or focus). Paid premium membership provides many incremental features including personalization, integration with certain wearable trackers, enhanced product replacement guarantee, profile creation and more comprehensive library of routines and other enhanced functionality.

The Company continues to optimize the user experience and is testing a variety of both paid and non-paid subscription options to maximize user engagement and revenue.

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. Future planned releases will include improved usability based on user feedback and enhanced functionality to entice more users to try and opt-in for a paid subscription plan.

The signals themselves, which are played on the Hapbee Wellness Devices, 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 Devices, the product is also sealed through sonic welding, and if broken open or tampered with, the product and embedded signals are rendered useless.

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 and AR, pillow, automotive and mattress companies.

Signals, blends and routines can be added, updated and removed on the fly, and the Hapbee App can specify suggested play time on a per signal basis. At the time of this MD&A, there are more signals and routines 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 in research for the Hapbee App.

Research and Development

To date, the Company has spent \$2,223,243 on the creation of the Hapbee Devices 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, a yoga mat for relaxation or travel pillow for rest.

¹ Rivest-Shamir-Adleman ("RSA") is one of the first public-key cryptosystems and is widely used for secure data transmission.

² Elliptic Curve Digital Signature Algorithm ("ECDSA") offers a variant of the Digital Signature Algorithm ("DSA") which uses elliptic curve cryptography.

Intangible Assets

The Company capitalized the acquisition costs of licenses and development costs related to the design and development of the product 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 calculate for 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 consumer digital products using EMulate's technology. The license has a term of 20 years from the effective date.

Pursuant to amendments to the License Agreement with Emulate, the effective date of the License Agreement was changed to October 26, 2020. All other terms remain unchanged.

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 \$30,000 for this license. The Company will calculate for 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 \$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 consumer digital products using EMulate's technology. The license has a term of 20 years from the effective date.

Pursuant to amendments to the License Agreement with Emulate, the effective date of the License Agreement was changed to October 26, 2020. All other terms remain unchanged.

On April 21, 2021, the Company acquired another license from EMulate. The Company paid an up-front fee of \$10,000 for this license. The Company will calculate for 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 \$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 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 \$10,000 for this license. The Company will calculate for 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 \$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 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 ended September 30, 2022, the Company incurred development costs of \$729,508 (year ended December 31, 2021: \$266,698) related to the developing an augmentative wearable product that emulates normal molecular interactions in the body through small, specific magnetic fields. These costs have met the criteria for capitalization under IAS 38.

During the nine months ended September 30, 2022, and for the year ended December 31, 2021, amortization of intangible assets has been recorded in amortization-intangible assets.

The following table outlines the Company's intangible assets as at September 30, 2022:

	September 30, 2022	December 31, 2021
	\$	\$
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	20,000	20,000
Development costs capitalized	1,079,980	1,079,980
	<hr/>	<hr/>
Amortization of intangible assets - license fees	(179,500)	(121,750)
Amortization of intangible assets - development costs	(326,243)	(224,995)
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	2,124,237	2,283,235

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 quarter-ended September 30, 2022, the Company recorded sales on products of \$326,604 and cost of goods sold of \$186,329.

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 December 31, 2020 through September 30, 2022, are prepared in accordance with IFRS.

HAPBEE TECHNOLOGIES, INC.
Management's Discussion and Analysis
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	3 rd Quarter 2022 September 30, 2022	2 nd Quarter 2022 June 30, 2022	1 st Quarter 2022 March 31, 2022	4 th Quarter 2021 December 31, 2021	3 rd Quarter 2021 September 30, 2021	2 nd Quarter 2021 June 30, 2021	1 st Quarter 2021 March 31, 2021	4 th Quarter 2020 December 31, 2020
Total revenues	\$326,604	\$303,966	\$362,836	\$581,219	\$437,835	\$221,543	\$241,068	\$335,182
Net loss from continuing operations	(\$717,999)	(\$2,114,435)	(\$2,894,712)	(\$3,986,495)	(\$1,739,202)	(\$1,573,476)	(\$1,824,713)	(\$2,833,314)
Net loss from continuing operations per common share outstanding – basic & diluted	(\$0.016)	(\$0.034)	(\$0.06)	(\$0.07)	(\$0.04)	(\$0.03)	(\$0.04)	(\$0.06)
Net income loss	(\$995,961)	(\$827,612)	(\$2,361,756)	(\$1,997,469)	(\$1,625,880)	(\$1,403,929)	(\$1,701,043)	(\$6,151,221)
Net income loss per common share outstanding – basic	\$0.01	\$0.01	(\$0.05)	(\$0.04)	(\$0.03)	(\$0.03)	(\$0.04)	(\$0.14)

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

As at September 30, 2022 the Company had negative working capital of \$1,375,459 (December 31, 2021 – \$2,427,617). Cash as at September 30, 2022 was \$279,368 (December 31, 2020 – \$3,630,119). The decrease was mainly due to increased operating expenses from December 31, 2021 to date.

During the nine months ended September 30, 2022, the Company experienced cash outflows of \$3,350,751 (9-months ended September 30, 2021 – \$1,774,325) from operating activities. Cash outflows from investing activities were \$Nil versus \$10,000 for 2021. Financing activities realized inflows of \$1,246,824 (2021 – \$554,147) and included proceeds from exercise of warrants of \$Nil (2021 - \$554,147), proceeds of \$1,273,253 (2021 - \$Nil) from subordinated voting shares issuances and \$Nil (2021 - \$Nil) 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, 2022	Nine months ended September 30, 2021
EMulate Therapeutics Inc. – License Fees	(a)	-	\$10,000
EMulate Therapeutics Inc. – Royalty Fees	(b)	\$133,988	\$223,805
Scott Donnell / Donnell Holdings LLC	(c)	\$16,000	\$96,000
Les Consultants Shtern Inc.	(d)	\$625,000	\$133,336
4114566 Canada Inc	(e)	\$257,913	-

- (a) During the interim period ended September 30, 2022, EMulate Therapeutics Inc., an entity which has significant influence on the Company charged licence fees.
- (b) EMulate Therapeutics Inc., an entity which has significant influence on the Company charged royalty fees.
- (c) Scott Donnell, the former Chief Executive Officer (“CEO”), and Donnell Holdings LLC, an entity controlled by Scott Donnell, charged consulting fees to the Company.
- (d) Les Consultants Shtern Inc., an entity owned by Yona Shtern, the new CEO, charged consulting fees to the Company.
- (e) 4114566 Canada Inc, an entity controlled by Kenneth Adessky, the Company’s Secretary. charged consulting fees to the Company.

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

	September 30, 2022 \$	December 31, 2021 \$
EMulate Therapeutics Inc.	133,988	57,928
Les Consultants Shtern	125,000	-
4114566 Canada Inc.	22,495	-
	212,161	57,928

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, 2022.

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, 2021 for more information regarding the Company's significant accounting policies and changes.

Business Objectives and Milestones

Use of Proceeds

Reconciliation of Use of Proceeds from a Private Placement in November 2021

The Company raised net proceeds of approximately \$4,671,673 in November 2021 via first tranche equity financing. The table below summarizes the expected use of funds and actual use of funds as at September 30, 2022.

	November 2021 Expected Use of Proceeds from First Tranche	Actual Use of Proceeds	Variance	
Use of Proceeds	Approximate Amount (USD\$)	Approximate Amount (USD\$)	Approximate Amount (USD\$)	
Sales and marketing	3,126,100	2,357,094	769,006	(i)
Inventory	468,915	285,704	183,211	(ii)
Research and development	390,763	1,160,275	(769,512)	(iii)
General and administration	<u>685,895</u>	<u>868,600</u>	<u>(182,705)</u>	(iv)
Total	<u>4,671,673</u>	<u>4,671,673</u>	<u>0</u>	(v)

- (i) Variance can be explained due to the Company having prioritized Research & Development.
- (ii) Variance can be explained due to the Company incurring additional General and Administrative expenses..
- (iii) Variance can be explained due to the development of new products from research and development items.
- (iv) Variance can be explained due to the Company putting in place resources to support growth across budgeted general and administrative items.
- (v) The total variance has not had an impact on the Company's ability to achieve its business objectives and milestones.

Reconciliation of Use of Proceeds from a Private Placement in January 2022

The Company raised net proceeds of approximately \$1,246,824 in January 2022 via a second tranche equity financing. The table below summarizes the expected use of funds and actual use of funds as at September 30, 2022. The Company is expecting to use the funds throughout 2022 to increase sales and scale the business.

	January 2022 Expected Use of Proceeds from First Tranche	Actual Use of Proceeds	Variance	
Use of Proceeds	Approximate Amount (USD\$)	Approximate Amount (USD\$)	Approximate Amount (USD\$)	
Sales and marketing	843,326	445,393	388,933	(i)
Inventory	125,149	Nil	125,149	(ii)
Research and development	104,291	195,542	(91,251)	(iii)
General and administration	<u>183,058</u>	<u>146,386</u>	<u>36,673</u>	(iv)
Total	<u>1,246,824</u>	<u>787,321</u>	<u>459,503</u>	(v)

(i) Variance can be explained due to the Company having not yet completed all planned sales and marketing activities.

(ii) Variance can be explained due to the Company having not yet incurred all budgeted inventory items.

(iii) Variance can be explained due to the Company having not yet incurred all budgeted research and development items.

(iv) Variance can be explained due to the Company having not yet incurred all budgeted general and administration items.

(v) The total variance has not had an impact on the Company's ability to achieve its business objectives and milestones.

(iv) Variance can be explained due to the Company having not yet incurred all budgeted general and administration items.

(v) The total variance has not had an impact on the Company's ability to achieve its business objectives and milestones.

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 \$163,095 Canadian Dollars as at September 30, 2022 (December 31, 2021 - \$4,105,712), accounts receivable which amounted to \$Nil Canadian Dollars at September 30, 2022 (December 31, 2021 - \$Nil) and accounts payable which amounted to \$411,274 Canadian Dollars at September 30, 2022 (December 31, 2021 - \$382,847).

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").

At December 31, 2021, the Company had 69,040,956 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding.

As at September 30, 2022, the Company has 74,697,850 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding.

As at December 8, 2022, the Company has 97,078,309 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding.

(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. 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. The grant of Options is subject to regulatory approval. The Company has also granted an aggregate of 5,466,875 restricted stock units (the "RSU") to officers, directors and key employees and consultants pursuant to the Company's RSU Plan. The RSUs are subject to vesting provisions. Each vested RSU entitles the holder to receive one Subordinated Voting Share in the capital of the Company.

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.

On March 5, 2021, the Company granted stock options exercisable to purchase up to an aggregate of 40,000 shares and restricted stock units exercisable to purchase up to an aggregate of 100,000 shares to consultants. The options are exercisable at the price of \$0.53 (C\$0.67) per share until March 5, 2029; the restricted stock units are exercisable until March 5, 2024.

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 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, 2022 are as follows:

	Expiry date	Number of options	Exercise price (\$)
Outstanding at December 31, 2020		7,866,875	0.40
Granted	February 17, 2022	600,000	0.63
Granted	March 5, 2029	40,000	0.53
Granted	June 1, 2029	330,000	0.40
Outstanding at December 31, 2021		8,836,875	0.44
Exercisable at December 31, 2021		8,041,250	0.43
Granted			
Granted			
Granted			
Expired		(600,000)	0.63
Outstanding at September 30, 2022		8,236,875	0.40
Exercisable at September 30, 2022		7,551,250	0.40

As at September 30, 2022 the Company has 8,236,875 options issued and outstanding and 7,551,250 options exercisable.

As at December 31, 2021, the Company has 6,817,875 RSUs issued and outstanding. As at December 31, 2021, there are 2,854,104 RSUs exercisable.

As at September 30, 2022, the Company has 6,817,875 RSUs issued and outstanding and 3,273,438 RSUs exercisable.

(C) Warrants

During the year ended December 31, 2021, 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, 2022, a total of Nil warrants were exercised and converted into Subordinated Voting Shares.

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The warrants outstanding and exercisable as at September 30, 2022 are as follows:

	Expiry date	Number of warrants outstanding	Number of warrants exercisable	Exercise Price (\$)
Balance December 31, 2020		11,933,618	11,933,618	0.36
Exercised	June 25, 2022	(259,112)	(259,112)	0.22
Exercised	October 27, 2022	(1,329,165)	(1,329,165)	0.37
Granted	November 24, 2022	589,166	589,166	0.39
Granted	November 24, 2024	20,308,963	20,308,963	0.39
Balance December 31, 2021		31,243,470	31,243,470	0.38
Granted	January 28, 2023	182,000	182,000	0.50
Granted	January 25, 2028	5,307,894	5,307,894	0.50
Expired		(1,462,101)	(1,462,101)	0.30
Balance September 30, 2022		35,271,263	35,271,263	0.50

As at September 30, 2022, the Company has 35,271,263 warrants issued and outstanding.

Additional Disclosure for Venture Issuers without Significant Revenue

The Company has incurred the following expenses:

	Nine-Month Period Ended September 30, 2022	Nine-Month Period Ended September 30, 2021
	\$	\$
Consulting fee	2,816,392	1,911,579
Payroll and staff benefits	243,633	157,425
General and administrative:		
Advertising and marketing	951,512	1,286,028
Accretion	-	-
Foreign exchange recovery	13,284	(263,090)
Office	376,250	415,963
Travel and entertainment	157,676	47,179
	1,498,722	1,486,080

During the nine-month period ended September 30, 2022, consulting fees totalling \$2,816,392 (September 30, 2021 - \$1,911,579) 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.

Subsequent Events

The Company raised net proceeds of approximately \$1,119,023 in November 2022 via an equity financing, issuing 22,380,459 units at a price of \$0.07 CDN per unit which consisted in the issuance of 22,380,459 subordinate voting shares of the Company ("Shares") and 22,380,459 Share purchase warrants ("Warrants") with

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each Warrant entitling the holder thereof to acquire one Share at a price of CAD \$0.15 per Share for a period of 2 years from the closing date of the Offering.

The table below summarizes the expected use of funds at December 8, 2022. The Company is expecting to use the funds throughout 2022- 2023 to increase sales and scale the business.

	November 2022 Expected Use of Proceeds
Use of Proceeds	Approximate Amount (USD\$)
Sales and marketing	750,000
Inventory	116,758
Research and development	69,291
General and administration	<u>182,974</u>
Total	<u>1,119,023</u>