

HAPBEE TECHNOLOGIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2023

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 three months ended March 31, 2023.

This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022 and 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 July 5, 2023.

Forward-Looking Statements

All statements made in this MD&A, other than statements of historical fact, are forward-looking statements within the meaning of applicable securities laws. 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. Additional information relating to Hapbee, including the various risk factors that 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 referenced above, can be found under Hapbee's SEDAR profile at www.sedar.com

History of the Company

Hapbee 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 1771 Robson Street, Suite 1427, Vancouver, BC V6G 3B7. The Company's principal business activity is to commercialize wellness technologies and products through the sale of hardware, subscriptions, enterprise licenses and royalty agreements using electromagnetic signals that deliver one or more ultra-low radio frequency energy blends to produce sleep-, performance-, and mood-enhancing 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 ("Subordinated Voting Shares"), and created a new class of unlimited number of multiple voting shares ("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" or "Transaction") 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, markets, and sells subscriptions and licenses to a wearable wellness platform and products that enhance the human experience through magnetic field technology. Our initial hardware products, the Hapbee Neckband and the Hapbee Smart Sleep Pad are devices that "play" or deliver unique magnetic signals which digitally emulate the effects of compounds that would otherwise be ingested into the body. The effects fall under three broad categories including: Sleep, Performance, and Mood. Hapbee devices are controlled through the Hapbee App with both iOS and Android smartphones. There are a multitude of signal blends and routines available on the Hapbee App with potentially hundreds of different sensations that can be produced using Hapbee's patented ultra-low radio frequency energy (*u*/RFE[®]) technology.

EMulate Therapeutics, Inc ("EMulate") is a disruptive platform technology company with multiple market opportunities. They have received 47 global patents on technologies relating to the Hapbee Wearable Wellness Product. In particular, EMulate invented and patented *u*/RFE 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 *u*lRFE technology for a non-medical consumer product aimed at the wellness industry.

The science and technology behind 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 that emulate Happy, Relax, Focus, Calm, Alert, & Sleepy.

Overall Performance

The following discussion of the Company's financial performance is based on the unaudited interim condensed financial statements for the period ended March 31, 2023, and the audited consolidated financial statements for the year ended December 31, 2022 and 2021.

The statement of financial position as at March 31, 2023 indicated a cash balance of \$157,331 (December 31, 2022 - \$295,221), receivables of \$134,546 (December 31, 2022 - \$170,548), inventory and prepayments of \$229,230 (December 31, 2022 - \$261,150) and intangible assets of \$2,017,864 (December 31, 2022 - \$2,070,738). The total assets remain fairly stable during the three months ended March 31, 2023 as compared to year ended December 31, 2022.

Liabilities as at March 31, 2023 totaled \$3,391,987 (December 31, 2022 - \$2,777,634) and the increase is mainly due to the increase in accounts payable. Shareholders' equity is comprised of share capital of \$14,632,464 (December 31, 2022 - \$14,632,464), reserves of \$6,530,632 (December 31, 2022 - \$6,530,632), an accumulated other comprehensive income of NIL (December 31, 2022 - \$33,171) and an accumulated deficit of \$22,016,132 (December 31, 2022 - \$21,143,093).

During the three months ended March 31, 2023, the Company reported a net loss and comprehensive loss of \$873,039 (\$0.01 basic and diluted loss per share) compared to a net loss of \$2,249,962 (\$0.05 basic and diluted loss per share) for the three months ended March 31, 2022. During the three month period, the Company has recorded sales on products of \$251,464 (March 31, 2022 - \$360,172) and cost of goods sold of \$145,519 (March 31, 2022 - \$324,067). This indicates an improved gross margin year-over-year. Expenses for the three month period included amortization of intangible assets of \$52,874 (March 31, 2022 - \$53,124), consulting fees of \$390,991 (March 31, 2022 - \$1,290,736), general and administrative of \$231,765 (March 31, 2022 - \$784,502), interest accretion and expense on convertible debentures of \$Nil (March 31, 2022 - \$Nil), product development costs of \$108,301 (March 31, 2022 - \$393,248), professional fees of \$8,590 (March 31, 2022 - \$57,240), salaries and wages of \$238,567 (March 31, 2022 - \$NIL) and share-based compensation of \$NIL (March 31, 2022 - \$239,140). The operating loss before other item of \$958,945 (March 31, 2022 - \$2,779,221) is offset by the change in fair value of warrant liability of gain \$85,906 (March 31, 2022 - \$526,259), resulting in a decrease in net loss for the three months ended March 31, 2023 as compared to three months ended March 31, 2022.

Selected Information

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 three months-ended March 31, 2023, the Company recorded sales on products of \$251,464 and cost of goods sold of \$145,519.

Net Loss

During the three months ended March 31, 2023, the Company reported a net loss and comprehensive loss of \$873,039 (\$0.01 basic and diluted loss per share) compared to a net loss of \$2,246,265 (\$0.05 basic and diluted loss per share) for the three months ended March 31, 2022.

Overall, revenues, consulting fees, corporate administration, and share-based compensation were the major components that caused variances in net losses from period to period.

Results of Operations

Current Quarter

During the three months (quarter) ended March 31, 2023 the major expenses of the Company were the consulting fees of \$390,991, salaries and wages of \$238,567 and general and administrative expenses of \$231,765.

Products

Hapbee Wearables

Hapbee currently sells 2 devices which allow users to leverage the benefits of Hapbee's bio-streaming technology, they are: the Hapbee Neckband and the Hapbee Smart Sleep Pad. The devices are available for sale on the Company's e-commerce website (www.Hapbee.com), Amazon and through a growing network of retailers. The devices can be purchased individually or in a day/night combo package.

The purchase of a Hapbee device includes a 30-day trial of Premium Hapbee Subscription which affords the user full-access to all Hapbee blends, routines, and functionality. Following 30 days, users have the option to sustain their Premium Subscription through an auto-renew, monthly plan (@\$19 per month) or annually (@\$149).

The Hapbee Neckband is designed for daytime use while working, studying or relaxing. It 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 Neckband allows users to wear the product comfortably and discreetly around their collars or under their shirts.

The Hapbee Smart Sleep Pad is designed for evening and nighttime use. It measures 9" x 11" and is constructed of soft and cushiony foam – ideal for placing under a pillow while sleeping or behind the back while lounging. It is lightweight and foldable for travellers.

Both Hapbee devices allow wearers to optimize how they sleep and 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 first step towards enjoying Hapbee is calibration. This critical element of user onboarding allows first time customers to actually feel the biostreams at work. This 20-minute routine plays a digital stimulant followed by a digital relaxant. In repeated trials with consumers over the past 18 months, between 80% and 85% of subjects are able to “feel it” as a result of the calibration routine.

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 material 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.

The Company leverages a variety manufacturing and distribution partners for the purposes of securing components, contract manufacturing, assembly, testing and distribution of Hapbee devices. All Hapbee devices are currently assembled in the United States and most components are sourced from domestic vendors. Some finished goods – like packaging and custom casings – are sourced from overseas. In September 2022, the Company established an assembly, distribution, and reverse logistics facility in Torrance, California.

Since its development over 12,000 Hapbee Devices have been produced and sold. The company is in development of its next generation of products – including second generation versions of the Sleep Pad and Neckband, which are scheduled to be released in late 2023.

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 App currently includes 75 different blends and routines – each for a specific lifestyle use. Users receive a

free trial of all-access to the complete library for a limited time (typically 30 days) followed by the option to continue all-access via a monthly or annual paid subscription. Buyers opting out of a paid subscription continue to have access to 2 base signal blends that still provide core functionality (like sleep or focus).

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. The Hapbee App currently has over 75 unique builds and updates and is being used commercially. 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 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 Neckband and Hapbee Smart Sleep Pad, 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 can be added, updated and removed on the fly, and the 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 *Hapbee App*.

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.

Research and Development

To date, the Company has spent \$2,039,697 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's goal is to release new functionality and integrations. Currently there are additional signals in evaluation stages while other signals are being investigated with respect to optimizing their strength.

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 product prototype.

(a) Licenses

License Agreement for certain sensory technologies

On March 29, 2019, the Company acquired a license from EMulate. The Company paid an up-front fee of \$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 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 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 \$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 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 \$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 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 \$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 year, the Company incurred development costs of \$Nil (2021: \$Nil) related to the developing an augmentative wearable product that emulates normal molecular interactions in the body through small, specific magnetic fields.

During the year, amortization of intangible assets has been recorded in amortization-intangible assets.

The following table outlines the Company's intangible assets as at March 31, 2023:

	March 31, 2023	December 31, 2022
	\$	\$
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
Amortization of intangible assets - license fees	(218,375)	(199,250)
Amortization of intangible assets - development costs	(393,741)	(359,992)
	<u>2,017,864</u>	<u>2,070,738</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 three month period, the Company has recorded sales on products of \$251,464 (March 31, 2022 - \$360,172) and cost of goods sold of \$145,519 (March 31, 2022 - \$324,067). This indicates an improved gross margin year-over-year.

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 April 1, 2021 to March 31, 2023, are prepared in accordance with IFRS.

	1 st Quarter 2023 March 31, 2023	4 th Quarter 2022 Dec 31, 2022	3 rd Quarter 2022 Sept 30, 2022	2 nd Quarter 2022 June 30, 2022	1 st Quarter 2022 March 31, 2022	4 th Quarter 2021 Dec 31, 2021	3 rd Quarter 2021 Sept 30, 2021
Total revenues	\$251,464	\$827,134	\$326,604	\$303,966	\$362,837	\$581,219	\$437,835
Net loss from continuing operations	(\$958,945)	(\$904,054)	(\$995,961)	(\$2,114,435)	(\$2,779,219)	(\$3,986,495)	(\$1,739,202)
Net loss from continuing operations per common share outstanding – basic & diluted	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.03)	(\$0.04)	(\$0.07)	(\$0.04)
Net income (loss)	(\$873,039)	(\$904,054)	(\$995,961)	\$827,768	(\$2,250,116)	(\$1,997,469)	(\$1,625,880)
Net income loss per common share outstanding – basic	(\$0.01)	(\$0.01)	(\$0.01)	\$0.01	(\$0.03)	(\$0.04)	(\$0.03)

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, 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 of negative \$2,255,086 as at March 31, 2023 (December 31, 2022 - \$1,349,015). Cash as at March 31, 2023 was \$157,331, as compared with \$295,221 at December 31, 2022.

During the three months ended March 31, 2023, the Company experienced cash outflows of \$137,890 (March 31, 2022 - \$3,014,534) from operating activities. Cash outflows from investing activities were NIL versus \$NIL for 2022. Financing activities realized inflows of \$NIL (March 31, 2022 - \$1,246,824) and included proceeds from exercise of warrants of \$NIL (March 31, 2022 - \$NIL) and proceeds of \$NIL (March 31, 2022 - \$1,246,824) from subordinated voting shares 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.

The Company has no firm commitments for capital expenditures as of the date of March 31, 2023.

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:

		For the three months ended March 31, 2023	For the three months ended March 31, 2022
	Notes	(\$)	(\$)
EMulate Therapeutics Inc. – Royalty Fees	(a)	35,000	59,422
Scott Donnell / Donnell Holdings LLC	(b)	-	16,000
Les Consultants Shtern Inc.	(c)	150,000	350,006
Premier CFO LLC	(d)	-	123,199
MK & Associates	(e)	46,683	-
4114566 Canada Inc.	(f)	51,160	-

- (a) EMulate Therapeutics Inc., an entity which has significant influence on the Company charged royalty fees. See note 5.
- (b) Scott Donnell, the former CEO, charged consulting fees to the Company.
- (c) Les Consultants Shtern Inc., an entity owned by Yona Shtern, the new CEO, charged consulting fees to the Company.
- (d) Premier CFO LLC, an entity controlled by the Company's former Chief Financial Officer, charged consulting fees to the Company.
- (e) MK & Associates, an entity controlled by the Company's Chief Financial Officer, charged consulting fees to the Company.
- (f) 4114566 Canada Inc., an entity controlled by the Company's Corporate Secretary, charged consulting fees to the Company.

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

	March 31, 2023	December 31, 2022
	\$	\$
Les Consultants Shtern	418,240	268,240
MK & Associates	77,121	30,438
4114589 Canada Inc.	140,264	89,104
EMulate Therapeutics Inc.	-	-
	635,625	387,782

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 audited consolidated financial statements for the three months ended March 31, 2023.

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. The company is an early-stage technology company and will likely need to raise additional capital in the coming year to continue growth, scaling of operations and funding of future product development.

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, 2022 for more information regarding the Company's significant accounting policies and changes.

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 of December 31, 2021. The Company is expecting to use the funds throughout 2022 to increase sales and scale the business. The Company closed a subsequent second equity tranche of approximately \$1,246,824 in January 2022.

Use of Proceeds	November 2021 Expected Use of Proceeds from First Tranche Approximate Amount (USD\$)	Actual Use of Proceeds Approximate Amount (USD\$)	Variance Approximate Amount (USD\$)	
Sales and marketing	3,126,100	2,357,094	2,465,391	(i)
Inventory	468,915	285,704	203,434	(ii)
Research and development	390,763	1,160,275	129,565	(iii)
General and administration	<u>685,895</u>	<u>868,600</u>	<u>545,399</u>	(iv)
Total	<u>4,671,673</u>	<u>4,671,673</u>	<u>3,343,789</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.

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.

Use of Proceeds	January 2022 Expected Use of Proceeds from First Tranche Approximate Amount (USD\$)	Actual Use of Proceeds Approximate Amount (USD\$)	Variance 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.

The table below summarizes the expected use of funds at December 31, 2022. The Company is expecting to use the funds throughout 2023 to increase sales and scale the business.

Use of Proceeds	November 2022 Expected 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>

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 \$162,602 Canadian Dollars at March 31, 2023 (December 31, 2022 - \$297,149), accounts receivable which

amounted to \$NIL Canadian Dollars at March 31, 2023 (December 31, 2022 2021 - \$Nil) and accounts payable which amounted to \$1,087,174 Canadian Dollars at March 31, 2023 (December 31, 2022 : \$618,421).

For a list of additional risk factors that may impact the performance of the Company, please refer to "Risk Factors" in the Prospectus available on SEDAR.

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 March 31, 2023, the Company 98,524,309 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 106,450,977 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

Stock Options

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.

On October 15, 2022, the Company granted 3,375,000 stock options exercisable to purchase up to an aggregate of 3,375,000 shares to directors, officers and consultants of the Company. The options will be

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vested 1/3 on the 12, 24 and 36 months' anniversary The options are exercisable at the price of \$0.07 (C\$0.09) per share until October 15, 2029;

The stock options outstanding and exercisable as at December 31, 2022 is as follows:

	Expiry date	Number of options	Exercise price (\$)
Outstanding at December 31, 2020		7,866,875	0.40
Exercisable at December 31, 2020		7,030,625	0.39
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
Expired		(600,000)	0.63
Expired		(3,006,875)	0.39
Granted	Oct 15, 2029	3,375,000	0.07
Outstanding at December 31, 2022		8,605,000	0.44
Exercisable at December 31, 2022		5,230,000	0.43
Outstanding at March 31, 2023		8,605,000	0.44
Exercisable at March 31, 2023		5,230,000	0.43

As at March 31, 2023, the Company has 8,605,000 options issued and outstanding and 5,230,000 options exercisable.

As at the date of this MD&A, the Company has 8,605,000 options issued and outstanding and 5,230,000 options exercisable.

Restricted Stock Units

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 \$0.58 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 \$0.53 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 \$0.38 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 \$0.26 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.

On October 15, 2022, the Company granted an aggregate of 3,375,000 restricted stock units (the "RSU") to officers, directors, key employees and consultants pursuant to the Company's RSU Plan with a value of \$248,400 or \$0.07 per option. The RSUs will be subject to vesting provisions. Each vested RSU entitles the holder to receive one Subordinated Voting Share in the capital of the Company. The grant of RSUs is subject to regulatory approval.

The fair value of RSUs awarded to officers, directors, key employees and consultants was estimated on the dates of award using the fair market value of the Company share price.

As at March 31 2023 the Company has 9,967,875 RSUs issued and outstanding and 3,106,711 RSUs exercisable.

As at the date of this MD&A, the Company has 9,967,875 RSUs issued and outstanding; and 3,106,711 RSUs exercisable.

(C) Warrants

In connection with the private placement closed during the year 2021, the Company issued 20,308,963 non-transferrable warrants. 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.

In connection with a private placement closed during the year 2022, the Company issued 5,307,894 non-transferrable warrants. 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.

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In connection with a private placement closed during the year 2022, the Company issued 22,380,459 non-transferrable warrants. Each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$C0.15 per share for a period of 24 months from the closing date.

The warrants outstanding and exercisable as at December 31, 2022 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
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 29, 2024	5,307,894	5,307,894	0.37
Granted	January 29, 2024	182,000	182,000	0.37
Granted	November 8, 2024	22,380,459	22,380,459	0.11
Expired		(589,166)	(589,166)	0.39
Expired		(10,345,341)	(10,345,341)	0.37
Balance December 31, 2022		48,179,316	48,179,316	0.29
Balance March 31, 2023		48,179,316	48,179,316	0.29

As at March 31, 2023, the Company has 48,179,316 warrants issued and outstanding.

As at the date of this MD&A, the Company has 56,083,766 warrants issued and outstanding. (See "Subsequent Event").

Additional Disclosure for Venture Issuers without Significant Revenue

During the three months ended March 31, 2023, the Company incurred development costs of \$108,301 (March 31, 2022 - \$393,248) related to Hapbee Wearable Wellness Product. Of the total development costs, \$NIL (March 31, 2022 - \$NIL) has been recorded as intangible assets – development costs and the balance has been recorded as product development costs.

The breakdown of material components for development costs that are expensed is:

	March 31, 2023	March 31, 2022
Product Development	\$108,301	\$393,248
Signal Development and Safety Testing	-	-
	\$108,301	\$393,248

Subsequent Events

On June 2, 2023, the Company closed a non-brokered private placement of 7,904,450 units at \$C0.09 per unit for total proceeds of \$534,887. 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 \$C0.15 per share for a period of 24 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 \$C0.40 for the 10 consecutive trading days preceding the notice date.

The Company through its Board of Directors accepted the re signation letter of Manning Elliott, the Previous Auditor effective June 9, 2023, who resigned at its own initiative. The resignation of the Manning Elliot and the appointment of the Olayinka Oyenola & Co, the New Auditor were considered and approved by the Board based on the recommendation of the audit committee of the Board. Manning Elliott did not express a modified opinion in any of its reports for: (a) the audits of the two most recently completed fiscal years of Hapbee; or (b) any period subsequent to the two most recently completed fiscal years of Hapbee and ending before June 9, 2023. The notice of change of auditor and the auditors letters are available on SEDAR at www.sedar.com.