

HAPBEE TECHNOLOGIES, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 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 years ended December 31, 2023, and 2022.

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

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 1771 Robson Street, Suite 1427, Vancouver, BC V6G 3B7. Registered and Corporate office is located at 4060 Sainte-Catherine Street West Suite 600, Westmount, Quebec H3Z2Z3. 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 were 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, SVS"), and created a new class of unlimited number of multiple voting shares ("Multiple Voting Shares, MVS"), all without par value.

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

Since the Listing, the Company has done numerous private placements.

As of December 31, 2023, the Company had 111,617,797 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding.

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 current 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-enabled devices are controlled with a subscription to Hapbee App available on 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, Hapbee has acquired exclusive global licenses to adapt the *u*/RFE 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 audited consolidated financial statements for the year ended December 31, 2023 and 2022.

The statement of financial position as at December 31, 2023 indicated a cash balance of \$212,653 (2022 - \$295,221), receivables of \$82,419 (2022 - \$170,548), inventory of \$156,310 (2022 - \$261,150) and intangible assets of \$1,858,240 (2022 - \$2,070,738). The total assets remain fairly stable during the year ended December 31, 2023 as compared to prior year.

Liabilities as at December 31, 2023 totaled \$4,521,603 (2022 - \$2,777,634) with the increase mainly due to an increase in accounts payable and accrued liabilities, loans payable and the convertible debenture for deferred compensation. Shareholders' equity is comprised of share capital of \$15,219,442 (2022 - \$14,632,464), reserves of \$6,397,718 (2022 - \$6,530,652) and an accumulated deficit of \$23,829,141 (2022 - \$21,143,093). The increase in share capital is primarily due to the issuance of shares for non-brokered private placement during 2023.

During the year ended December 31, 2023, the Company reported a net loss and comprehensive loss of \$2,711,569 (\$0.03 basic and diluted loss per share) compared to a net loss of \$3,674,034 (\$0.09 basic and diluted loss per share) for the year ended December 31, 2022. During the year, the Company has recorded sales on products of \$951,662 (2022 - \$1,820,541) and cost of goods sold of \$552,125 (2022 - \$881,052). Key expenses for the year included consulting fees of \$1,872,328 (2022 - \$3,935,873), general and administrative of \$732,835 (2022 - \$1,754,093), and product development costs of \$740,714 (2022 - \$196,055). The operating loss of \$3,349,096 (2022 - \$6,793,669) is offset by the change in fair value of warrant liability of \$637,527 (2022 - \$3,119,635), resulting in a decrease in net loss for the year ended December 31, 2023 as compared to prior year.

Selected Annual Information

For the years ended December 31, 2023, 2022, and 2021, the financial statements have been prepared in accordance with IFRS.

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 year ended December 31, 2023, the Company recorded sales on products of \$951,662 and cost of goods sold of \$552,125.

For the current quarter, the trend of controlling overhead costs and maintaining a low cash burn rate continued, ensuring the Company remained a going concern ahead of the Subsequent Event (April 2024 private placement) detailed on Page 18 of this MD&A. Margins remained relatively strong, albeit with lower revenues due to reduced marketing spending and production of goods for resale.

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), select Target stores & Target.com and through a growing network of distributors. 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 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 15,000 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 2024.

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.

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.

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 allows the Company to collect trends on user habits including time of day plays, duration, and other demographics. The Hapbee App also gives the Company the opportunity to cobrand and release new signals with other companies in industries such as hospitality, transportation, automotive and patient care.

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. 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*.

Research and Development

To date, the Company has spent \$2,672,110 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.

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(b) Development Costs

During the year 2023, the Company incurred development costs of \$Nil (2022: \$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 December 31, 2023:

	December 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
Accumulated amortization of intangible assets - license fees	(276,250)	(199,250)
Accumulated amortization of intangible assets - development costs	(495,490)	(359,992)
	1,858,240	2,070,738

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 January 1, 2022 to December 31, 2023, are prepared in accordance with IFRS.

	4 th Quarter 2023 December 31, 2023	3 rd Quarter 2023 September 30, 2023	2 nd Quarter 2023 June 30, 2023	1 st Quarter 2023 March 31, 2023	4 th Quarter 2022 December 31, 2022	3 rd Quarter 2022 September 30, 2022	2 nd Quarter 2022 June 30, 2022	1 st Quarter 2022 March 31, 2022
Total revenues	\$220,882	\$230,575	\$257,029	\$255,662	\$837,799	\$326,604	\$303,966	\$362,836
Net loss from continuing operations	(\$465,668)	(\$782,003)	(\$985,856)	(\$983,071)	(\$850,801)	(\$942,962)	(\$2,061,311)	(\$2,726,097)
Net loss from continuing operations per common share outstanding – basic & diluted	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.03)	(\$0.06)
Net income (loss)	(\$394,764)	(\$436,834)	(\$1,009,932)	(\$870,039)	(\$1,255,723)	(\$995,961)	\$827,612	(\$2,249,962)
Net income loss per common share outstanding – basic	(\$0.01)	(\$0.005)	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.01)	\$0.01	(\$0.05)

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.

Fourth Quarter

Liquidity and Capital Resources

The Company had working capital of negative \$2,077,662 (2022: negative \$1,349,015) as at December 31, 2023. Cash as at December 31, 2023 was of \$212,653 (2022 - \$295,221).

During the year ended December 31, 2023, the Company received proceeds of \$541,885 (2022 - \$2,419,093) from subordinated voting shares issuances and \$1,499,577 (2022 - Nil) from convertible debentures issuances.

During the year ended December 31, 2023, the Company experienced cash outflows of \$2,129,979 (2022 - \$5,194,399) from operating activities. Financing activities realized inflows of \$2,021,890 (2022 - \$1,845,977) and included proceeds from subordinated voting shares issuances and 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 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 continue development and enhance its current products and the user absorption the product receive. 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	For the year-ended December 31, 2023 (\$)	For the year-ended December 31, 2022 (\$)
EMulate Therapeutics Inc. – Royalty Fees	(a)	140,000	105,000
Les Consultants Shtern Inc.	(b)	600,000	450,000
MK & Associates	(c)	123,980	125,110
4114566 Canada Inc.	(d)	176,926	180,000
David Hoppenheim	(e)	142,243	180,974
Brian Mogen	(f)	216,000	216,000

- (a) EMulate Therapeutics Inc., an entity which has significant influence on the Company charged royalty fees.
- (b) Les Consultants Shtern Inc., an entity owned by Yona Shtern, the new CEO charged consulting fees to the Company.
- (c) MK & Associates, an entity controlled by the Company's Chief Financial Officer, charged consulting fees to the Company.
- (d) 4114566 Canada Inc., an entity controlled by the Company's Corporate Secretary, charged consulting fees to the Company.
- (e) David Hoppenheim is the Chief Operating Officer (COO) of the Company.
- (f) Brian Mogen is the Chief Technology Officer (CTO) of the Company.

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

	December 31, 2023 \$	December 31, 2022 \$
Les Consultants Shtern	381,613	254,532
MK & Associates	129,254	78,439
4114589 Canada Inc.	137,400	86,606
EMulate Therapeutics Inc.	423,076	283,076
David Hoppenheim	98,669	80,212
Brian Mogen	149,600	-
	1,319,612	782,865

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 year ended December 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, 2023 for more information regarding the Company's significant accounting policies and changes.

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 \$180,625 Canadian Dollars at December 31, 2023 (2022 - \$164,861), accounts receivable which amounted to \$NIL Canadian Dollars at December 31, 2023 (2022 - \$NIL) and accounts payable which amounted to \$466,654 Canadian Dollars at December 31, 2023 (2022 - \$387,226).

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 December 31, 2023, the Company has 111,617,797 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 168,494,341 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding. (See "Subsequent Events")

(B) Stock Options and Restricted Share Units

The Company has the Stock Option Plan as described above under the heading, "Business to be Transacted at the Meeting – D. Approval of Rolling Stock Option Plan"), and a Restricted Share Unit Plan (the "RSU Plan") which was last amended and approved by the shareholders on December 7, 2022. The Stock Option Plan as proposed and the RSU Plan will comply with the requirements of the Exchange's Policy 4.4 Incentive Stock Options as it relates to Tier 2 issuers. The Company has issued incentive stock options to purchase up to 8,605,000 Subordinate Voting Shares. The Company has made RSU awards for 8,367,875 Subordinate Voting Shares.

The Company's RSU Plan, in its current form, is designed to provide certain directors, officers, employees and consultants of the Company and its related entities with the opportunity to acquire RSUs in order to enable them to participate in the long-term success of the Company. The purpose of the RSU Plan, similar to the Stock Option Plan, is to promote a greater alignment of the interests of directors, officers, employees and consultants of the Company with the interests of the shareholders. The Board (or such other committee the Board may appoint) is responsible for administering the RSU Plan. RSUs vest on terms established by the Board, or any Board committee appointed for such purpose.

Under the RSU Plan, the current fixed maximum number of Subordinate Voting Shares reserved and available for issuance from treasury is 10% of the number of Share Base as of December 7, 2022, or up to an aggregate of 11,969,785 Subordinate Voting Shares.

(C) Warrants

In connection with a 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 \$0.50 per share for a period of 36 months from the closing date. The fair value of warrants was valued using the Black-Scholes Option Pricing Model.

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

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voting share of the Company at a price of \$0.15 per share for a period of 24 months from the closing date. The fair value of warrants was valued using the Black-Scholes Option Pricing Model.

In connection with private placements closed during the year 2023, the Company issued 13,093,488 non-transferrable warrants. Each warrant entitles the holder thereof to purchase one additional subordinate voting share of the Company at a price of \$0.15 per share for a period of 24 months from the closing date. The fair value of warrants was valued using the Black-Scholes Option Pricing Model.

The warrants outstanding and exercisable as at December 31, 2023 are as follows:

	Expiry date	Number of warrants outstanding	Number of warrants exercisable	Exercise Price (\$)
Balance December 31, 2021		20,898,129	20,898,129	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
Balance December 31, 2022		48,179,316	48,179,316	0.29
Expired	January 28, 2023	(182,000)	(182,000)	0.37
Granted	October 19, 2025	3,788,587	3,788,587	0.11
Granted	December 22, 2025	1,400,451	1,400,451	0.11
Granted	June 2, 2025	7,904,450	7,904,450	0.11
Balance December 31, 2023		61,090,804	61,090,804	0.23

Additional Disclosure for Venture Issuers without Significant Revenue

During the year ended December 31, 2023, the Company incurred development costs of \$740,714 (2022 - \$196,055) related to Hapbee Wearable Wellness Product. Of the total development costs NIL was 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 capitalized is:

	December 31, 2023	December 31, 2022
Product Development (including salary component in 2022 reallocated for 2023)	\$740,714	\$470,405
Tooling and Production	-	-
Signal Development and Safety Testing	-	-
	\$740,714	\$470,405
Amortization of intangible assets - development costs	(495,490)	(359,992)
	\$245,224	\$110,413

Product development consisted mainly of materials and consulting fees.

Subsequent Events

Growth Initiatives and Partnerships

The Company has launched several important partnerships with well-known Ambassadors and Enterprises as part of its growth strategy to build brand awareness and facilitate consumer trial.

Target Stores

Target is the seventh largest retailer with over 1,900 stores in the US with a growing focus on health and digital wellness. Hapbee devices are now available at over 104 Target stores in the United States and online at Target.com

Diageo

Diageo is a global alcoholic beverage company, with its headquarters in London, England. Its leading brands include Guinness, Smirnoff, Bailey's liqueur, Captain Morgan rum, Johnnie Walker, Tanqueray and Gordon's gin. Hapbee has partnered with Diageo to test-launch digital mood enhancement as a complement to consumption of their growing non-alcoholic products in pubs in Dublin, Ireland and London, England.

Jumeirah

Jumeirah Group, a member of Dubai Holding and a global luxury hotel company, operates a world-class portfolio of 26 properties, comprising beachfront resorts, city hotels, and luxury serviced residences across the Middle East, Europe, and Asia. Hapbee has partnered with Jumeirah to test-launch Hapbee Sleep Pads and custom Jumeirah Sleep Routines in select guest rooms as part of their Sleep Concierge program. Hapbee Neckbands are also being used in spa and with hotel staff to deliver focus and relaxation on demand.

Ambassadors

Well-known wellness-centric product ambassadors including Heather Thomson (Housewives of NYC), Jaylen Brown (Boston Celtics), Jose Calderon (Toronto Raptors) and others are sharing their personal Hapbee experiences with their large audiences on social media platforms.

Private Placement

On April 18, 2024, the Company completed a non-brokered private placement of units of the Company for aggregate gross proceeds of USD \$2,055,000 (C\$2,775,000). Net proceeds from the placement are intended to fund working capital for on-going operations, invest in product innovation and enhancements, underwrite long term growth initiatives and reduce cost of goods by migrating manufacturing to offshore manufacturing partners.

The private placement round was led by Rizwan Shah and Jaylen Brown. In addition to their investment, they have assumed active roles as members of the Company's leadership team as Chief Commercial Officer and Chief Innovation Officer, respectively.

As part of the Offering, the Company issued 50,454,544 Units at a price of CAD \$0.055 per Unit (the "Offering Price"), which consisted of the issuance of 50,454,544 subordinate voting shares of the Company

("Shares") and 50,454,544 Share purchase warrants ("Warrants") with each Warrant entitling the holder thereof to acquire one Share at a price of CAD\$0.11 per Share for a period of 3 years from the closing date of the Offering.

The expiry date of the Warrants will be subject to prior acceleration, at the discretion of the Company, should the volume weighted average price of the Company's listed Shares on the TSX Venture Exchange ("TSXV"), or any other stock exchange on which the Company's Shares are then listed, is greater than CAD\$0.40 for a period of 10 consecutive trading days, the whole in accordance with the terms of the Warrants. Each Share and Warrant issued (including the Shares underlying the Warrants) will be subject to a hold period of four months plus one day following the closing of the Offering (the "Hold Period") pursuant to Canadian and US securities laws.

Any net proceeds received by the Company from the Offering are intended to be used for product development, manufacturing, business development, working capital and general corporate purposes.

Convertible Debentures

In January 2024, the Company issued convertible debentures in the amount of USD \$161,431 in exchange for USD \$161,431.

RSU Conversions

In January 2024, Directors, Management and Consultants to the Company have converted 2,617,250 Restricted Share Units (RSU) that have vested into Subordinated Voting Shares (SVS). In April 2024 Directors and Consultants to the Company in April 2024 have converted 3,054,750 RSU into SVS.