

This Management's Discussion and Analysis ("MD&A") provides an overview of Hapbee Technologies, Inc.'s ("Hapbee" or the "Company") financial and operational results for the year ended December 31, 2024. It should be read in conjunction with the audited consolidated financial statements and notes for the years ended December 31, 2024, and December 31, 2023, and the annual MD&A for the year ended December 31, 2023. 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 amounts are presented in U.S. dollars unless otherwise indicated.

### **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, Hapbee 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 regarding 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 that may cause the actual results, performance, or achievements of Hapbee 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 Hapbee 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 Hapbee 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.sedarplus.ca](http://www.sedarplus.ca)

## **History of Hapbee**

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 H3Z 2Z3. 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 electromagnetic frequencies to produce sleep, performance-, and mood-enhancing effects.

On June 15, 2020, Hapbee 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 under all share capital have been retrospectively adjusted in accordance with the stock split ratio. On the same day, Hapbee amended its articles 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, Hapbee's Subordinate Voting Shares were listed on the TSX Venture Exchange (the "Listing"). Since the Listing, Hapbee has done numerous private placements.

At December 31, 2024, Hapbee has 198,105,583 Subordinated Voting Shares issued, and outstanding and 450,000 Multiple Voting Shares issued and outstanding.

## **Business of Hapbee**

The Company develops, markets, and sells subscriptions and licenses to a wearable wellness platform and products that enhance the human experience through electro-magnetic technology. Our current hardware products, the Hapbee Neckband, the Hapbee Smart Sleep Pad and the Immersive Mattress Topper are devices that "play" or deliver unique magnetic signals that 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 many signal frequencies available on the Hapbee App with potentially hundreds of different sensations that can be produced using Hapbee's patented ultra-low radio frequency energy (ulRFE®) 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. Emulate invented and patented ulRFE technology that uses 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 and commercialize the ulRFE technology for a non-medical consumer product aimed at the wellness industry.

### **Overall Performance**

The Company successfully completed a major capital raise of USD \$4,050,000 in 2024 – in 2 tranches (April 2024 and July 2024). The proceeds were intended to advance product development (Mobile App, Frequency Assortment / Intensity and Devices) and to kick off brand-building, consumer distribution and enterprise channel development.

In addition to capital, Hapbee was able to secure world-class talent to leadership team in the form of a new Chief Commercialization Officer and new Chief Innovation Officer. The Company also added three members to its Board of Directors; Mr. Jaylen Brown, NBA Champion and Finals MVP, Mr. Rizwan Shah and Mr. Abdulla Al Zain to guide product development and expansion efforts. The Company established important branding and distribution relationships in 2024 that will begin to pay dividends in 2025 and beyond with well-known ambassadors including Jaylen Brown (Boston Celtics), Gary Brecka (global bio-hacker), Jason Kidd (Dallas Mavericks), and Heather Thomson (media personality) among others.

The Company also announced important commercial relationships in the Hospitality sector which included opening Jumeirah (the pre-eminent luxury hotel brand in the Middle East) and expanding its presence at Target to 389 stores. Many of these investments were made with the specific intent of laying the groundwork for longer term impact to sales expansion in 2025, 2026 and beyond.

Most importantly, much of the groundwork that was laid earlier in 2024 began to convert into positive units and revenue momentum in Q4 2024 with net device units sold increased in the quarter by 190% (914 units vs 316 units sold in the previous quarter). Similarly, net revenues in Q4 saw an increase over net revenues in Q3 of 109%.. This early momentum was driven by increased consumer demand and device revenue, higher AOV and increased subscriber revenue.

Q4 2024 also saw the launch of a Sleep-only subscription plan specifically designed to increase accessibility to the millions of people with sleep challenges. The Sleep only Plan provides user subscription access to all Hapbee Sleep vibes and routines for \$10 per month or annually for \$99 and should lead to an increase in Sleep Pad sales and related subscription revenue in 2025.

The following discussion of Hapbee's overall financial performance is based on the audited consolidated financial statements for the years ending December 31, 2024, and 2023.

The statement of financial position as at indicated a cash balance of \$132,274 (YE 2023 - \$212,653), receivables of \$251,175 (YE 2023 - \$82,419), inventory of \$264,891 (YE 2023 - \$156,310), prepaid expenses of \$381,645 (YE 2023 - NIL) and intangible assets of \$1,196,750 (YE 2023 - \$1,858,240). The total assets were stable during the year ending December 31, 2024, as compared to prior period.

Liabilities as of December 31, 2024, totaled \$6,347,728 (YE 2023 - \$4,521,603) with the increase mainly due to an increase in warrant liability following the private placements of April and July 2024.

Shareholders' equity includes share capital of \$19,595,748 (YE 2023 - \$15,219,442), reserves of \$6,702,863 (YE 2023 - \$6,397,718) and an accumulated deficit of \$30,419,604 (YE 2023 - \$23,829,141). The increase in share capital is primarily due to the issuance of common shares for the non-brokered private placements completed in April and July 2024.

During the quarter-ended December 31, 2024, Hapbee reported a net loss and comprehensive loss of \$2,806,042 (\$0.01 basic and diluted loss per share) compared to a net loss of \$394,764 (\$0.01 basic and diluted loss per share) for the previous year's fourth quarter. During the quarter, Hapbee recorded sales on products of \$142,790 (2023 - \$220,882). For the full year ended December 31, 2024, total product sales amounted to \$610,877 (2023 - \$951,662) and cost of goods sold of \$419,004 (2023 - \$552,125). Key expenses for the quarter included consulting fees of \$573,579 (2023 - \$461,083), and product development costs of \$612,075 (2023 - \$50,413).

## **Products**

### **Hapbee Wearables and Immersive products**

Hapbee currently commercializes three devices that allow users to leverage the benefits of Hapbee's bio-streaming technology, they are: the Hapbee Neckband, the Hapbee Smart Sleep Pad and the Immersive Mattress Topper.

The purchase of a Hapbee device includes a 30-day trial of Hapbee Subscription (All Access or Sleep-Only) that affords the user access to Hapbee vibes, routines, and functionality. Following 30 days, users have the option to sustain their Premium Subscription through an auto-renew all-access monthly plan (@\$19 per month) or annually (@\$149). Q4 also saw the launch of a Sleep-only subscription plan designed to increase accessibility to the millions of people with sleep challenges. The Sleep only Plan provides user subscription access to all Hapbee Sleep vibes and routines for \$10 per month or annually for \$99.

The Hapbee Neckband is designed for daytime use while working, travelling, studying or relaxing. It weighs 4.5 ounces and comes with a micro USB-C charging cable. It is designed to have sufficient battery life for each charge for daily activity usage, day and night. The lightweight (4.5 ounces), 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 sleep and recovery – especially during 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 travelers.

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. Both devices connect to and are controlled by the customizable Hapbee Mobile 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 Hapbee 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.

### **Hapbee Immersive Mattress Topper and Next Generation Products**

The Company leverages a variety manufacturing and distribution partners for the purpose 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, Hapbee established an assembly, distribution, and reverse logistics facility in Torrance, California. The Company has recently engaged with offshore finished goods electronics manufacturers to produce Hapbee Sleep Pads in Indonesia – for sourcing partially finished products to be completed in USA, fully finished goods, components and packaging. The purpose of this arrangement is to reduce cost of goods and reduce manufacturing lead times. Hapbee does not anticipate tariffs having a major impact on its prices or margins.

The Company has announced that it has begun design and engineering work on Hapbee Neckband V2 which it hopes to release in 2025. The Neckband V2 has a functional goal of combining iconic design while decreasing size and increase wearability.

Since its development over 15,000 Hapbee Devices have been produced and sold. The Company has now developed and started to commercialize an Immersive Mattress Topper product for the spa, wellness and hospitality industry that can also be used for high-end hotel suites and treatment rooms. The Company's next generation of products – including the second-generation of the Neckband and a consumer-focused Immersive Mattress Topper - are in the final design stages and are scheduled to be released in 2025.

### **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 over 60 different vibes 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 or sleep-only via a monthly or annual paid subscription.

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 mobile app developers, designers and an 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 60 unique vibes and routines 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, that 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 RSA and ECDSA encryption providers on Hapbee's server resources.

The Company has also developed a protective data encryption tool for enhanced software security. The Company has encrypted frequencies using the specifications of our product, with no reliance on third-party vendors to create updates, nor are there security violations inside the encryption tool that would compromise the product. The utility for encryption uses Microsoft .NET Framework and Windows Desktop Platform to ensure the highest security. Subscriber data, that includes basic contact information, is encrypted and saved on Hapbee's secure servers.

In addition to platform security protection through encryption protocols, that protect the loading and playing of the signals through the Hapbee App onto the Hapbee Neckband, Hapbee Smart Sleep Pad and Hapbee Immersive Mattress Topper, the products are also sealed through sonic welding. If broken, opened or tampered with, the products and embedded signals are rendered useless.

The Hapbee App allows the Company to collect and analyze trends on user habits including time of day plays, duration, and other demographics. The Hapbee App also gives the Company the opportunity to co-brand and release new signals with other companies in industries such as hospitality, transportation, automotive, military 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 – including greater control over playback intensity through the addition of Boosted Signals which allow user to increase the “feeling” by simply flipping a switch inside the Hapbee App. Consumer feedback will determine the priority of the development of additional signals.

### **Marketing and Distribution**

The Hapbee Neckband and the Hapbee Sleep Pad are available for sale on Hapbee's e-commerce website ([www.hapbee.com](http://www.hapbee.com)), a growing footprint of Target stores & Target.com and through an expansion network of independent dealers, marketplaces and distributors. The devices can be purchased individually or with monthly or annual subscription plans included.

The Immersive Mattress Topper is currently available to enterprise clients, including hotels, spas, sports teams and wellness clinics. The Company has announced plans to develop a consumer version of the Immersive Mattress Topper which it intends to launch in 2025.

Hapbee has also established brand relationships with a number of high-profile brand ambassadors in sports, media and wellness – including Jaylen Brown (Boston Celtics), Jose Calderone (Cleveland Cavaliers), Jason Kidd (Dallas Mavericks), Gary Brecka (Global Bio Hacker) among others. The company continues its work with military veteran organizations such as Grey Team to assist in mitigating issues such as veteran reintegration and veteran suicide. The ambassadors help Hapbee establish new relationships with teams, companies and other high-profile ambassadors and they actively promote their own Hapbee journeys through their expansive social media platforms. Many of these will launch in early 2025 and we anticipate seeing the impact on revenues in Q1 and Q2 2025.

### **Research and Development**

To date, Hapbee has spent in excess of \$3 Million on the design, engineering and 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 months, Hapbee's goal is to release new functionality and integrations. Currently there are additional signals in evaluation stages while other signals are being investigated regarding optimizing their strength.

With the advent of new materials such as flexible battery and circuit electronics and electronics integrated into washable fabrics. The opportunity for Hapbee to develop and integrate multiple form factors for numerous daily applications is unlimited. The company anticipates showing its future product development roadmap in 2025.

### **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 Sensory Technologies**

On March 29, 2019, Hapbee acquired a license from EMulate. The Company paid an up-front fee of \$1,500,000 for this license. The Company accrues a royalty on quarterly basis, due to EMulate, equal to 20% on the net income from the sale of the authorized product containing cognate signals. In exchange, Hapbee obtained from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize consumer digital products using EMulate's technology. The license has an initial 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 October 30, 2019, Hapbee acquired another license from EMulate. The Company paid an up-front fee of \$30,000 for this license. The royalty rate on the first \$10,000,000 will be 20% on the net income from use of the authorized product containing cognate signals. In exchange, Hapbee will obtain from EMulate certain exclusive rights and licenses to develop, use, import, and commercialize consumer digital products using EMulate's technology. This license also 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, Hapbee 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 20%. In exchange, Hapbee 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, Hapbee 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 20%. In exchange, Hapbee 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.

### **(b) Development Costs**

During the year ending December 31, 2024, the Company incurred development costs of \$Nil (year ended December 31, 2023: \$nil) related to the development of an augmentative wearable device that emulates normal molecular interactions in the body through small, specific magnetic fields. Past costs have met the criteria for capitalization under IAS 38.

### **(c) Impairment Costs**

The Company made the decision to write off the balance of uncapitalized development costs of \$449,993 due to the fact that the Company is working actively on the 2<sup>nd</sup> generation of Hapbee wearables and the balance of the uncapitalized development costs were deemed obsolete.



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The following table outlines the Company's intangible assets as at December 31, 2024:

	December 31, 2024	December 31, 2023
	\$	\$
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
Impairment expense	(449,993)	-
Accumulated amortization of intangible assets - license fees	(353,250)	(276,250)
Accumulated amortization of intangible assets - development costs	(629,987)	(495,490)
	<b>1,196,750</b>	<b>1,858,240</b>

### Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of Hapbee 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 March 31, 2023, to December 31, 2024, are prepared in accordance with IFRS.

	1 <sup>st</sup> Quarter 2023 March 31, 2023	2 <sup>nd</sup> Quarter 2023 June 30, 2023	3 <sup>rd</sup> Quarter 2023 September 30, 2023	4 <sup>th</sup> Quarter 2023 December 31, 2023	1 <sup>st</sup> Quarter 2024 March 31, 2024	2 <sup>nd</sup> Quarter 2024 June 30, 2024	3 <sup>rd</sup> Quarter 2024 September 30, 2024	4 <sup>th</sup> Quarter 2024 December 31, 2024
Total revenues	\$255,662	\$837,799	\$230,575	\$303,966	\$197,893	\$127,784	\$151,196	\$142,790
Net loss from continuing operations	(\$955,945)	(\$1,039,231)	(\$835,127)	(\$518,793)	(\$659,589)	(\$938,441)	(\$1,143,392)	(\$2,304,951)
Net loss from continuing operations per common share outstanding – basic & diluted	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Net income (loss)	(\$870,039)	(\$1,009,231)	(\$436,834)	(\$394,764)	(\$658,421)	(\$1,856,316)	(\$1,275,332)	(\$2,806,042)
Net income loss per common share outstanding – basic	(\$0.01)	(\$0.01)	(\$0.01)	\$0.01	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)

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.

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**Fourth Quarter 2024**

**Liquidity and Capital Resources**

As at December 31, 2024, Hapbee had working capital of negative \$2,073,107 (Q4 2023 - negative \$2,077,662). Cash as at December 31, 2024, was \$132,274 (Q4 2023 - \$212,653).

During the quarter ended December 31, 2024, Hapbee received proceeds of \$NIL (Q4 2023 - \$NIL) from common shares issuances and \$NIL (Q4 2023 - \$1,499,577 from promissory note 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 additional capital will be required for future operations until sufficient revenue can be generated from Hapbee's sales of its wearable wellness products. As Hapbee cannot predict the time at that revenue will exceed expenses, Hapbee 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 that 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 Hapbee's control.

**Off Balance Sheet Transactions**

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

**Related Party Transactions**

The following are aggregate values of transactions, recorded on an accrual basis. They relate to key management personnel and entities over that they have control or significant influence. Amounts will be settled in cash or equity or a combination of both forms of compensation:

		<b>For the year-ended December 31, 2024</b>	<b>For the year-ended December 31, 2023</b>
	Notes	<b>(\$)</b>	<b>(\$)</b>
EMulate Therapeutics Inc. – Royalty Fees	(a)	81,312	140,000
Les Consultants Shtern Inc.	(b)	600,000	600,000
MK & Associates	(c)	239,502	183,071
4114566 Canada Inc.	(d)	175,208	176,926
David Hoppenheim	(e)	153,307	142,243
Brian Mogen	(f)	216,000	216,000
Alchemy Global	(g)	250,000	-
Madeeha Mirza	(h)	74,000	-

- a) EMulate Therapeutics Inc., an entity that has significant influence on Hapbee charged royalty fees. These royalty fees are calculated on a quarterly basis and are based on a percentage of gross profit from device sales and a percentage of subscription revenues net of platform fees.
- b) Les Consultants Shtern Inc., an entity owned by Hapbee's Chief Executive Officer Yona Shtern, charged management consulting fees to Hapbee for CEO services rendered.
- c) MK & Associates, an entity owned by Hapbee's Chief Financial Officer Mitchell Kujavsky, charged management consulting fees to Hapbee for CFO services rendered.
- d) 4114566 Canada Inc., an entity controlled by Hapbee's Corporate Secretary Kenneth Adessky, charged management consulting fees to Hapbee for services rendered.
- e) David Hoppenheim is the Chief Operating Officer (COO) of Hapbee and charged management consulting fees for COO services rendered.
- f) Brian Mogen is the Chief Technology Officer (CTO) of Hapbee and was paid a fixed salary for CTO services rendered.
- g) Alchemy Global an entity owned by Hapbee's Chief Commercial Officer Rizwan Shah, charged management consulting fees to Hapbee for CCO services rendered.

The following table outlines Hapbee's related party payables (see nature of relationship to Company above):

	December 31, 2024 \$	December 31, 2023 \$
Les Consultants Shtern	248,196	381,613
MK & Associates	135,358	129,254
4114589 Canada Inc.	186,906	137,400
EMulate Therapeutics Inc.	489,388	423,076
David Hoppenheim	149,787	98,669
Brian Mogen	185,600	149,600
	1,395,235	1,319,612

Also included in related party payables are amounts due from key Management personnel and Company Directors. This includes \$914,879 of the balance of promissory notes and \$50,000 of the balance of convertible debentures.

### 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, 2024.

## **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 that 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, Hapbee 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 Hapbee's ability to continue as a going concern requires Hapbee to make certain judgements about whether Hapbee 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 useful economic 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. Judgement is also required in identifying indicators of impairment of Hapbee's intangible assets.

### **Change in Accounting Policies including Initial Adoption**

Please refer to Note 3 of Hapbee's audited consolidated financial statements for the year-ended December 31, 2024, for more information regarding Hapbee'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 Hapbee's cash and accounts payable approximate their carrying values, due to their short-term nature. 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 that 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 Hapbee will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital to meet short-term operating requirements, after taking into account Hapbee'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.

### **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.

### **Price risk**

The Company is exposed to price risk regarding equity prices. Equity price risk is defined as the potentially adverse impact on Hapbee'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.

### **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 for cash held in Canadian Dollars that amounted to \$180,933 Canadian Dollars as at December 31, 2024 (December 31, 2023 – \$240,483), accounts receivable that amounted to \$NIL Canadian Dollars at December 31, 2024 (December 31, 2023 - \$NIL) and accounts payable that amounted to \$622,481 Canadian Dollars at December 31, 2024 (December 31, 2023 - \$382,847).

For a list of additional risk factors that may impact the performance of Hapbee, please refer to "Risk Factors" in the Prospectus available on SEDAR+, [www.sedarplus.ca](http://www.sedarplus.ca).

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

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

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

On June 15, 2020, Hapbee amended its articles 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 Hapbee, and to attend, vote and speak at such meetings, except those meetings at that 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 Hapbee entitled to vote at the meeting.

On all matters upon that shareholders Hapbee 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 Hapbee, 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 Hapbee 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 to maintain the status of Hapbee as a "foreign private issuer" under United States securities laws (the "FPI Condition").

At December 31, 2024, Hapbee has 198,105,583 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding.

As at the date of this MD&A, Hapbee has 210,629,083 Subordinated Voting Shares issued and outstanding and 450,000 Multiple Voting Shares issued and outstanding.

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

The Company has 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") that 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 of which 7,805,000 are exercisable at December 31, 2024.

The Company's RSU Plan, in its current form, is designed to provide certain directors, officers, employees and consultants of Hapbee and its related entities with the opportunity to acquire RSUs to enable them to participate in the long-term success of Hapbee. 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 Hapbee 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.

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 December 31, 2024, the Company has 3,275,000 RSUs issued and outstanding; and 2,183,333 RSUs are exercisable.

In January 2024, Directors, Management and Consultants to the Company converted 2,617,250 Restricted Share Units (RSU) that vested into Subordinated Voting Shares (SVS) of which 2,204,750 were issued to Related Parties.

In April 2024, Directors, Management and Consultants to the Company converted 3,054,750 Restricted Share Units (RSU) that vested into Subordinated Voting Shares (SVS) of which 2,167,250 were issued to Related Parties.

### (C) Warrants

In connection with private placements closed during the year 2023, Hapbee issued 13,093,488 non-transferrable warrants. Each warrant entitles the holder thereof to purchase one additional subordinate voting share of Hapbee at a price of \$C0.15 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 2024, Hapbee issued 61,801,421 non-transferrable warrants. Each warrant entitles the holder thereof to purchase one additional subordinate voting share of Hapbee at an average price of \$C0.16 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, 2024 are as follows:

	Expiry date	Number of warrants outstanding	Number of warrants exercisable	Exercise Price (\$)
<b>Balance December 31, 2022</b>		<b>48,079,316</b>	<b>48,079,316</b>	<b>0.29</b>
Granted	October 26, 2025	5,524,398	5,524,398	0.37
Expired	January 28, 2023	(182,000)	(182,000)	0.37
<b>Balance December 31, 2023</b>		<b>53,421,714</b>	<b>53,421,714</b>	<b>0.31</b>
Expired	November 9, 2024	(42,589,422)	(42,589,422)	0.29
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
Granted	April 18, 2026	50,454,544	50,454,544	0.09
Granted	July 26, 2026	11,346,869	11,346,869	0.16
<b>Balance December 31, 2024</b>		<b>85,727,193</b>	<b>85,727,193</b>	<b>0.11</b>



### **Additional Disclosure for Venture Issuers without Significant Revenue**

During the year-ended December 31, 2024, Hapbee incurred development costs of \$889,456 (2023 - \$740,714) related to Hapbee Wearable Wellness Product. Of the total development costs, NIL was recorded as intangible assets – development costs and the balance is recorded as product development costs.

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

	December 31, 2024	December 31, 2023
Product Development (including salary component in 2022 reallocated for 2023)	\$889,456	\$740,714
Tooling and Production	-	-
Signal Development and Safety Testing	-	-
	<u>\$889,455</u>	<u>\$740,714</u>
Amortization of intangible assets - development costs	(134,497)	(134,197)
	<u>\$754,958</u>	<u>\$606,517</u>

Product development consisted mainly of materials and consulting fees. Please note that all references to “product development costs” in the MD&A are in reference to any arms-length management consulting fees paid primarily to Engineering contractors for product development services rendered.

### **Subsequent Events and Other Items**

Hapbee plans to release a new version of the Hapbee Mobile App in 2025 which will feature a number of important enhancements and features aimed at improving customer satisfaction, including: boosted signals which allow users to increase the intensity of effect with the flick of a switch, guided on-boarding for new users , a completely redesigned user interface and an AI-powered assistant which guides users to the best frequencies that match their desired outcomes.

Hapbee will also launch a redesigned and optimized e-commerce website that is driving increased conversion rates and improved product information and ambassador testimonials.

The Company will also grow its social media, lifecycle management and engineering teams in Q1 and Q2 2025 – all with the intent of driving incremental revenues and reducing overhead costs.

## **Growth Initiatives and Partnerships**

### **Spa and Wellness**

Since the start of Q3 2024, Hapbee has expanded its focus on enterprise sales to the spa and wellness industry. Hapbee has since been successful in developing an Immersive Mattress Topper product specifically for spas and high-end hotel suites. The spa and sleep plan is to provide guests with the Hapbee experience allowing them to, relax, rejuvenate and focus while at the spa center or in the guest rooms at hotels.

The Company has launched several important partnerships with well-known Ambassadors and Enterprises and has participated in a number of high-profile industry events and exhibitions as part of its growth strategy to build brand awareness and facilitate consumer trial.

### **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 Mattress Toppers along with custom Jumeirah Sleep Routines in all spa treatment rooms as well as in select guest rooms as part of their Sleep Concierge program. Hapbee Neckbands are also being used in spas and with hotel staff to deliver focus and relaxation on demand.

### **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 Sleep Pads were available at 104 Target stores in the United States and online at Target.com. Target has increased the Hapbee footprint to 381 stores for Sleep Pads, to be available in-store by the end of the year, as well as evaluating a Hapbee Neckband rollout in 2025.

### **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 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.

### **Ambassadors**

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

### **Loan from Investor**

During the months of January and May 2025, the Company received a loan of \$1,050,000 USD. It will be convertible into subordinate voting shares at the option of the company within a period of six months.

### **Account Payables Settlement of License Fees**

The Company during the month of January 2025 converted \$489,388 of accrued payables being license fees to a Related Party, Emulate Inc., in exchange for 10,500,000 subordinated voting shares.

### **RSU Conversion**

In January 2025, Directors, Management and Consultants to the Company converted 2,023,500 Restricted Share Units (RSU) that vested into Subordinated Voting Shares (SVS) of which 1,923,500 were issued to Related Parties.