

MyndTec Inc.
Management's Discussion and Analysis (MD&A)
For the Quarter Ended September 30, 2023 (in Canadian Dollars, unless otherwise indicated)
Dated: November 21, 2023

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of MyndTec Inc. ("MyndTec" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the quarter and nine-month period ended September 30, 2023. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company as at September 30, 2023, and 2022 (the "financial statements"), together with the notes thereto. Information contained herein is presented as at November 21, 2023, unless otherwise indicated.

Description of Business and Going Concern

The Company is incorporated under the *Business Corporations Act* (Ontario) and its head office is located at 1900 Minnesota Court, Suite 122, Mississauga, Ontario, L5N 3C9. The Company became listed on the Canadian Securities Exchange (CSE) on February 16, 2022 and trades under the symbol MYTC.

The Company's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. There is no certainty whether the Company will generate significant revenues or attain profitable operations in the near future and there can be no assurance that it will achieve profitability in the future, as it incurred a net loss of \$1,357,570 and had a negative cash flow from operations of \$793,779 for the nine-month period ended September 30, 2023, after incurring a loss of \$2,132,213 and a negative cash flow from operating activities of \$2,343,697 for the year ended December 31, 2022.

As at September 30, 2023, the Company was in default in respect of its Federal Economic Development Agency (FEDA) loan payable, with a principal balance of \$412,242 and its \$561,000 deferred payment agreement obligation to its former legal firm. Assuming there is no demand for payment of the deferred payment agreement or FEDA loan, the Company had a September 30, 2023 cash balance of \$157,333 that covers approximately two months of operating expenses. As referenced in note 23, the Company completed a private placement on November 3, 2023 for \$138,210.

The Company has accumulated \$19,313,006 of losses as at September 30, 2023, and its ability to continue as a going concern is dependent on it raising future required capital; bringing its products to market; and, achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. As a result, as indicated in notes 1, 2, 7 and 19 of the financial statements, there exists a material uncertainty which creates significant doubt regarding the Company's ability to continue as a going concern. The Company's financial statements do not include any adjustments and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

Product Strategy

The Company is dedicated to development and commercialization of innovative products that improve function, maximize independence and enhance the quality of life for individuals who have suffered injury to the central nervous system as a result of stroke, spinal cord injuries ("SCI") and traumatic brain injury ("TBI"). It develops non-invasive neuro and nervous system electrical stimulation therapeutics for the treatment of neurological diseases specifically targeted to markets with large, growing, global patient populations.

The Company has revenues from sales in Canada and to the United States and Malaysia and has one operating segment which includes income related to its MyndMove™ ("MyndMove") device. The primary types of revenue that are earned from MyndMove include: (1) treatment fees, from treatment clinics that use the Company's MyndMove devices and (2) product sales, which are revenues from the sale of MyndMove or MyndSearch devices to clinics or research institutions and the sale of device parts or treatment supplies.

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MyndMove

MyndTec's first product, MyndMove therapy, is a patented and proprietary functional electrical stimulator coupled with proprietary treatment protocols that integrates neuro stimulation with a cloud-connected database, which is an FDA and Health Canada approved and restores voluntary movement to stroke and SCI patients. It is marketed in Canada under medical device licenses 93158 and 106501, plus commercially available in the US under 510k Nos. K170564 and K212149, and in Malaysia under Registration GB8907023-128917. MyndMove applies advanced principles of neuroplasticity and functional electrical stimulation to assist patients with paralysis of the arm and hand to make lasting gains in the recovery of natural, voluntary movement. MyndMove's first indications are for paralysis caused by stroke and spinal cord injury.

The Company is continuing to develop additional applications designed to address a broader scope of paralysis including lower limb and trunk applications for walking, standing and sitting.

In Canada and the United States, the Company lends on a service fee basis and sells MyndMove directly to clinics and institutions. In Asia, the device is sold only as a capital sale. Our operations in Mississauga provide dedicated customer service and access to our technical service personnel and clinical consults.

Business Overview and Highlight

Forgiveness of Financial Obligation to a Director

As of August 11, 2023, Dr. Popovic, a Director of the Company, agreed to forgive MyndTec's debt in the amount of \$75,000. The debt comprised the outstanding balance owed by the Company to Dr. Popovic for compensation due to him for services provided as interim CEO in a calendar period prior to 2022.

Debt Conversion to Equity and Forgiveness of Government Debt

On July 6, 2023 the Company closed a settlement agreement with the Health Technology Exchange, whereby the Company's repayment obligation of \$756,121 was fixed as of May 29, 2023 and, then, partially repaid by the issuance of 540,088 in common shares, at \$0.70 per share, for a total of \$378,062.

The \$378,059 remainder of the obligation was forgiven, subject to the condition that the Company's MyndMove product revenues do not exceed \$1,000,000 in the twelve-month period ended May 29, 2024. The Company has recorded the fair value of this outstanding obligation at one dollar (\$1), as explained in notes 10 and 19 of the Company's financial statements.

Appointment of Strategic Consultant

On May 30, 2023, the Company entered into a Consulting Agreement with Zen Koh, a renowned expert in the field of rehabilitative technology. This alliance is dedicated to identifying crucial acquisitions that will bolster MyndTec's market expansion and drive product innovation initiatives. This partnership will allow MyndTec to expand its reach and establish connections with a wider range of influential companies, ultimately generating substantial value for our shareholders, patients, and therapists.

Zen Koh is the Co-founder and Global CEO of Fourier Intelligence and has played a pivotal role in shaping the future of rehabilitative technologies. His dedication to pushing boundaries and improving patient outcomes is evident in his involvement with various non-profit organizations. Notably, he is the incoming president of the International Industry Society in Advanced Rehabilitation Technology (IISART), where he will contribute to the global advancement of the field. Furthermore, as the Co-founder and Executive Director of MotusAcademy, a Swiss-based organization, Mr. Koh has been appointed as the General Chair for RehabWeek 2023. The Company has granted Zen Koh 500,000 stock options (the "Options"). Each Option entitles the holder to acquire one common share of the Company at a price of \$0.75, pursuant to the Company's stock option plan. 240,000 of the Options vest monthly in equal installments over a period of 12 months in accordance with the terms of the Consulting Agreement. The remaining 260,000 of the Options vest upon completion of an acquisition within 12 months of the effective date. All vested Options shall be eligible for exercise for a period expiring on the 10th anniversary of the grant date provided that all unvested Options will terminate and expire in accordance with the terms of the Consulting Agreement.

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Private Placement

On May 23, 2023, the Company completed a non-brokered private placement with existing shareholders of 496,106 Units, at \$0.75 per Unit, for a total subscription price of \$372,080 and proceeds net of expenses of \$365,672. Each Unit was comprised of one Common share and one warrant. The warrants have an exercise price of \$0.90 per warrant and expire on May 23, 2026. Pursuant to this financing, the Company was required to make a \$16,950 pre-payment of the deferred payment agreement, which it did not make.

The subscribers ultimately received 496,106 common shares of the Company and 496,106 warrants to acquire common shares of the Company at \$0.90. The warrants expire May 23, 2026. Of the \$365,672 in proceeds net of issue costs, \$102,681 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of \$0.90; an estimated \$0.54 value of common shares; a volatility rate of 76.94%; an expected 3-year life for the warrants; and a risk-free interest rate of 3.30%. All of the proceeds were received from a director and a significant shareholder.

Private Placement

On January 11, 2023, the Company completed a non-brokered private placement with existing shareholders of 762,932 units, at \$0.75 per Unit, for a total subscription price of \$572,200 and proceeds net of expenses of \$537,280. Each Unit was comprised of one Common share and one warrant. The warrants have an exercise price of \$0.90 per warrant and expire on January 11, 2026. Pursuant to this financing, the Company was required to make a \$16,950 pre-payment of the deferred payment agreement amount due on September 30, 2023.

The subscribers ultimately received 762,932 common shares of the Company and 762,932 warrants to acquire common shares of the Company at \$0.90. The warrants expire January 11, 2026. Of the \$537,280 in proceeds net of issue costs, \$150,330 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of \$0.90; an estimated \$0.60 value of common shares; a volatility rate of 76.94%; an expected 3-year life for the warrants; and a risk-free interest rate of 2.99%. \$537,200 of the \$572,200 proceeds were received from a director and a significant shareholder.

Department of Defense Clinical Trial

The Company completed a post-market clinical trial to further expand its body of clinical outcome data for the MyndMove product. This trial was funded by the SCI Research Program under the United States Department of Defense office of the Congressionally Directed Medical Research Programs, award number W81XWH-16-1-0790. The trial began enrollment of approximately 60 patients in June 2019. This was a randomized two-arm, parallel group, multicenter, single-blind, controlled trial comparing electrical neuromodulation delivered by MyndMove therapy to intensive upper-limb conventional therapy in the treatment of individuals with moderate to severe motor impairment to their arms and hands from an incomplete, cervical, traumatic SCI. The trial was completed on July 28, 2022.

The results of this research were published in *Frontiers in Rehabilitation Science*: September 2022 | DOI 10.3389/fresc.2022.995244. The following information is extracted from this publication:

Overview

A multi-center, single-blind, parallel-group, two-arm, randomized controlled trial was conducted comparing FES to conventional therapy in adults (≥ 18 years) with C4–C7 traumatic incomplete tetraplegia between 4 and 96 months post-injury, and with a baseline spinal cord injury independence measure III - self-care (SCIM III-SC) score of ≤ 10 . Participants were enrolled at four SCI-specialized neurorehabilitation centers in the U.S. and Canada. Participants were stratified by center and randomized in a 1:1 ratio to receive either 40 sessions of FES or conventional therapy targeting upper extremities over a 14-week period. Blinded assessors measured SCIM III, Toronto Rehabilitation Institute Hand Function Test, and Graded Redefined Assessment of Strength, Sensibility, and Prehension at baseline, after 20th session, after 40th session or 14 weeks after 1st session, and at 24 weeks after 1st session. The primary outcome measure was change in SCIM III-SC from baseline to end of the treatment. Based on the primary outcome measure, a sample size of 60 was calculated. Seventeen participants' progress in the study was interrupted due to the COVID-19 lockdown. The protocol was modified for these participants to allow them to complete the study.

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Results

Between June 2019 to August 2021, 51 participants were randomized to FES (n= 27) and conventional therapy (n= 24). Both groups gained a mean of 2 points in SCIM-SC scores at the end of treatment, which was a clinically meaningful change. However, there was no statistically significant difference between the groups on any outcomes.

Conclusion

Forty sessions of FES therapy delivered by the MyndMove stimulator are as effective as conventional therapy in producing meaningful functional improvements that persist after therapy is completed. Limitations of this study include the impact of COVID-19 limiting the ability to recruit the target sample size and per-protocol execution of the study in one-third of the participants.

MyndStep

On August 5, 2022, MyndTec entered into a supply and distribution agreement with Guangzhou Longest Science & Technology Co. Ltd. ("GLST") for the exclusive distribution of MyndStep™ Foot Drop device, which was available in the United States and Canada in the fourth quarter of 2022. The Company sold its first five of these devices in March 2023.

Board Changes

On May 11, 2022, the Company announced that Carlo Pannella tendered his resignation as a director of the Company and Chair of the Board's Audit Committee, effective May 11, 2022, and that the Company appointed William (Bill) Jackson to its Board as an independent director and as Chair of the Board's Audit Committee, effective May 11, 2022.

On March 8, 2022, the Company announced that Christine Ozimek tendered her resignation as a director of the Company and Chair of the Board of Directors of the Company with an effective date of March 31, 2022. In the Management's Discussion and Analysis reports for the periods ended June 30, 2022, September 30, 2022, December 31, 2022 and March 31, 2023, the Company had incorrectly referenced the effective date as another date. Dr. Milos Popovic was subsequently appointed by the Board to be the interim Chair with effect as of March 31, 2022.

Appointment of Investor Relations Consultant

On May 3, 2022, the Company entered into a consulting agreement (the "Consulting Agreement") with Venture North Capital Inc. ("Venture North") to provide strategic marketing, investor relations and capital markets communications services to the Company in compliance with the policies and guidelines of the CSE. The Investor Relations Consultant arranges and attends meetings with professional investors, to maintain ongoing contact and broaden relationships with the professional investment community on MyndTec's behalf. The Consulting Agreement was effective May 3, 2022, at a cost of \$6,000 plus applicable taxes per month, plus Venture North was granted 200,000 stock options (the "Options") of the Company. Each Option is exercisable into one common share of the Company at an exercise price of \$0.95 per share and the Options will vest at a rate of 25% per quarter. All vested Options shall be eligible for exercise for a period expiring on the 10th anniversary of the grant date provided that all unvested Options will terminate and expire on the date that the Consulting Agreement is terminated. These options were granted on May 3, 2022. This contract has been temporarily suspended as of September 15, 2022, pending the outcome of conversations with current shareholders with respect to raising additional capital through a private placement.

Distribution agreement – Fourier Intelligence International Pte. Ltd. ("Fourier")

On March 22, 2022, the Company signed a non-binding exclusive distribution agreement for the distribution of MyndMove™ in Singapore and Malaysia, with Fourier, a company with offices in Singapore. MyndTec will incur costs for product evaluations and clinical demonstrations. Two MyndMove units have been provided to Fourier and their clinical staff have been trained. One MyndMove Unit has been sold to Fourier.

MyndTec Receives FDA 510(k) Clearance for MyndMove 2.0

On March 8, 2022, the Company received from the U.S. Food and Drug Administration 510(k) clearance for MyndMove 2.0, its second generation neuromodulation MyndMove System, which is an important component of the Company's strategic re-launch of MyndMove devices in the United States through its distribution partner, LBB Applied Technology, LLC to offer clinicians a device that delivers effective therapy at clinic or home environments, without compromising patient comfort, through our proprietary design.

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Conversion of Convertible Debentures

As a result of the Listing Approval and Final Receipt, on February 17, 2022, \$1,427,523 of Convertible Debentures were converted into 1,784,402 common shares at \$0.80 per share and 1,784,402 common share purchase warrants exercisable until February 7, 2027, at \$1.00 per share.

The Company issued these unsecured convertible debentures on May 19, 2020, with a maturity date of December 31, 2022, in an aggregate principal amount of \$1,250,000 (the "Convertible Debentures"). Interest accrued at a fixed annual interest rate of 8%, compounded annually and payable on the maturity date. The Convertible Debentures and accrued interest were convertible into common shares at the fair market value of the common shares at the date of conversion, as determined by the Board, unless the conversion was a result of a qualified financing. On the occurrence of a qualified financing, the convertible debentures and accrued interest were convertible at a price per security equal to 80% of the price per security issued in the qualified financing.

Listing on Canadian Securities Exchange

On February 7, 2022, the Company received conditional listing approval from the CSE to list its common shares (the "Listing Approval") and on February 24, 2022, the common shares began trading on the CSE. On February 16, 2022, the Company also received a receipt (the "Final Receipt") for its final non-offering prospectus filed in each of Ontario, Alberta and British Columbia to qualify the securities issuable upon conversion of the Subscription Receipts (as defined herein). The receipt of the Listing Approval and Final Receipt triggered the conversion of the Convertible Debentures (as defined below) and the Subscription Receipts.

Conversion of Subscription Receipts

On December 10, 2021, the Company completed private financing for total gross proceeds of \$2,954,302. The subscribers initially received 2,954,302 subscription receipt units of the Company (the "Subscription Receipts") and these were exchanged, on February 17, 2022, as a result of the Listing Approval and Final Receipt, for 2,954,302 common shares and 2,954,302 common share purchase warrants exercisable at \$1.00 per share until February 7, 2027.

Of the \$2,954,302 in proceeds, \$594,860 was received on the initial closing and the remaining \$2,359,442 was received by the Company, from the escrow trustee, on February 17, 2022. In addition, the Company incurred \$101,705 of share issue costs that were recorded in prepaid expenses and deposits as at December 31, 2021.

Total listing costs were approximately \$1,270,000, of which \$1,055,940 was recorded in the Company's audited consolidated statement of operations and comprehensive loss, as at December 31, 2021. With respect to the total listing costs incurred, the Company has applied to have \$198,570 of 2022 legal bills, included therein, assessed by the Ontario Superior Court of Justice.

Events Occurring after the Reporting Date

November 2023 Private Placement

On November 3, 2023, the Company closed a non-brokered private placement, with an existing shareholder, of 184,280 Units, at \$0.75 per Unit, for a total subscription price of \$138,210. Each Unit was comprised of one common share and one warrant. The warrants have an exercise price of \$0.90 per warrant and expire on November 3, 2026. Pursuant to this financing, the Company is required to make a \$16,950 pre-payment of the deferred payment agreement, which it has not made.

Business Objectives and Milestones

MyndStep

The Company has launched the MyndStep Foot Drop device as of October 28, 2022 in Canada and USA, for use in clinics and at home.

MyndStep™ is intended to provide ankle dorsiflexion of the foot and/or knee flexion, also improving an individual's gait or ability to walk. MyndStep™ prevents or retards disuse atrophy, maintains or increases joint range of motion and local blood flow.

Product Advantages:

- Easy Electrode Placement
- Wearable Design
- Mobile Phone & Tablet Friendly
- App Functionality with Easy User Control
- Variable Treatment Modes (Training & Walking)
- Adjustable Electric Stimulation Intensity
- Built-in Smart Sensors
- For clinic and home use



Foot Drop Market:

North America is expected to hold a major market share in the global foot drop treatment market due to the high prevalence of stroke.

- Stroke causes upper motor neuron injuries that lead to foot drop, an inability to lift the forefoot due to the weakness of dorsiflexors of the foot.
- Functional electric stimulation (“FES”) segment is expected to dominate the market growth.
- More than 70% of hemiplegic stroke patients who can regain walking ability although they do not achieve good gait, can take advantage of a treatment such as MyndStep™, designed to help patients to recover their gait and correct their foot drop ailment. Source: (1) Mordor Intelligence: Foot Drop Treatment Market, Growth, Trends, Covid-19 Impact and Forecasts (2022-2027) (2) (6) <https://www.researchandmarkets.com/reports/5529412/foot-drop-treatment-market-growth-trends>

The Company is currently offering MyndStep units in Canada and the US for evaluation purposes to registered clinics and to patients with a prescription. The Company has received overall positive feedback on the device with regards to its ease of use, effectiveness and the comfort of stimulation. One challenge that clinics and patients both expressed was difficulty in calibrating the device with the application, but efforts have been made to resolve this. The company plans to continue to offer evaluation devices with the goal of having therapists recommending the device to their patients and patients providing feedback to other patients to help sell the device.

With a growing number of clinics in the US participating in the evaluation of MyndStep it has allowed us to start building relationships with clinics and therapists that treat neurological patients and some of those clinics will be good candidates for MyndMove and possible other technologies that we may acquire. These relationships have also provided us with a better understanding of the challenges that clinics and therapists face in the US in treating neurological patients as reimbursement declines. MyndStep faces competition from devices that have been on the market for many years, like Bioness, Walkaide, Ottobock and XFT Medical. There are also new devices coming to market in the future.

MyndMove

The Company is currently working with its distribution partners to increase the sales of MyndMove in the United States and Asia. To support these efforts, the Company has increased the number of demonstration units available to distributors; assisted with awareness campaigns that increased the number of inbound leads provided to the distributors. By working with our distribution partners, we have learned that the sales cycle for MyndMove is longer than first thought and that many hospitals and clinics require a longer device evaluation period and hospitals and clinics are under pressure, given reductions in reimbursement, to provide positive patient outcomes and remain profitable. In this environment, the product market fit is even more important. We have also seen increased competition from many different companies that have entered the market or are planning to enter the market.

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Corporate Strategy

On May 30, 2023, the Company entered into a consulting agreement with Zen Koh, a renowned expert in the field of rehabilitation technology. This alliance is dedicated to identifying crucial acquisitions that will bolster MyndTec's market expansion and drive product innovation initiatives. These acquisitions will also help to scale the business (increase revenue faster than costs) which is a challenge that MyndTec and many other medical technology companies face. This occurs because of the dynamics of the medical technology industry, which has high costs related to complexity in designing and manufacturing medical devices, meeting regulatory requirements and reimbursement for using the product, establishing sales channels and proving safety and efficacy of the device.

By acquiring multiple technologies, we expect to increase returns and reduce costs by building brand awareness and lowering the overall patient acquisition cost, expanding the overall addressable market and lowering the cost of quality assurance and regulatory affairs, sales, accounting and finance.

To assist the Company in meeting its primary business objective to increase its technology offering and revenue, the Company intends to achieve the following milestones within the six months ended March 31, 2024:

	Milestone	Estimated Completion Date
1	Finalize submission of 510K to expand the authorized use of MyndMove to include lower limb treatment	Q4 - 2023
2	Expand sales of MyndStep in Canada and the US Market	Q4 - 2023
3	Acquire or licence technologies or assets to expand and improve the Company's product offering	Q1 - 2024

Notes:

(1)The Company has submitted a 510K application to expand the indications to include lower body stimulation by MyndMove for Foot Drop and Flexor Withdraw and is waiting for final review of this application.

(2) The Company has purchased inventory of MyndStep devices and is attempting to have therapists, who are evaluating the product, recommend it to their patients, for purchase and use at home.

(3) Management has identified three phases for the Company's acquisition strategy. In Phase 1, Management is identifying complimentary technologies that will allow MyndTec to expand its market opportunities and increase revenue. In Phase 2, Management is identifying companies with revenue, positive EBITDA and complimentary technology which can grow overall operating revenue without dramatically increasing our cost structure. In Phase 3, Management is identifying companies that will increase our overall operating income and profitability without increasing costs.

The company has executed a Non-Binding LOI to purchase 51% of the outstanding shares of a robotics technology company that manufactures devices for hand function rehabilitation, payable in the common stock of MyndTec Inc.

Research and Development Activities

Research and development expenses consist primarily of employee-related expenses, contractor and consultant fees and corporate overhead allocations for the design, development and management of our products and treatment tracking platform. The Company will continue to focus its research and development efforts on adding new protocols and clinical applications designed to expand the portfolio of clinical functionalities of the platform. In the past, these expenses have been reduced by Canadian federal SR&ED tax credits. As of February 16, 2022, when the Company became publicly listed, it no longer qualifies for cash refundable SR&ED credits from that date forward, which will cause the Company's net research and development expenses to increase.

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KITE

On February 26, 2020, the Company entered into a master collaboration agreement, as amended on January 5, 2021 (the "Master Collaboration Agreement"), with KITE (a related party, see "Related Party Transactions" herein for further information), the research arm of the Toronto Rehabilitation Institute and one of the principal research institutes at the University Health Network ("UHN"). Pursuant to the Master Collaboration Agreement, the Company works directly with KITE to develop new treatments, devices and products as well as gathering evidence that guides changes to policy and public opinion that improve the lives of people living with the effects of disability, illness and aging. Currently, the Company and KITE are collaborating on an improvement to MyndMove to support the addition of protocols related to the treatment of lower limbs with a focus on regaining the ability to walk independently. This collaboration includes development of proprietary enhancements to hardware and software as well as our training programs. The work will include appropriate clinical validation to be conducted by the KITE team suitable for inclusion in our regulatory submissions.

Research and development expenses consist primarily of employee-related expenses, contractor and consultant fees and corporate overhead allocations for the design, development and management of our communities and platform. The Company will continue to focus our research and development efforts on adding new protocols and clinical applications designed to expand the portfolio of clinical functionality of the platform. In the past, these expenses have been reduced by Canadian federal SR&ED tax credits. Since the Company is publicly listed, it will no longer qualify for cash refundable SR&ED credits.

Improvements to MyndMove™

The Company is continuously improving the functionality of the device in response to user feedback. Some of this development work is done internally, otherwise 3rd party development groups are utilized. For example, improvements to our software are in collaboration with ProLucid Technologies. Improvements to the hardware are being made in collaboration with RMF Design and Manufacturing, all in conjunction with KITE and other development partners.

Selected Financial Information

The following selected financial information is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

September 30, 2023, and 2022 and December 31, 2022 Quarterly or Annual Financial Information

	Nine Months ended		Year Ended
	<u>30-Sep-23</u>	<u>30-Sep-22</u>	<u>31-Dec-22</u>
	\$	\$	\$
Total assets	665,874	1,166,951	642,569
Current liabilities	1,505,215	935,310	1,269,425
Non-current liabilities	38,250	687,225	298,483
Working capital (deficit)	(1,012,617)	(65,852)	(866,880)
Revenue	115,906	189,181	255,801
Gross Margin	50,907	101,352	67,444
Expenses	1,408,477	1,720,402	2,199,657
Net loss	(1,357,570)	(1,619,050)	(2,132,213)
Net loss per share, basic and diluted	(0.06)	(0.08)	(0.10)

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Annualized Summary of Quarterly Results for the twelve months ending September 30, 2023

For the Period Ended	\$'000				
	Quarterly				Annual
	December 2022	March 2023	June 2023	September 2023	Sept 30 2023
Total Assets	643	807	756	666	666
Revenue for the Period	66	38	22	56	183
Loss for the period	(512)	(380)	(895)	(83)	(1,870)
Loss per share	(0.03)	(0.02)	(0.04)	(0.00)	(0.09)

Annualized Summary of Quarterly Results for the twelve months ending September 30, 2022

For the Period Ended	\$'000				
	Quarterly				Annual
	December 2021	March 2022	June 2022	September 2022	Sept 30 2022
Total Assets	3,824	2,284	1,594	1,166	1,166
Revenue for the Period	405	45	91	53	594
Loss for the period	(420)	(689)	(474)	(457)	(2,040)
Loss per share	(0.02)	(0.03)	(0.02)	(0.02)	(0.09)

Nine-month and three-month periods ended September 30, 2023, compared to the same periods ended September 30, 2022 ("Comparable Period")

Statement of Comprehensive Loss

	September 30			
	Three Months Ended		Nine Months Ended	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue	\$ 56,165	\$ 53,442	\$ 115,906	\$ 189,181
Cost of sales	27,707	47,928	64,999	87,829
Gross margin	28,458	5,514	50,907	101,352
Expenses				
General and administration	122,622	240,474	532,040	725,045
Research and development	49,398	96,698	289,947	326,355
Quality and regulatory assurance	(5,702)	1,070	52,972	8,886
Selling and marketing	27,728	19,432	87,464	66,777
Share-based compensation	50,560	68,323	124,306	196,927
Interest and accretion expense	3,066	17,867	26,261	86,234
Depreciation and amortization	22,249	22,943	66,748	67,628
Clinical trial	-	(11,375)	-	(65,178)
Changes in fair value	-	(13,065)	105,436	49,591
Public listing costs	15,686	19,686	297,451	258,137
Government grants and tax credits	(174,148)	-	(174,148)	-
Total operating expenses	111,459	462,053	1,408,477	1,720,402
Net and comprehensive loss	\$ (83,001)	\$ (456,539)	\$ (1,357,570)	\$ (1,619,050)

Commentary respecting the nine-month period ended September 30, 2023

Year-to-date Net Comprehensive Loss

For the nine-month period ended September 30, 2023, the Company reported a net comprehensive loss of \$1,357,570 compared to a net comprehensive loss of \$1,619,050 for the comparable period, a decrease in net comprehensive loss of \$261,480. This decreased loss is due to a \$193,005 decrease in general and administration; a \$72,621 decrease in share-based compensation; a \$59,973 decrease in interest and accretion expense; a \$880 decrease in depreciation and amortization and \$174,148 of Scientific Research and Development refund claims received – offset by \$50,445 of lower gross margin; \$28,365 of research, development, quality & regulatory assurance and selling & marketing expenses; \$65,178 of Clinical Trial recoveries in 2022 and nothing in 2023; a \$55,845 increase in non-cash changes in fair value expense; and, a \$39,314 increase in public listing costs.

Year-to-date Revenue and Gross Margin

Revenue decreased \$73,275 or 38.7%, due to a 50.8% reduction in treatment fees and a 21.6% reduction in product sales.

Gross margin decreased \$50,445 or 49.8%, due to lower sales and margin rates decreasing from 53.6% to 43.9% as a result of fixed costs in cost of sales.

Year-to-date Operating Expenses

Total operating expenses decreased \$311,925, or 18.1%, as noted above and the following:

General and administrative expenses decreased \$193,005, from \$725,045 to \$532,040, including: \$91,661 of staffing costs; \$91,571 of professional (primary accounting and legal) fees; and, \$9,773 of other costs.

Research and development expenses decreased \$36,408, from \$326,355 to \$289,947, including: an \$87,338 decrease in salaries and benefits and an \$8,033 decrease in patent fees, offset by a \$ 58,963 increase in one-time research and development costs.

Quality and regulatory assurance costs increased \$44,086, from \$8,886 to \$52,972, due to the need for more external audits in 2023 than 2022.

Selling and marketing costs increased \$20,687, from \$66,777 to \$87,464, due to \$26,923 of MyndStep demonstration units being delivered to clinics, offset by the elimination of the Company's previous customer database software in favor of a new proprietary option.

Non-cash share-based compensation expense decreased \$72,621, from \$196,927 in 2022 to \$124,306 in 2023, due to contractor options issued in Q2 of 2022.

Interest and accretion expenses decreased \$59,973, from \$86,234 in 2022 to \$26,261 in 2023, including: \$56,880 in 2022 government loan accreted interest primarily due to contract changes for the Federal Economic Development loan default; \$2,096 related to the office lease; and, \$22,807 to the Q1 2022 conversion of the Company's convertible debentures into share capital - offset by a \$21,810 increase in short term interest due primarily to the default provisions related to the Company's obligations to its former legal firm.

The change in depreciation and amortization expense was inconsequential.

The Company's clinical trial concluded in 2022, so there was no income or expense in 2023.

Changes in fair value are non-cash income or expense amounts that arise from the application of IFRS fair value accounting rules. The 2022 expense was a fair value adjustment related to lower future revenue assumptions, which are the basis for future principal payments. The 2023 fair value expense is related to the Company's July 6, 2023, equity and forgiveness settlement with the Health Technology Exchange.

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The 2022 public listing costs of \$258,137 include significant legal fees related to the Company's February 16, 2022, listing on the Canadian Securities Exchange. The \$297,451 expense for the nine-month period ended September 30, 2023, includes: \$41,459 of ongoing maintenance costs and a \$255,992 legal fees penalty related to Company's default of its January 24, 2022, settlement with its former legal firm.

In 2023, the Company received \$174,148 of Scientific, Research and Experimental Development (SR&ED) income tax credits, for the year ended December 31, 2021, and the 47 days ended December 31, 2022. There were no credits received in 2022.

Commentary respecting the three-month period ended September 30, 2023

Current Quarter Net Comprehensive Loss

For the three-month period ended September 30, 2023, the Company reported a net comprehensive loss of \$83,001 compared to a net comprehensive loss of \$456,539 for the comparable period, for a decrease in net comprehensive losses of \$373,538. This decreased includes: a \$22,944 increase in gross margin; a \$117,852 decrease in general and administrative expenses; a \$45,776 decrease in research & development, quality & regulatory assurance and sales & marketing expenses; a \$17,763 decrease in share-based compensation; a 14,801 decrease in interest and accretion expense; a \$694 decrease in depreciation & amortization; a \$4,000 decrease in public listing costs; and, receipt of \$174,148 in SR&ED credits – offset by \$11,375 of net recoveries from the Clinical Trial and \$13,065 of changes in fair value, in 2022.

Current Quarter Revenue and Gross Margin

Revenue decreased \$2,723 or 5.1%, due to a reduction in treatment fees.

Gross margin increased \$22,944 or 416.1%, due to lower sales and margin rates increasing from 10.3% to 50.7% due to \$14,144 of inventory obsolescence write-offs booked in the 2022 quarter.

Current Quarter Operating Expense Details

Total operating expenses decreased \$350,594, or 75.9%, from \$462,053 to \$111,459 - as follows:

General and administrative expenses decreased \$117,852, from \$240,474 to \$122,622, including: a \$75,000 forgiveness of accrued salaries, due to a Director; \$36,536 of professional fees; and, \$6,316 of other savings.

Research and development expenses increased \$47,300, from \$96,698 to \$49,398, including: a \$43,000 decrease in salaries and benefits related to the resignation of the Company's vice president engineering and a \$4,300 decrease in other expenditures.

Quality and regulatory assurance costs decreased \$6,772, from \$1,070 to (\$5,702), due to an adjustment to regulatory audit accruals.

Selling and marketing costs increased \$8,296, from \$19,432 to \$27,728, due to \$2,753 of MyndStep demonstration units being delivered to clinics and \$5,543 of salary allocations.

Non-cash share-based compensation expense decreased \$17,763, from \$68,323 to \$50,560, due to contractor options issued in Q2 of 2022.

Interest and accretion expenses decreased \$14,801, from \$17,867 to \$3,066, including: \$20,944 in government loan interest, primarily due to contract changes related to the 2022 default of the Federal Economic Development loan; \$734 related to the office lease; and, \$4,123 of short-term interest income - offset by a \$11,000 of accrued default interest related to the Company's obligations to its former legal firm.

The change in depreciation and amortization expense was inconsequential.

The Company's clinical trial concluded in 2022, so there was no income or expense in 2023.

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Changes in fair value are non-cash income or expense amounts that arise from the application of IFRS fair value accounting rules. The 2022 expense was a fair value adjustment of the Health Technology Exchange loan related to lower future revenue assumptions, which are the basis for future principal payments. There was no expense in 2023.

Public listing costs decreased \$4,000, from \$19,686 in 2022 to \$15,686 in 2022.

In the third quarter of 2023, the Company received \$174,148 of Scientific, Research and Experimental Development income tax credits, for the year ended December 31, 2021, and the 47 days ended December 31, 2022. There were no credits received in 2022.

Disclosure of Outstanding Security Data

The Company is authorized to issue an unlimited number of common shares. The table below lists the securities outstanding as at December 31, 2022, September 30, 2023 and November 21, 2023:

	As At		
	December 31, 2022	September 30, 2023	November 21, 2023
Common Shares	21,838,500	23,637,626	23,821,906
Common Share Purchase Warrants	5,998,239	5,997,742	6,182,022
Options	1,115,000	1,490,000	1,490,000

Liquidity and Capital Resources

As at September 30, 2023, the Company had negative working capital of \$1,012,617 (December 31, 2022 – negative working capital of \$866,880); and a cash and short-term securities balance of \$157,333 (December 31, 2022 - \$68,621). Assuming there is no demand for payment of the deferred payment agreement or FEDA loan, the Company's September 30, 2023, cash balance covers approximately two months of operating expenses. As referenced on page 5, the Company completed a private placement on November 3, 2023, for \$138,210. The Company is not subject to any externally imposed capital requirements.

The September 30, 2023, the Company's negative working capital includes \$726,652 of deferred payment agreement and disputed expenses and the \$412,242 Federal Economic development Agency loan that the Company will be unable to settle in cash, without a new public capital raise. Although Management believes it is not in the best interest of these debtors to attempt to enforce payment of these debts, as indicated in notes 1, 2, 7 and 19 of the financial statements, these obligations create material uncertainty that the Company can complete a new financing.

The Company's SR&ED claim for the year ended December 31, 2021, of \$154,893, was received on November 21, 2023. The \$19,255 claim for the 47-day period ending February 15, 2022, was received on August 11, 2023. It is unlikely that the Company will receive additional SR&ED income in the near future.

There is unlikely to be significant capital spending for the twelve months ended September 30, 2024.

Working capital requirements for the twelve months ended September 30, 2024, are anticipated to be funded by the Company's September 30, 2023, working capital and future financings completed in 2023 or 2024 that have not yet been defined.

Secondary private financing transaction

See page 5 of this MD&A for details in respect of the Company's conversion of subscription receipts. \$2,359,442 of proceeds was received by the Company on February 18, 2022, with respect to this financing.

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2023 financing transactions

See page 5 of this MD&A for details in respect of the Company's private placement financing completed in November 2023, in which \$138,210 of net proceeds were raised.

See pages 2 and 3 of this MD&A for details in respect of the Company's private placement financing completed in May 2023, in which \$365,672 of net proceeds were raised and the Company's private placement financing completed in January 2023, in which \$537,280 of net proceeds were raised.

See page 5 of this MD&A for details in respect of the Company's private placement financing completed in November 2023, in which \$138,310 of gross proceeds were raised.

Funding Requirements

As at September 30, 2023, the Company is not anticipating an ongoing profit from operations in the immediate term, therefore it is dependent on its ability to obtain equity or debt financing for growth. The Company will need additional capital no later than December 15, 2023, and is attempting to raise additional funds before that time.

Application of the Company's accounting policies in compliance with IFRS requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made.

Critical Judgments Used in Applying Accounting Policies

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- **Going concern**

Judgement is required in determining if disclosure of a material uncertainty related to events or conditions which cast significant doubt on the Company's ability to continue as a going concern is required.

The estimates used by management in reaching this conclusion are based on information available as of the date of these financial statements were authorized for issuance and included an internally generated cash flow forecast. Accordingly, actual results could differ from those estimates and resulting variances may be material to management's assessment.

As indicated in notes 1, 2, 7 and 19 of the financial statements, a material uncertainty exists which creates significant doubt regarding the Company's ability to continue as a going concern. These

financial statements do not include any adjustments or re-classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

- **Leases**
Valuation of right-of-use assets and lease liabilities require judgment in determining lease terms such as extension options and the incremental borrowing rate applied.
- **Stock options and warrants**
The Company uses the Black-Scholes valuation model to determine the fair value of stock option awards granted and warrants granted in conjunction with the share capital subscriptions. The fair value of the warrants granted in conjunction with the issuance of convertible debentures were determined using the Black Scholes model. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield, forfeiture rates and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the share option realized from the original estimate. The assumptions and estimates used are further outlined in the share capital note.
- **Convertible debentures and embedded derivative**
Convertible debentures are compound financial instruments which are accounted for separately by their components: liabilities, equity and warrants. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment by management. The separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest or liability component. The determination of the fair value of the liability is also based on a number of assumptions including contractual future cash flows, discount rates, and presence of liabilities. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components.
- **Fair value of financial instruments**
The individual fair values attributable to the different components of a financing transaction, notably loans and borrowings and convertible debentures are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine the values attributable to each component of a transaction at the time of their issuance. When determining the discount rate used to estimate the fair value of government loans, the Company considers market conditions and other internal and external factors as well as third-party financing agreements entered into by the Company. In determining the fair value of the Health Technology Exchange loan, the Company uses judgment to estimate the future loan repayments based on projected future revenue. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

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Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

- **Financial assets**

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit and loss ("FVTPL"). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it is not designated as at FVTPL; it is held within a business model whose objective is to hold assets to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

- **Financial liabilities**

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in profit or loss.

The Company derecognizes financial liability when its contractual obligations are discharged or cancelled or expire.

- **Financial liabilities and equity instruments**

- Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial

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liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

- Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue cost.

The repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- **Classification of financial instruments**

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Classifications

○ Cash and short-term securities	Amortized cost
○ Trade and other receivables, excluding HST	Amortized cost
○ Trade and other payables, excluding HST	Amortized cost
○ Derivative and warrant liabilities	FVTPL
○ Lease obligations	Amortized cost
○ FEDA and CEBA Government loans	Amortized cost
○ HTE Government loan	FVTPL

- **Impairment of financial assets**

An expected credit loss ("**ECL**") model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade receivables. The Company applies the simplified approach to impairment for trade and other receivables by recognizing lifetime expected losses on initial recognition through both the analysis of historical defaults and a reassessment of counterparty credit risk in revenue contracts on an annual basis.

Financial Risk Factors

The Company's business is subject to certain risks, including but not restricted to risks related to: market risk for securities, future financing risks; going-concern risks; global economy risks; use of proceeds risks; volatility of the Company's share price following a listing on a public exchange and the lack of trading history for the Common Shares; increased costs of being a publicly traded company; limited operating history in an evolving industry and history of losses; lack of brand development; expectations with respect to advancement in technologies; currency fluctuations; interest rates; taxes on the Company and its products; liabilities that are uninsured or uninsurable; economic conditions, dependence on management and conflicts of interest; intellectual property rights; attracting and retaining quality employees; key personnel risk; management of growth; product and services development; expansion risk; breach of confidential information; competition within the technology industry; corporate matters; issuance of debt; third party credit; short term investments; shares reserved for issuance; credit risk; liquidity risk; interest rate risk; and described from time to time in the Company's documents filed with Canadian securities regulatory authorities; and other factors beyond the Company's control.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

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Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables. As of September 30, 2023, the Company had \$2,595 in overdue trade receivables (December 31, 2022 - \$1,863).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of these financial statements.

If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund customer acquisition cost, research and development, and administrative requirements, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at September 30, 2023:

	Payments Due			
	Less than 1 year	2 - 3 years	After 3 years	Total
Trade and other payables	\$ 1,033,909	\$ -	\$ -	\$ 1,033,909
Lease obligation	12,938	-	-	12,938
Government loans	441,368	-	-	441,368
	<u>\$ 1,488,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,488,215</u>

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk:

- **Foreign currency risk** arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from United States dollar denominated cash, trade and other receivables, and trade and other payables. A 1% change in the foreign exchange rates would result in a \$896 impact to the financial statements (June 30, 2022 - \$50).
- **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 exposed to interest rate risk as at September 30, 2023, because all of its indebtedness is at fixed rates.

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- **Other price risk** is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at September 30, 2023.

Fair values

The carrying values of cash, trade and other receivables excluding HST, trade and other payables excluding HST, and lease obligations are considered representative of their respective fair values due to the short-term period to maturity. The convertible debentures, deferred payment agreement and FEDA and CEBA Government loans approximate their fair value as the interest and discount rates are consistent with the current rates offered by the Company for its loans with similar terms. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- **Level 1** – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- **Level 3** – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the period, there were no transfers of amounts between levels. The fair value of the derivative and warrant liabilities and HTE government loan are determined using level 3 inputs.

	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value
Derivative liabilities	Probability weighted discounted cash flow	- Discount rate - Expected timing and probability of qualified transaction	An increase in the probably or earlier expected date of qualified transaction would increase the fair value of the derivative liability.
Warrant liabilities	Black Scholes	- Share price - Volatility	An increase in share price or volatility would increase the fair value of the warrant liabilities.
HTC government loan	Discounted cash flows	- Discount rate - Expected timing of repayments based on revenue forecast	An increase revenue growth or decrease in discount rate would increase the fair value of the HTC government loan.

Capital Management

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives, including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on a regular basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, and deficit, which on September 30, 2023, totaled a deficiency of \$877,590 (December 31, 2022 – deficiency of \$925,339). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company is not constrained by externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2022, and the nine-month period ended September 30, 2023.

Commitments and Contingencies

The Company is in default of its unsecured obligations to its former legal firm and the Federal Development Agency, for which the Company does not have the funds to repay. As of September 30, 2023, the Company's only foreseeable option to settle these \$1,138,894 of obligations is to issue Company securities. Otherwise, the creditors might be inclined to commence legal proceedings. These obligations are an impediment to the Company's ability to complete a new financing, which creates a material uncertainty and a going concern risk as discussed in notes 1, 2, 7, and 19 of the Company's financial statements.

The Company has recorded its obligation to HTX (note 10) equal to a one dollar (\$1) contingency for the risk that the \$378,059 contingent forgiveness might be reversed. The one-dollar contingency is based on the unlikely probability that the Company's MyndMove product revenues will exceed \$1,000,000 in the twelve-month period ended May 29, 2024.

On August 29, 2012, the Company entered into an agreement with a health services institution whereby it granted the Company an exclusive worldwide license to commercialize certain intellectual property related to a functional electrical stimulation device and system; for which the Institution received 400,000 of the Company's common shares, with a fair value of \$400,000. In addition, the Company is committed to paying a cumulative royalty on the net sales of stimulators used to treat motor dysfunction, as follows:

- 0% on the first \$1,000,000 cumulative net sales;
- 4% on the cumulative net sales exceeding \$1,000,000 but not greater than \$7,500,000; and,
- 1% on cumulative net sales exceeding \$7,500,000.

The amount of these fees of the three months ended September 30, 2023 and 2022 are disclosed in this MD&A under Related Party Transactions.

The Company's lease commitments are disclosed in Note 5 of the financial statements.

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Related Party Transactions

A summary of the Company's related party transactions follows:

	<u>September 30</u>		<u>December 31</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Revenue during the nine-month period ended			
Treatment revenues	\$ -	\$ 77,601	
Sale of devices and parts	5,177	-	
	<u>\$ 5,177</u>	<u>\$ 77,601</u>	
Expenses during the nine-month period ended			
Share-based compensation for directors and senior officers	\$ 42,384	\$ 79,981	
Salaries, fees and benefits for directors and senior officers	301,907	417,387	
License fees	3,930	7,049	
	<u>\$ 348,221</u>	<u>\$ 504,417</u>	
Assets - as at the date specified			
Accounts receivable	\$ 3,616	\$ 24,898	\$ 19,312
Liabilities - as at the date specified			
Due to director for pre-2020 compensation (note 23)	\$ -	\$ 75,000	\$ 75,000
License fees and expenses payable	\$ 96,047	\$ 7,049	\$ 9,538
Deferred revenue	\$ 55,250	\$ 72,250	\$ 68,000

During the nine-month period ended September 30, 2023, and 2022, the Company recognized treatment revenues and/or device sales revenues from LBB Applied Technology Inc., a significant shareholder of the Company. These transactions were made in the normal course of business.

The Company has a shareholder and director, who is employed by the KITE Research Institute at the University Health Network in Toronto, Canada (KITE), an Institution over which he has significant influence and to which the Company is committed to a long-term license agreement, requiring the semi-annual payment of royalty fees. In addition, the Company has entered into contracts with this Institution to sell MyndMove devices, which have been modified for research purposes; and, to purchase research and development (R&D) services. On August 11, 2023, the Company completed a debt settlement agreement with Dr. Milos Popovic, a current Director and formerly an interim Chief Executive Officer (CEO) of MyndTec, for him to forgive an outstanding debt due to him by the Company in the amount of \$75,000. The debt was related to compensation due to him for services provided as interim CEO in 2017.

\$517,200 of the \$572,200 in private placement funds raised in January 2023 and all of \$372,080 raised in May 2023, was from two significant shareholders, one of whom is a director. \$1,807,500 of the \$2,954,302 in private placement funds raised in 2022, was from directors, officers, and a significant shareholder.

Related party share-based compensation for the nine-month period ending September 30, 2023, includes \$40,184 for Craig Leon, Director, and Chief Executive Officer (2022 - \$75,366); \$nil for Ron Kurtz, Vice President Engineering (2022 - \$4,615); and, \$2,022 for other Directors (2022 - \$nil).

Related party salaries and fees for nine-month period ending September 30, 2023, includes \$200,702 for Craig Leon, Director, and Chief Executive Officer (2022 - \$199,716); \$37,205 for Ron Kurtz, former Vice President Engineering (2022 - \$136,358); \$54,000 for Scott Franklin, Chief Financial Officer (2022 - \$61,313); and 10,000 for other Directors (2022 - \$20,000).

Risks and Uncertainties

Operations of the Company

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to develop its business. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further research and development of its products, creating possible obsolescence thereof. The Company will require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. If such additional capital is raised through the issuance of additional equity, it may result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out development of its business or operations.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Directors and Officers

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Dependence on Key Employees

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Competitive Conditions

The markets for the Company's products are competitive and rapidly changing, and a number of companies offer products similar to the Company's products and target similar customers. The Company believes its ability to compete depends upon many factors within and outside its control, including the timely development and introduction of new products and product enhancements; product functionality, performance, price and reliability; customer service and support; sales and marketing efforts; and the introduction of new products and services by competitors.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional options and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's current shareholders could also be diluted.

Current Global Financial Conditions and Trends

Securities of technology companies in public markets have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of Companies in the technology sector are also significantly affected by proposed and newly enacted laws and regulations, currency exchange fluctuation and the political environment in the local, provincial and federal jurisdictions in which the Company does business. The economy remains in a period of volatility, primarily driven by the worldwide impact of COVID-19 and an uncertain socioeconomic and political climate in the United States. Significant volatility is expected in the near to mid-term, the potential impact of which upon the Company is unknown at this time.

Management's Responsibility for Financial Information

The Company's financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with IFRS. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Forward Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws (forward-looking information being collectively hereinafter referred to as "forward-looking statements"). Such forward-looking statements are based on expectations, estimates and projections as at the date of this MD&A. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", "is expected", "anticipates", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends", or variations of such words and phrases (including negative and grammatical variations), or stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements.

These forward-looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this MD&A; market position, ability to compete and future financial or operating performance of the Company after the date of this MD&A; anticipated developments in operations of the Company; the timing and amount of funding required to execute the Company's business plans; capital expenditures; the effect on the Company of any changes to existing or new legislation or policy or government regulation; the length of time required to obtain permits, certifications and approvals; the availability of labour; estimated budgets; currency fluctuations; requirements for additional capital; limitations on insurance coverage; the timing and possible outcome of litigation in future periods; the timing and possible outcome of regulatory and permitting matters; goals; strategies; future growth; the adequacy of financial resources; and other events or conditions that may occur in the future.

Forward-looking statements are based on the beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Certain assumptions in respect of our ability to recruit and retain key talent, our ability to execute on growth strategies, the impact of competition, changes in trends in our industry or macroeconomic conditions, including the impact of the ongoing COVID-19 pandemic, and any changes in laws, rules, regulations, and global standards are material assumptions made in preparing forward-looking information and management's expectations.

MyndTec Inc.

Management's Discussion and Analysis (MD&A)

For the Quarter Ended September 30, 2023 (in Canadian Dollars, unless otherwise indicated)

Dated: November 21, 2023

Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements, including, without limitation, related to the following: operational risks; regulation and permitting; evolving markets; industry growth; uncertainty of new business models; speed of introduction of products and services to the marketplace; undetected flaws; risks of operation in urban areas; marketing risks; geographical expansion; limited operating history; substantial capital requirements; history of losses; reliance on management and key employees; management of growth; risk associated with foreign operations in other countries; risks associated with acquisitions; electronic communication security risks; insurance coverage; tax risk; currency fluctuations; conflicts of interest; competitive markets; uncertainty and adverse changes in the economy; reliance on components and raw materials; change in technology; quality of products and services; maintenance of technology infrastructure; privacy protection; development costs; product defects; insufficient research and development funding; uncertainty related to exportation; legal proceedings; reliance on business partners; protection of intellectual property rights; infringement by the Company of intellectual property rights; resale of shares; market for securities; dividends; and, global financial conditions.

The lists of risk factors set out in this MD&A or in the Company's other public disclosure documents are not exhaustive of the factors that may affect any forward-looking statements of the Company. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out in this MD&A generally and certain economic and business factors, some of which may be beyond the control of the Company. In addition, the global financial and credit markets have experienced significant debt and equity market and commodity price volatility which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Company does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, the Company's securityholders should not place undue reliance on forward-looking statements. Any financial outlook or future-oriented financial information in this MD&A, as defined by applicable securities laws, has been approved by the management of the Company.

Such financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future of the Company. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

Additional Information

Additional information relating to the Company is available in the prospectus on www.sedar.ca