

## FORM 5

### **QUARTERLY LISTING STATEMENT**

Name of Listed Issuer: MyndTec Inc. (the “Issuer”).

Trading Symbol: MYTC

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

**The Unaudited Interim Financial statements for the first quarter ended on March 31, 2022 are attached as “Appendix A”.**

#### **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

## 1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

***The related party transactions are included in the notes to the condensed interim consolidated financial statements which are attached hereto as "Schedule – A".***

## 2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

***The summary of securities granted during the reporting period is included in the notes to the condensed interim consolidated financial statements which are attached hereto as "Appendix A".***

- (b) summary of options granted during the period,-

***The summary of options granted during the reporting period is included in the notes to the condensed interim consolidated financial statements which are attached hereto as "Appendix A".***

**3. Summary of securities as at the end of the reporting period.**

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions
- (b) number and recorded value for shares issued and outstanding,- period ending –recorded value from b/s
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

***The summary of securities granted during the reporting period is included in the notes to the condensed interim consolidated financial statements which are attached hereto as “Appendix A”.***

**4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

Name	Position
Craig Leon	Chief Executive Officer and Director
Carlo Pannella	Director
Milos Popovic	Director
Dick Widgren	Director
Harvey Griggs	Director
William Jackson	Director
Scott Franklin	Chief Financial Officer
Monique Hutchins	Corporate Secretary

## SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

### Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: As at October 31, 2022.

Craig Leon  
Name of Director or Senior Officer

(signed) Craig Leon  
Signature

Chief Executive Officer  
Official Capacity

<b>Issuer Details</b> Name of Issuer  <b>MyndTec Inc.</b>		For Quarter Ended  March 31, 2022	Date of Report YY/MM/DD  10/31/2022
Issuer Address  1900 Minnesota Court Suite 122			
City/Province/Postal Code <b>Mississauga, Ontario</b> <b>L5N 3C9</b>		Issuer Fax No. (   )	Issuer Telephone No.  <b>(416)- 569-0430</b>
Contact Name  <b>Craig Leon</b>		Contact Position  Chief Executive Officer	Contact Telephone No.  <b>(416)- 569-0430</b>
Contact Email Address  <b>craig.leon@myndtec.com</b>		Web Site Address  <b>www.myndtec.com</b>	

**APPENDIX A**

**FINANCIAL STATEMENTS**

# **MyndTec Inc.**

## **Interim Condensed Consolidated Financial Statements (Unaudited)**

**As at March 31, 2022**

### **Interim Condensed Consolidated Financial Statements**

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### **Auditor's Involvement**

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3)(a), notice is hereby given that the accompanying statements of the Company for the three-month periods ended March 31, 2022 and March 31, 2021 have not been reviewed by the Company's auditors in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the interim consolidated financial statements by the Company's auditors.

**MyndTec Inc.**  
**Interim Consolidated Statements of Financial Position**  
**As at March 31, 2022 (unaudited) and December 31, 2021**

	<b>March 31</b>	<b>December 31</b>
	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and short term securities	\$ 1,497,182	\$ 377,065
Cash held in escrow (note 13)	-	2,359,442
Trade and other receivables (note 3 and 12)	58,625	305,638
Inventories (note 4)	283,125	300,732
Prepaid expenses and deposits	125,781	139,139
	<u>1,964,713</u>	<u>3,482,016</u>
<b>Non-current assets</b>		
Right-of-use asset (note 5)	54,488	60,326
Equipment (note 6)	265,292	281,795
	<u>265,292</u>	<u>281,795</u>
<b>Total assets</b>	<u><u>\$ 2,284,493</u></u>	<u><u>\$ 3,824,137</u></u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables (note 12)	\$ 724,520	\$ 1,553,630
Subscription receipts (note 13)	-	2,359,442
Deferred revenue (note 7 and 12)	21,250	-
Current portion of long-term liabilities (note 8)	232,728	1,840,171
	<u>978,498</u>	<u>5,753,243</u>
<b>Long-term liabilities, net of current portion</b>		
Deferred payment agreement (note 19)	304,000	311,500
Deferred revenue (note 7 and 12)	58,438	85,000
Lease obligations (note 5)	20,643	25,841
Government loans (note 10)	605,539	594,939
Convertible debentures (note 11)	-	-
Derivative and warrant liabilities (note 11)	-	-
Deposits for future share financings (note 13)	-	594,860
	<u>1,967,118</u>	<u>7,365,383</u>
<b>Total liabilities</b>	<u>1,967,118</u>	<u>7,365,383</u>
<b>Shareholders' surplus (deficiency)</b>		
Share capital (note 13)	13,982,961	11,013,889
Contributed surplus	2,975,167	1,268,088
Deficit	(16,640,753)	(15,823,223)
Total surplus (deficit)	<u>317,375</u>	<u>(3,541,246)</u>
<b>Total liabilities and shareholders' surplus (deficiency)</b>	<u><u>\$ 2,284,493</u></u>	<u><u>\$ 3,824,137</u></u>
<b>Commitments and contingencies (note 19)</b>		
<b>Subsequent events (note 23)</b>		

"Craig Leon" Director

"Carlo Pannella" Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements.



**MyndTec Inc.****Interim Consolidated Statements of Loss and Comprehensive Loss**  
**For the three-month periods ended March 31, 2022 and 2021 (unaudited)**

	<b>March 31</b> <b><u>2022</u></b>	<b>March 31</b> <b><u>2021</u></b>
<b>Revenue (note 12 and 22)</b>	<b>\$ 45,007</b>	<b>\$ 51,112</b>
<b>Cost of sales</b>	<b><u>23,538</u></b>	<b><u>24,251</u></b>
<b>Gross margin</b>	<b><u>21,469</u></b>	<b><u>26,861</u></b>
<b>Expenses</b>		
General and administration (note 14)	<b>210,134</b>	199,527
Research and development (note 14)	<b>131,982</b>	225,997
Quality and regulatory assurance	<b>6,616</b>	957
Selling and marketing	<b>36,113</b>	20,849
Share-based compensation (note 13)	<b>39,151</b>	5,191
Interest and accretion expense (note 16)	<b>46,964</b>	76,201
Depreciation and amortization (note 5 and 6)	<b>22,341</b>	27,336
Clinical trial (note 18)	<b>(35,857)</b>	4,481
Changes in fair value (note 16)	<b>151,542</b>	(14,225)
Public listing costs (note 13)	<b>230,013</b>	-
Government grants and tax credits (note 17)	<b>-</b>	-
Total operating expenses	<b><u>838,999</u></b>	<b><u>546,314</u></b>
<b>Net and comprehensive Loss</b>	<b><u><u>\$ (817,530)</u></u></b>	<b><u><u>\$ (519,453)</u></u></b>
<b>Loss per share - basic and diluted</b>	<b><u><u>\$ (0.04)</u></u></b>	<b><u><u>\$ (0.03)</u></u></b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b><u><u>19,363,843</u></u></b>	<b><u><u>15,730,737</u></u></b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**MyndTec Inc.****Interim Consolidated Statements of Changes in Shareholders' Surplus  
(Deficiency)****For the three-months periods ended March 31, 2022 and 2021 (unaudited)**

	<b>Share Capital (note 13)</b>	<b>Contributed Surplus (note 13)</b>	<b>Deficit</b>	<b>Contributed Surplus (Deficiency)</b>
<b>Balance, December 31, 2020</b>	<b>\$ 10,085,283</b>	<b>\$ 862,873</b>	<b>\$ (12,774,138)</b>	<b>\$ (1,825,982)</b>
Net loss and comprehensive loss	-	-	\$ (519,453)	(519,453)
Share-based compensation	-	\$ 5,191	-	5,191
<b>Balance, March 31, 2021</b>	<b>10,085,283</b>	<b>868,064</b>	<b>(13,293,591)</b>	<b>(2,340,244)</b>
Net loss and comprehensive loss	-	-	(2,529,632)	(2,529,632)
Common share financing	928,606	271,794	-	1,200,400
Share-based compensation	-	128,230	-	128,230
<b>Balance, December 31, 2021</b>	<b>11,013,889</b>	<b>1,268,088</b>	<b>(15,823,223)</b>	<b>(3,541,246)</b>
Net loss and comprehensive loss	-	-	(817,530)	(817,530)
Private placement	1,891,640	1,062,662	-	2,954,302
Conversion of convertible debentures	1,142,553	641,849	-	1,784,402
Issuance expenses	(65,121)	(36,583)	-	(101,704)
Share-based compensation	-	39,151	-	39,151
<b>Balance, March 31, 2022</b>	<b>\$ 13,982,961</b>	<b>\$ 2,975,167</b>	<b>\$ (16,640,753)</b>	<b>\$ 317,375</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**MyndTec Inc.****Interim Consolidated Statements of Cash Flows****For the three-month periods ended December 31, 2022 and 2021 (unaudited)**

	<b>March 31 <u>2022</u></b>	<b>March 31 <u>2021</u></b>
<b>Cash flows from (to) operating activities</b>		
Net loss and comprehensive loss	\$ (817,530)	\$ (519,453)
Items not affecting cash:		
Share-based compensation	39,151	5,191
Depreciation and amortization (note 5 and 6)	22,341	27,336
Interest accretion (note 16)	49,823	76,130
Changes in fair value (note 16)	151,542	(14,225)
Deferred revenue (note 7)	(5,312)	-
	<u>(559,985)</u>	<u>(425,021)</u>
Changes in non-cash working capital items		
Trade and other receivables	247,013	(20,220)
Inventories	17,607	(4,104)
Prepaid expenses and deposits	(88,345)	(54,088)
Trade and other payables	(829,110)	288,204
<b>Net cash flows used in operating activities</b>	<u>(1,212,820)</u>	<u>(215,229)</u>
<b>Cash flows used in investing activities</b>		
Purchase of equipment (note 6)	-	(14,003)
<b>Net cash flows used in investing activities</b>	<u>-</u>	<u>(14,003)</u>
<b>Cash flows from (to) financing activities</b>		
Lease payments (note 5)	(6,505)	(19,127)
Repayment of deferred payment agreement (note 9)	(5,000)	-
Repayment of government loans (note 10)	(15,000)	(49,405)
Proceeds of Private Placement (note 13)	2,359,442	254,768
<b>Net cash flows from financing activities</b>	<u>2,332,937</u>	<u>186,236</u>
<b>Increase (decrease) in cash</b>	<b>1,120,117</b>	<b>(42,996)</b>
<b>Cash, beginning of period</b>	<u><b>377,065</b></u>	<u><b>668,580</b></u>
<b>Cash, end of period</b>	<u><b>\$ 1,497,182</b></u>	<u><b>\$ 625,584</b></u>

The accompanying notes are an integral part of these interim condensed consolidated financial statement.

# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 1 Nature of business

MyndTec Inc. (the “Company” or “MyndTec”) is a medical technology company that researches, develops and distributes innovative therapies designed to improve function, maximize independence and enhance the quality of life for individuals with paralysis due to stroke or spinal cord injury. The Company was incorporated under the Business Corporations Act of Ontario and its head office is located at 1900 Minnesota Court, Suite 122, Mississauga, Ontario, L5N 3C9. The Company became a publicly traded entity on the Canadian Securities Exchange on February 16, 2022 (note 13) and is listed under the symbol MYTC.

#### **COVID-19 pandemic**

The global outbreak of the COVID-19 pandemic continues to be a threat to the global economy. The extent to which the COVID-19 pandemic may continue to impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, travel restrictions and social distancing in Canada, the United States and other countries; business closures or business disruptions; and the effectiveness of actions taken by governments around the globe to contain and treat the disease. The measures taken to date have caused material disruptions to businesses globally, resulting in an economic slowdown.

From an operational perspective, the Company's employees and distribution partners, as well as the workforce of vendors, services providers and counterparties with which the Company does business, may also be adversely affected by the COVID-19 pandemic or efforts to mitigate the pandemic, including government-mandated shutdowns, requests or orders for employees to work remotely and other physical distancing measures, which could result in an adverse impact on the Company's ability to conduct its businesses, including its ability to cultivate adoption of the Company's technology.

To date, the economic downturn and uncertainty caused by the COVID-19 pandemic and global measures undertaken to contain its spread have affected all of the Company's operations to some extent and, in particular, have caused volatility in demand for the Company's technology. This has resulted in a reduction in anticipated revenue and led to delays in the Company's expectations regarding the rate at which agreements for new user sites will be entered into. Despite the COVID-19 pandemic, treatment sessions are continuing, and the Company continues to identify potential new user sites. The Company continues to evaluate the current and potential impact of the COVID-19 pandemic on its business, affairs, operations, financial condition, liquidity and results of operations.

### 2 Basis of presentation

#### **Statement of compliance**

These unaudited interim condensed consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards (IFRS) and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and interpreted by the IFRS Interpretations Committee (IFRIC). These unaudited interim condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2021.

These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 11, 2022.

#### **Basis of Measurement**

These interim condensed consolidated financial statements have been prepared on a going concern basis using historical cost, except for items designated as fair value through profit and loss.

#### **Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, MyndTec US Inc. which was incorporated by the Company in the United States on October 10, 2018. As at March 31, 2022, the US subsidiary is inactive.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies, and the subsidiary is fully consolidated from its date of formation. All intercompany balances, transactions and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

**2 Basis of presentation (continued)**

***Functional currency and presentation currency***

These consolidated financial statements are presented in Canadian dollars ("CAD dollars"). The Company's functional currency is CAD dollars, and the functional currency of the Company's wholly owned subsidiary is the United States dollar.

***Use of estimates and judgements***

The preparation of these 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. In management's judgement, such disclosure is not required. This judgement is based on management's expectation of revenue and future net cash flows for the 12-month period to March 31, 2023.

During the three-month period ended March 31, 2022, the Company had a net loss of \$817,530 (year ended December 31, 2021, \$3,049,085) and negative cash flows from operating activities of \$559,985 (year ended December 31, 2021, \$2,390,688). To the extent that the Company has negative operating cash flows in future periods, the Company will deploy funds raised through the above noted secondary private financing transaction to fund such negative cash flow. Based on management's expectations of revenue and future net cash flows for the 12-month period to March 31, 2023, management has applied judgement in determining that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The estimates used by management in reaching this conclusion are based on information available as of the date of that these interim condensed consolidated 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.

- ***Leases***

Values of right-of-use assets and lease liabilities require judgment in determining lease terms such as extension options and the incremental borrowing rate applied. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

- ***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.

**2 Basis of presentation (continued)**

***Use of estimates and judgements (continued)***

- ***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.

- ***Income taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

- ***Revenue recognition***

The Company recognizes revenue on the transfer of promised services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations; and,
- recognize revenue when, or as, the Company satisfies a performance obligation.

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company derives treatment revenue based upon the use of the Company's MyndMove devices by treatment clinics, as well as the sale of its products and supplies to research institutions and treatment clinics. Treatment revenue is recognized on a monthly basis as services are provided. The sale of its products and supplies is recognized when delivered to the customer and all performance obligations have been satisfied. The sale of extended warranties is deferred and recognized over the warranty period.

The Company recognizes revenue upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services transferred. The Company evaluates contracts with customers to determine the appropriate performance obligations for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 2 Basis of presentation (continued)

#### *Use of estimates and judgements (continued)*

- **Revenue recognition (continued)**

The Company determines the transaction price at the outset of each arrangement and the total consideration is allocated to the distinct performance obligations based on their relative fair value. The Company has determined that the recurring services promised in a contract with a customer represent a series of distinct services that are substantially the same and have the same pattern of transfer over time to the customer and each delivery of service is accounted for as a single distinct performance obligation.

The timing of revenue recognition and the contractual payment schedules often differ, resulting in some contractual payments being billed prior to the commencement of service. These amounts that are billed, but not earned, are recognized as deferred revenue in the consolidated statements of financial position. When products or services have been transferred to customers and revenue has been recognized, but not billed, the Company recognizes and includes these amounts as unbilled trade receivables in the consolidated statements of financial position.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

### 3 Trade and other receivables

The following is the aging of trade and other receivables as at March 31, 2022 and December 31, 2021:

	<b>March 31</b> <b><u>2022</u></b>	<b>December 31</b> <b><u>2021</u></b>
Trade receivables		
0 - 30 days	\$ 17,794	\$ 14,290
60-90 days	734	261,309
Over 90 days	-	2,369
	<u>\$ 18,528</u>	<u>\$ 277,968</u>
Commodity Taxes	40,097	27,670
	<u>\$ 58,625</u>	<u>\$ 305,638</u>

### 4 Inventories

	<b>March 31</b> <b><u>2022</u></b>	<b>December 31</b> <b><u>2021</u></b>
Production parts and clinical supplies	\$ 157,092	\$ 160,699
Finished devices	126,033	140,033
	<u>\$ 283,125</u>	<u>\$ 300,732</u>

During the three-month period ended March 31, 2022, inventory of \$12,029 was recorded to cost of goods sold (2021 - \$8,727). During the three-month period ended March 31, 2022, the Company recognized \$ nil write down of inventory (2021 - \$nil).

# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 5 Right-of-use asset and lease obligations

Changes in right-of-use asset and lease obligations for the three-month period ended March 31, 2022 and year ended December 31, 2021 are as follows:

#### *Right of use asset*

	<b>March 31 2022</b>	<b>December 31 2021</b>
<b>Costs</b>		
Balance - beginning of period	\$ 70,056	\$ 121,743
Office lease terminated on July 31, 2021	-	(121,743)
Office lease commenced on August 1, 2021		70,056
Balance - end of period	<u>70,056</u>	<u>70,056</u>
<b>Accumulated depreciation</b>		
Balance - beginning of period	9,730	93,443
Office lease terminated on July 31	-	(121,743)
Depreciation	5,838	38,030
Balance - end of period	<u>15,568</u>	<u>9,730</u>
<b>Net book value - end of period</b>	<u>\$ 54,488</u>	<u>\$ 60,326</u>

#### *Lease obligations*

	<b>March 31 2022</b>	<b>December 31 2021</b>
<b>Balance - beginning of period</b>	\$ 52,291	\$ 32,450
Office lease commenced on August 1, 2021	-	70,056
Interest expense (note 16)	1,564	5,877
Lease payments	<u>(6,505)</u>	<u>(56,092)</u>
<b>Balance - end of period</b>	47,350	52,291
Less current portion (note 9)	<u>26,707</u>	<u>26,450</u>
<b>Long-term portion</b>	<u>\$ 20,643</u>	<u>\$ 25,841</u>

The Company's right-of-use asset and lease obligations relate to the Company's office premises which was leased through July 2021 and, thereafter, a new three-year lease that commenced on August 1, 2021. The Company's fair value estimate of the new office lease addition and initial liability was \$70,056, utilizing an incremental borrowing rate of 13.5%. Variable lease payments for the three-month period ended March 31, 2022 were \$7,419 (2021 – \$5,628), recognized in general and administrative expenses in the consolidated statements of loss and comprehensive loss for the period.



# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 6 Equipment

	Computers		Treatment	
	Software and		Devices	Total
<u>Net Book Value</u>	<u>Equipment</u>	<u>Tooling</u>		
Balance, December 31, 2020	\$ 26,441	\$ 66,596	\$ 192,309	\$ 285,346
Acquisitions during the period	-	-	14,003	14,003
Amortization during the period	2,398	3,027	9,783	15,208
Balance, March 31, 2021	24,043	63,569	196,529	284,141
Acquisitions during the period	1,754	2,439	46,248	50,441
Amortization during the period	11,824	9,256	31,707	52,787
<b>Balance, December 31, 2021</b>	<b>13,973</b>	<b>56,752</b>	<b>211,070</b>	<b>281,795</b>
Depreciation during period	2,143	3,114	11,246	16,503
<b>Balance, March 31, 2022</b>	<b>\$ 11,830</b>	<b>\$ 53,638</b>	<b>\$ 199,824</b>	<b>\$ 265,292</b>
<b><u>As at December 31, 2021</u></b>				
At Cost	\$ 40,671	\$ 87,198	\$ 449,911	\$ 577,780
Accumulated depreciation	26,698	30,446	238,841	295,985
Net book value	<b>\$ 13,973</b>	<b>\$ 56,752</b>	<b>\$ 211,070</b>	<b>\$ 281,795</b>
<b><u>As at March 31, 2022</u></b>				
At Cost	\$ 40,671	\$ 87,198	\$ 449,911	\$ 577,780
Accumulated depreciation	28,841	33,560	250,087	312,488
Net book value	<b>\$ 11,830</b>	<b>\$ 53,638</b>	<b>\$ 199,824</b>	<b>\$ 265,292</b>

### 7 Deferred revenue

Deferred revenue relates to a four-year extended warranty on devices and was \$79,688 as at March 31, 2022 (December 31, 2021, \$85,000) of which \$21,250 will be recognized in the twelve-months following March 31, 2022.

The warranty revenues were received from the KITE Research Institute at the University Health Network, in Toronto, Canada, which is significantly influenced by a director of the Company (note 9).

# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 8 Current portion of long-term liabilities

	March 31 <u>2022</u>	December 31 <u>2021</u>
<b>Payable in cash</b>		
Deferred payment agreement (note 9)	\$ 30,000	\$ 27,500
Lease obligations (note 5)	26,707	26,450
Federal Economic Development Agency (note 10)	75,000	60,000
Health Technology Exchange (note 10)	72,993	69,030
Federal CEBA (note 10)	28,028	27,400
	<u>232,728</u>	<u>210,380</u>
<b>To be settled by equity conversions</b>		
Derivative and warrant liabilities (note 11)	-	354,292
Convertible debentures (note 11)	-	1,275,499
	<u>\$ 232,728</u>	<u>\$ 1,840,171</u>

### 9 Deferred payment agreement

	March 31 <u>2022</u>	December 31 <u>2021</u>
<b>Balance - beginning of period</b>	\$ 339,000	\$ -
Deferral agreement established	-	339,000
Loan payments	(5,000)	-
<b>Balance - end of period</b>	<u>334,000</u>	<u>339,000</u>
Less current portion (note 8)	<u>30,000</u>	<u>27,500</u>
<b>Long-term portion</b>	<u>\$ 304,000</u>	<u>\$ 311,500</u>

On December 31, 2021, the Company entered into an agreement with a supplier that is not a related party, which was made in settlement for amounts payable by the Company for services provided in 2021 and 2022 up to January 24, 2022. The agreement requires a commitment for payment as follows: i) \$590,835 paid on February 17, 2022, ii) \$42,500 payable at \$2,500 per month beginning February 1, 2022 through to June 1, 2023, and iii) \$296,500 due and payable on June 30, 2023. In the event the Company closes a private placement or public offering, the Company is required to pay down the outstanding balance as follows: i) if the offering is less than \$3 million, the payment will be 5% of the proceeds; ii) if the offering is \$3 million or more, the payment will be for the outstanding balance. Interest will accrue on the balance beginning January 24, 2022, at an annual rate equal to the Royal Bank of Canada prime rate plus 5%, calculated and compounded monthly. Conditional upon the Company respecting the payment terms, the interest will be waived.

As at December 31, 2021, the \$590,835 is recorded in trade and other payables.

As at March 31, 2022, the \$334,000 (December 31, 2021, \$339,000) deferred payment agreement is recorded in long term liabilities, net of the \$30,000 (December 31, 2021, \$27,500) current portion.

# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 10 Government loans

	March 31 <u>2022</u>	December 31 <u>2021</u>
Federal Economic Development Agency (FEDA)	\$ 328,380	\$ 324,365
Health Technology Exchange (HTE)	425,152	399,604
Federal CEBA	28,028	27,400
	<u>781,560</u>	<u>751,369</u>
Less current portion (note 8)	<u>176,021</u>	<u>156,430</u>
<b>Long-term portion</b>	<u><u>\$ 605,539</u></u>	<u><u>\$ 594,939</u></u>

#### Federal Economic Development Agency of Southern Ontario (FEDA) loan

The FEDA loan is unsecured, non-interest bearing and it provided initial financing of \$919,518. On December 3, 2021, the payment terms for this loan were amended and, as at March 31, 2022, the principal balance outstanding of this loan is \$452,242 (December 31, 2021 – \$467,242), due as follows:

	<u>March 31, 2022</u>
<b>FEDA Remaining Principal</b>	
Twelve months following	\$ 75,000
Thirteen to twenty-four months following	120,000
Twenty-three to thirty-six months following	240,000
Thereafter	17,242
	<u><u>\$ 452,242</u></u>

The Company received the loan in tranches based on qualifying expenditures incurred. The Company initially determined the fair value of the loan based on the estimated future cash flows of the loan using a discount rate of 19.2%. During the three-month period ending March 31, 2022, the Company recognized \$19,015 (2021 – \$19,130) of interest and accretion expense (note 16) on this loan.

The payment terms of the loan were amended on December 3, 2021; extending the terms of repayment, and the loan was revalued using an effective interest rate of 19.2%. As a result, the Company recognized a gain on debt modification in the amount \$71,762 which is included in interest and accretion expense in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2021.

During the three-month period ended March 31, 2022, the Company made repayments of \$15,000 (2021 - \$30,000).

#### Health Technology Exchange (HTE) loan

The HTE loan is unsecured, bears interest at 3.1% per annum, is repayable based on 10% of certain preceding year gross revenue and provided initial financing of \$749,600. As at March 31, 2022, the principal balance outstanding on this loan is \$749,600 (December 31, 2021 – \$749,600), compared to the gross book value of the principal and interest payable as at March 31, 2022 of \$800,180 (December 31, 2021 - \$794,370). The amount of the loan payable in the following twelve-months is \$72,993 (December 31, 2021, \$69,030). During the three-month period ended March 31, 2022, the Company made a repayment of \$nil (2021 – \$nil) and the Company recognized \$5,809 (2021 – \$5,809) of accretion expense on this loan.

The Company values the HTE loan at fair value at the end of each quarter, based on the estimated future cash flows of the loan using a discount rate of 20.0% and revenue growth rates between 10% and 30%. Therefore, the fair value of this loan is determined to be \$425,152 as at March 31, 2022 (December 31, 2021 - \$399,604), which resulted in the Company recording a fair value adjustment loss of \$19,739 included in change in fair value on the consolidated statements of comprehensive loss (2021 – \$nil) (note 16).

# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 10 Government loans (continued)

#### Federal Canadian Emergency Business Account (CEBA) loan

The Federal CEBA loan is part of the Canadian federal government's support program in response to the COVID-19 pandemic, wherein the Company was able to obtain a \$40,000 non-interest-bearing loan due on or before December 31, 2022. If the Company fully repays the loan by the due date, \$10,000 of the loan will be forgiven.

On receipt of the loan in 2020, the Company determined the fair value of the loan based on the estimated future cash flows of the loan using a discount rate of 18.8%, which resulted in the Company recording income of \$16,265 that was included in government grants and tax credits on the consolidated statements of loss and comprehensive loss during that year. During the three-month period ended March 31, 2022, the Company recognized \$628 (2021 – \$573) of accretion expense on this loan.

Changes in the government loans for the three-month period ended March 31, 2022 and year ended December 31, 2021 are as follows:

	<b>March 31</b>	<b>December 31</b>
	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Balance - beginning of period</b>	\$ 751,369	\$ 804,612
Loan payments	(15,000)	(155,605)
Accretion expense (note 16)	25,452	98,552
Fair value adjustment of government loans (note 16)	19,739	3,810
<b>Balance - end of period</b>	781,560	751,369
Less current portion (note 8)	176,021	156,430
<b>Long-term portion</b>	<u>\$ 605,539</u>	<u>\$ 594,939</u>

### 11 Convertible debentures

Changes in the convertible debentures for the three-month period ended March 31, 2022 and year ended December 31, 2021 are as follows:

	<b>March 31</b>	<b>December 31</b>
	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Balance - beginning of period</b>	\$ 1,275,499	\$ 1,060,382
Accretion expense (note 16)	22,807	215,117
Loss on conversion of convertible debentures (note 16)	129,217	-
Conversion to share capital (note 13)	(1,427,523)	-
<b>Balance - end of period</b>	-	1,275,499
Less current portion (note 8)	-	1,275,499
<b>Long-term portion</b>	<u>\$ -</u>	<u>\$ -</u>

The convertible debentures were determined to have completed a qualified transaction on February 4, 2022 and were converted to share capital at a 25% premium to their book value (note 13).

# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 11 Convertible debentures (continued)

On May 19, 2020, the Company issued unsecured convertible debentures with a maturity date of December 31, 2022 in an aggregate principal amount of \$1,250,000. Interest accrued at a fixed annual interest rate of 8%, compounded annually and was payable on the maturity date. When converted, these convertible debentures and accrued interest convert into common shares at the fair market value of the respective common shares at the date of conversion, as determined by the Board, unless the conversion is a result of a qualified financing. On the occurrence of a qualified financing, the convertible debentures and accrued interest convert at a price per security equal to 80% of the price per security issued in the qualified financing. The convertible debenture was recorded at amortized cost using the effective interest rate of 18.4%. The fair value of the conversion option was determined to be \$304,236 on issuance using a discount rate of 1%, probability of 95% and expecting timing of a qualified financing of June 2021.

As at December 31, 2021, the fair value of the conversion option was determined to be \$354,292 using a discount rate of nil%, probability of 100% and expected timing of qualified financing of February 2022. On February 4, 2022 a fair value expense of \$2,587 was recorded and on February 7, 2022 the convertible debentures were converted into share capital (note 13).

The embedded derivative and warrant liabilities (note 13) related to the convertible debentures are as follows:

	<b>Conversion Option</b>	<b>Warrants</b>	<b>Total</b>
<b>Balance - December 31, 2020</b>	\$ 324,731	\$ 18,966	\$ 343,697
Fair value loss or (gain)	29,561	(18,966)	10,595
<b>Balance - December 31, 2021</b>	354,292	-	354,292
Fair value loss	2,587	-	2,587
Conversion to share capital (note 13)	(356,879)	-	(356,879)
<b>Balance - March 31, 2022</b>	\$ -	\$ -	\$ -

### 12 Related party balances and transactions

During the three-month periods ended March 31, 2022 and 2021, the Company recognized treatment revenues from LBB Applied Technology Inc., a shareholder of the Company that was entitled to nominate one director to the Board.

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 (note 19), 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.

In 2017, the Board approved the remuneration of a director, related to interim CEO services provided to the Company in addition to his role as director. As at March 31, 2022 and December 31, 2021, the entire \$75,000 amount remains unpaid and is included in trade and other payables.

\$1,807,500 of the \$2,954,302 in private placement funds raised in 2021, as described in the subsequent events note 13, was from directors, officers and a significant shareholder

# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

### For the three-month periods ended March 31, 2022 and 2021 (unaudited)

#### 12 Related party transactions (continued)

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

	March 31 <u>2022</u>	March 31 <u>2021</u>	December 31 <u>2021</u>
<b>Revenue during the three months ended</b>			
Treatment revenues	\$ 23,347	\$ 22,729	
	<u>\$ 23,347</u>	<u>\$ 22,729</u>	
<b>Expenses during the year</b>			
Share-based compensation for directors and senior officers	\$ 38,260	\$ 4,300	
Salaries, fees and benefits for directors and senior officers	149,364	124,568	
License fees	1,585	2,042	
R&D services	-	85,070	
	<u>\$ 189,209</u>	<u>\$ 215,980</u>	
<b>Assets - as at the date specified</b>			
Accounts receivable for treatment revenues	\$ 7,502		\$ 15,147
<b>Liabilities - as at the date specified</b>			
Due to director for pre-2020 compensation	\$ 75,000		\$ 75,000
License fees payable	\$ 11,343		\$ 9,757
Deferred revenue	\$ 79,688		\$ 85,000

#### 13 Share capital, warrants and stock options

The Company is authorized to issue an unlimited number of common shares.

	Common Shares	Warrants	Stock Options	Fully Diluted Total
<b>Balance, December 31, 2020</b>	<b>15,730,737</b>	<b>2,146,152</b>	<b>1,007,858</b>	<b>18,884,747</b>
Options issued	-	-	(50,000)	(50,000)
<b>Balance, March 31, 2021</b>	<b>15,730,737</b>	<b>2,146,152</b>	<b>957,858</b>	<b>18,834,747</b>
Rights forfeited or expired	-	(2,146,152)	(570,358)	(2,716,510)
Private placement	1,369,059	1,259,535	-	2,628,594
Options issued	-	-	600,000	600,000
<b>Balance, December 31, 2021</b>	<b>17,099,796</b>	<b>1,259,535</b>	<b>987,500</b>	<b>19,346,831</b>
Private placement	2,954,302	2,954,302	-	5,908,604
Conversion of convertible debentures	1,784,402	1,784,402	-	3,568,804
<b>Balance, March 31, 2022</b>	<b>21,838,500</b>	<b>5,998,239</b>	<b>987,500</b>	<b>28,824,239</b>

**13 Share capital, warrants and stock options (continued)**

**Second Private placement transaction and public company listing**

On December 10, 2021, the Company completed a second private financing, for a total of \$2,954,302 of which \$594,860 was received by the Company and the balance remains in escrow. The subscribers received 2,954,302 subscription receipt units, with the expectation that these will be exchanged for 2,954,302 common shares of the Company and 2,954,302 warrants to acquire common shares of the Company at \$1.00. The warrants will expire sixty months following the date that the subscription receipts are exchanged.

Of the \$2,954,302 in proceeds, \$594,860 had been received out of escrow by the Company and was recorded as deposits for future share financings in long-term liabilities. The remaining \$2,359,442 was received by the Company, from the Escrow Trustee, on February 18, 2022. Of the \$2,852,598 in net proceeds, \$1,062,662 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of \$1.00; an estimated \$0.65 value of common shares; a volatility rate of 80.8%; an expected 5-year life for the warrants; and a risk-free interest rate of 1.31%. Offsetting those amounts allocated to share capital and contributed surplus, the Company incurred \$101,704 of share issue costs that were recorded in prepaid expenses and deposits as at December 31, 2021.

The exchange of the subscription receipts units into common shares and warrants was conditional on the Company obtaining conditional listing approval on a stock exchange in Canada by February 28, 2022. The conditional listing was accomplished on February 16, 2022. On February 17, 2022, the Company exchanged each share subscription receipt into one (1) common share and (1) warrant at \$1.00 that will expire sixty months following the date of such approval.

Total listing costs were approximately \$1,270,000 of which \$1,095,940 was recorded in the Company's consolidated statement of loss and comprehensive loss, as at December 31, 2021.

**Conversion of Convertible debentures**

The secondary private placement created a qualified financing, as defined in the convertible debenture agreements, for the Company's existing convertible debentures. Effective February 4, 2022, the Company's outstanding convertible debentures and accumulated interest and the related conversion liability (note 11), amounting to \$1,784,402, were converted into 1,784,402 subscription receipt units at \$0.80 per subscription receipt unit. Of the \$1,784,402 in total proceeds, \$641,849 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of \$1.00; an estimated \$0.65 value of common shares; a volatility rate of 80.8%; an expected 5-year life for the warrants; and a risk-free interest rate of 1.31%.

**First Private Placement**

On May 3, 2021, the Company completed a private financing transaction, led by Company investors, wherein the Company raised \$1,259,535 of share capital proceeds, entirely from existing shareholders. This financing resulted in the issuance of 1,369,059 common shares at a price of \$0.92 and 1,259,535 common share warrants with an exercise price of \$1.06 and expiration date of May 3, 2023.

- \$285,183 of the proceeds less share issue costs were allocated to the value of the warrants, based on a Black Scholes valuation as described below.
- \$375,000 of the proceeds were received by December 31, 2020 and are recorded in the Company's December 31, 2020 consolidated statement of financial position as deposits for future share financings.
- \$59,134 of share issue costs were incurred in respect of these financings, of which \$45,785 was recorded in the December 31, 2020 consolidated statement of financial position as part of prepaid expenses and deposits.

**Warrants and Options**

On March 31, 2022, the Company had 1,259,535 of fully vested warrants outstanding, exercisable into one common share per warrant at an exercise price of \$1.06, that expire on May 3, 2023.

On March 31, 2022, the Company had 987,500 options outstanding, with a weighted average exercise price of \$0.98 and weighted average remaining life of 7.39 years. 412,500 of the 987,500 options are fully vested.

**Share-based compensation**

On June 21, 2021, 500,000 options were granted (note 11) with a fair value of \$236,976, based on a Black Scholes valuation with an exercise price of \$1.00; an estimated \$0.71 value of common shares; a volatility rate of 78.8%; an expected 7-year life for the options; and a risk-free interest rate of 1.41%. 125,000 of the options vest on June 21, 2022, and the remainder vest equally each month over the following 36 months, commencing July 21, 2022.

# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 13 Share capital, warrants and stock options (continued)

On August 15, 2021, 100,000 options were granted (note 11) with a fair value of \$47,395, based on a Black Scholes valuation with an exercise price of \$1.00; an estimated \$0.71 value of common shares; a volatility rate of 78.8%; an expected 7-year life for the options; and a risk-free interest rate of 1.41%. All of these options vested on the date issued.

Share-based compensation expense recorded in the unaudited condensed interim consolidated statement of comprehensive loss was \$39,151 for the three-months ended March 31, 2022 (2021 – \$5,191).

### 14 Breakdown of expenses by nature

	<u>2022</u>	<u>2021</u>
Salaries and benefits (note 15)	\$ 110,752	\$ 99,615
Accounting, legal and professional fees	49,900	79,168
Technology expense	15,159	7,357
Additional rent	7,419	5,628
Insurance	21,384	9,840
Other expenses (income)	5,520	(2,081)
<b>Total general and administration expenses</b>	<u>\$ 210,134</u>	<u>\$ 199,527</u>
Salaries and benefits (note 16)	\$ 85,776	\$ 90,965
Patent expenses	34,766	23,149
Other development expenses	11,440	111,883
<b>Total research and development expenses</b>	<u>\$ 131,982</u>	<u>\$ 225,997</u>

### 15 Salaries and benefits (note 12)

	<u>2022</u>	<u>2021</u>
General and administration (note 14)	\$ 110,752	\$ 99,615
Research and development (note 14)	85,776	90,965
Selling and marketing	16,495	15,637
Clinical trial (note 18)	58,114	19,967
	<u>\$ 271,137</u>	<u>\$ 226,184</u>



# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 16 Interest and accretion expense and changes in fair value

	<u>2022</u>	<u>2021</u>
FEDA loan (note 10)	\$ 19,015	\$ 19,130
CEBA loan (note 10)	628	573
HTE loan (note 10)	5,809	5,809
Total for government loans	25,452	25,512
Lease obligations (note 5)	1,564	1,200
Convertible debentures (note 11)	22,807	49,418
<b>Total accretion expense</b>	49,823	76,130
Short term interest	(2,859)	71
<b>Total interest and accretion expense</b>	<u>\$ 46,964</u>	<u>\$ 76,201</u>
Government loan - FEDA	\$ -	\$ -
Government loan - HTE	19,739	-
Total for government loans (note 10)	19,739	-
Convertible debenture conversion liabilities (note 11)	2,586	-
Loss on conversion of convertible debentures (note 11)	129,217	-
Warrant liabilities (note 13)	-	(14,225)
<b>Total change in fair value</b>	<u>\$ 151,542</u>	<u>\$ (14,225)</u>

### 17 Government grants and tax credits

#### Scientific research and experimental development tax credits

The Company periodically makes claims for SR&ED deductions and related expenses for income tax purposes, based on management's interpretation of the applicable legislation in the Income Tax Act (Canada). No SR&ED credits were received in the three-month periods ended March 31, 2022 or 2021.

On 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.

### 18 Clinical trial

The Company is party to an arrangement funded by the United States Department of Defense, for a total amount of US\$2,014,378, wherein the Company is responsible to manage a clinical trial of its MyndMove device. The Company has no obligation as to the outcome of this trial and is eligible to recover all costs of the participating clinics and supervising clinic once the respective funds have first been received from the US Federal Government. This trial is expected to be completed by June 30, 2022.

The Company's direct costs related to this trial are contractually fully recoverable, although there are small discretionary amounts incurred by the Company that may not be, such that the Company expects to achieve a small net expense each month, which may vary between accounting periods, on this arrangement.

### 19 Commitments and contingencies

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 the cumulative net sales exceeding \$7,500,000.

During the three-month period ended March 31, 2022, the Company accrued license fees of \$1,585 (2021 - \$2,042).

The Company's lease commitments are disclosed in Note 5.

**Notes to the Interim Condensed Consolidated Financial Statements**

**For the three-month periods ended March 31, 2022 and 2021 (unaudited)**

**20 Capital Management**

The Company's capital management objectives are to maintain financial flexibility in order to pursue its product development and commercialization strategy, and ultimately provide long-term returns to its shareholders. This strategy relies significantly on the Company's ability to demonstrate growing efficacy creation in its medical devices, in order to convince potential investors to invest more capital in the Company's development efforts.

The Company defines capital as the aggregate of its share capital and borrowings. The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the period ended March 31, 2022.

**21 Financial instruments and risk management**

**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 at March 31, 2022, the Company had \$nil in overdue trade and other receivables (December 31, 2021 – \$2,369).

**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 consolidated 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 March 31, 2022:

	<b>Payments Due</b>			
	<b><u>Less than 1 year</u></b>	<b><u>2 - 3 years</u></b>	<b><u>After 3 years</u></b>	<b><u>Total</u></b>
Trade and other payables	\$ 724,520	\$ -	\$ -	\$ 724,520
Deferred payment agreement	30,000	304,000	-	334,000
Office lease - base rent and common area	26,707	20,643	-	47,350
Government loans (undiscounted)	177,993	485,378	619,051	1,282,422
	<u>\$ 959,220</u>	<u>\$ 810,021</u>	<u>\$ 619,051</u>	<u>\$ 2,388,292</u>

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

## 21 Financial instruments and risk management (continued)

**Market risk**

Market risk is the risk 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. As at March 31, 2022, a 1% change in the foreign exchange rates would result in a \$812 impact to the consolidated financial statements (December 31, 2021 - \$568).
- **Interest rate risk** is the risk 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 because its indebtedness is at fixed rates.

**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.

**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 statements 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 derivative and warrant liabilities and HTC government loan are determined using level 3 inputs.

Financial instruments measured at fair value 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 (note 11)	- Discount rate - Expected timing and probability of qualified transaction	An increase in the probably or earlier expected date of Qualified Financing would increase the fair value of the derivative liability.
Warrant liabilities	Black Scholes (note 11)	- 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 (note 10)	- 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.

# MyndTec Inc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021 (unaudited)

### 20 Segmented information

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer.

The Company has revenues from sales in Canada and from Canada to the United States and has one operating segment which includes income related to its MyndMove device and a variation of that device, called MyndSearch, which has been modified for research purposes. The two 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 treatment supplies.

All treatment devices are located in Canada, except for six devices located in the United States, and all sales of devices have occurred in Canada. Revenue by geographical location and by services and products delivered were as follows:

	<u>2022</u>	<u>2021</u>
<b>Revenue by geographic location of customers</b>		
Canada	\$ 21,660	\$ 28,383
United States	23,347	22,729
	<u>\$ 45,007</u>	<u>\$ 51,112</u>
<b>Revenue by services and products delivered</b>		
Treatment fees	\$ 39,628	\$ 50,547
Product sales	5,313	499
Other	66	66
	<u>\$ 45,007</u>	<u>\$ 51,112</u>

### 20 Subsequent events

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. Venture North will arrange and attend meetings with professional investors, maintain ongoing contact and broaden relationships with the professional investment community on MyndTec's behalf. The Consulting Agreement is effective May 3, 2022 for an initial 3-month period ending July 31, 2022, after which it will continue in effect on a monthly basis until terminated upon 30 days written notice given by either the Company or Venture North. Pursuant to the Consulting Agreement, the Company will pay Venture North \$6,000 plus applicable taxes per month and grant Venture North 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. The 200,000 options were granted on May 3, 2022.

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.

## **APPENDIX B**

### **MANAGEMENT DISCUSSION & ANALYSIS**

## MyndTec Inc.

### Management's Discussion and Analysis (MD&A)

For the Quarter Ended March 31, 2022 (in Canadian Dollars, unless otherwise indicated)

Dated: May 11, 2022

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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 ended March 31, 2022. 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 for the quarters ended March 31, 2022 and 2021, together with the notes thereto. Information contained herein is presented as at May 11, 2022 unless otherwise indicated.

### Description of Business

The Company was 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 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 from Canada to the United States and has one operating segment which includes income related to its MyndMove™ ("MyndMove") device and a variation of that device, called MyndSearch that has been modified for research purposes. 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.

### MyndMove

The Company's first product and flagship solution, MyndMove therapy, is a patented and proprietary functional electrical stimulator coupled with proprietary treatment protocols that integrates neuro stimulation with a rapidly growing cloud-connected database. MyndMove is an FDA and Health Canada approved product that restores voluntary movement to stroke and SCI patients and is currently marketed in Canada under a medical device license issued by Health Canada (License No: 93158) and also commercially available in the US under a 510(k) FDA clearance (K170564). 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. Our operations in Mississauga provide dedicated customer service and access to our technical service personnel and clinical consults.

**MyndTec Inc.**

**Management's Discussion and Analysis (MD&A)**

**For the Quarter Ended March 31, 2022 (in Canadian Dollars, unless otherwise indicated)**

**Dated: May 11, 2022**

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**Business Overview and Highlights**

Canadian Securities Exchange (CSE) listing

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 Convertible Debentures

The Company issued 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.

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.

Conversion of Subscription Receipts

On December 10, 2021, the Company completed a 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 \$101,704 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 \$1,095,940 was recorded in the Company's 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 \$198,770 of 2022 legal bills, included therein, assessed by the Ontario Superior Court of Justice.

Initial 2021 private financing transaction

On May 3, 2021, the Company completed a private financing transaction, led by Company investors, wherein the Company raised \$1,259,535 of share capital proceeds. This financing resulted in the issuance of 1,369,059 common shares at a price of \$0.92 and 1,259,535 common share warrants with an exercise price of \$1.06 and expiration date of May 3, 2023:

- \$285,183 of the proceeds, net of share issue costs, were allocated to the value of the warrants.
- \$375,000 of the proceeds were received by December 31, 2020 and were recorded in Company's December 31, 2020 consolidated statement of financial position as deposits for future share financings.
- \$59,134 of share issue costs were incurred in respect of these financings.

## **MyndTec Inc.**

### **Management's Discussion and Analysis (MD&A)**

**For the Quarter Ended March 31, 2022 (in Canadian Dollars, unless otherwise indicated)**

**Dated: May 11, 2022**

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#### 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.

#### 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.

#### Board Change

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 (the "Board") effective March 31, 2022. Dr. Milos Popovic was subsequently appointed by the Board to interim Chair as a result.

#### Distribution agreement – LBB Applied Technology Inc. ("LBB")

On September 29, 2021, the Company signed a new distribution agreement with LBB, a shareholder of the Company. LBB operates in the State of Michigan, USA and has extensive relationships with hospitals and hospital groups in the United States. Subject to maintaining performance targets, the new distribution agreement grants LBB the exclusive rights to market MyndMove devices in the State of Michigan and to selective hospital groups in the United States.

#### Department of Defense Clinical Trial

The Company is currently conducting a post-market clinical trial to further expand its body of clinical outcome data for the MyndMove product. This trial is 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 and is scheduled to conclude in June 2022. This is 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.

### **Events Occurring after the Reporting Date**

Subsequent to quarter end, 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. Venture North will arrange and attend meetings with professional investors, maintain ongoing contact and broaden relationships with the professional investment community on MyndTec's behalf. The Consulting Agreement is effective May 3, 2022 for an initial 3-month period ending July 31, 2022, after which it will continue in effect on a monthly basis until terminated upon 30 days written notice given by either the Company or Venture North. Pursuant to the Consulting Agreement, the Company will pay Venture North \$6,000 plus applicable taxes per month and grant Venture North 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.



**MyndTec Inc.****Management's Discussion and Analysis (MD&A)****For the Quarter Ended March 31, 2022 (in Canadian Dollars, unless otherwise indicated)****Dated: May 11, 2022**

Subsequent to quarter end, 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.

**Business Objectives and Milestones**

The Company launched MyndMove to hospitals in the United States in the fourth quarter of 2021, primarily through distributors although one direct sale of a device, in the amount of \$36,000US, occurred in July 2021.

The Company's immediate business objective is to expand its product revenues through its distribution partners. The Company is working to secure other distributors in the United States and other partnerships in Asia, for sale of licensing of its MyndMove product

Longer term, the Company's business objective is to further expand the placement of MyndMove™ systems and establish and/or increase the number of treatments in Canada, the United States of America, Asia and Europe. To support these efforts the Company will be using distribution partners and sales agents in the identified countries.

To accomplish its objectives, the Company intends to achieve the following milestones within the nine months ended December 31, 2022:

	Milestone	Estimated		Amount Spent (\$)	Amount Remaining (\$)
		Completion Date (Qtr, Year)	Amount (\$)		
1	Expand and enhance the intellectual property portfolio	Q2, 2022	25,000	12,500	12,500
2	Complete clinical and technical improvements for MyndMove™	Q2, 2022	20,000	10,000	10,000
3	Development to expand MyndMove™ Indications	Q4, 2022	75,000	38,000	37,000
Total			120,000	60,500	59,500

**Notes:**

- (1) The Company will review and identify opportunities to file provisional patent applications and develop trade secrets and know-how directed at novel approaches to stimulating muscles in the lower body.
- (2) The Company will identify new protocols with a view to improving the ease of use of the device for therapists, through software improvements, and leading to faster set-up times; treatment optimization; and, more robust patient data, capturing and reporting of treatment outcomes.
- (3) The Company is developing the hardware and software to allow the MyndMove device to treat lower body paralysis. This is being done in conjunction with Kite/UHN as part of our Master Collaboration Agreement, whereby the device is being developed to provide higher levels of stimulation for the larger muscle groups in the lower body and new protocols are being developed to work with the lower body muscles.

**MyndTec Inc.**

**Management's Discussion and Analysis (MD&A)**

**For the Quarter Ended March 31, 2022 (in Canadian Dollars, unless otherwise indicated)**

**Dated: May 11, 2022**

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**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. On 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.

**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.

**Treatment for the Lower Body**

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 the 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 (see Milestone 4). The target of this is to develop protocols that retrain walking for patients with paralysis due to stroke or spinal cord injury.

**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 3<sup>rd</sup> party development groups are utilized. For example, improvements to our software are in collaboration with Prolucid Technologies. Improvements to the hardware is being done in collaboration with RMF Design and Manufacturing, all in conjunction with KITE and other development partners (see Milestone 2).

**MyndTec Inc.****Management's Discussion and Analysis (MD&A)****For the Quarter Ended March 31, 2022 (in Canadian Dollars, unless otherwise indicated)****Dated: May 11, 2022****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").

March 31, 2022 and 2021 Quarterly and December 31, 2021 Annual Financial Information

	<b>Three Months Ended</b>		<b>Year Ended</b>
	<b>Mar. 31, 2022</b>	<b>Mar. 31, 2021</b>	<b>Dec. 31, 2021</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets	2,284,493	1,676,673	3,824,137
Current liabilities	978,498	1,351,668	5,753,243
Non-current liabilities	988,620	2,665,249	1,612,140
Working capital (deficit)	986,215	24,692	(2,271,227)
Revenue	45,007	51,112	605,567
Gross Margin	21,469	26,861	354,621
Expenses	838,999	546,314	3,403,706
Net loss	(817,530)	(519,453)	(3,049,085)
Net loss per share, basic and diluted	(0.04)	(0.03)	(0.18)

Annualized Summary of Quarterly Results for the 12-month period ending March 31, 2022

<b>For the Period Ended</b>	<b>\$'000</b>				
	<b>Quarterly</b>				<b>Annual</b>
	<b>30-Jun</b>	<b>30-Sep</b>	<b>31-Dec</b>	<b>31-Mar</b>	<b>31-Mar</b>
	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>
Total Assets	2,018	1,843	3,824	2,284	2,284
Revenue for the Period	55	95	405	45	600
Loss for the period	(1,262)	(848)	(420)	(818)	(3,348)
Loss per share	(0.08)	(0.05)	(0.02)	(0.04)	(0.19)

Annualized Summary of Quarterly Results for the 12-month period ending March 31, 2021

<b>For the Period Ended</b>	<b>\$'000</b>				
	<b>Quarterly</b>				<b>Annual</b>
	<b>30-Jun</b>	<b>30-Sep</b>	<b>31-Dec</b>	<b>31-Mar</b>	<b>31-Mar</b>
	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>
Total Assets	2,203	1,494	1,655	1,677	1,677
Revenue for the Period	31	41	47	51	170
Loss for the period	(151)	(475)	(508)	(519)	(1,653)
Loss per share	(0.01)	(0.03)	(0.04)	(0.03)	(0.11)

**MyndTec Inc.****Management's Discussion and Analysis (MD&A)****For the Quarter Ended March 31, 2022 (in Canadian Dollars, unless otherwise indicated)****Dated: May 11, 2022****Quarter ended March 31, 2022 compared to March 31, 2021 ("Comparable Period")****Statement of Operations and Comprehensive Loss**

	<b>Three Months Ended</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Revenue</b>	<b>\$ 45,007</b>	<b>\$ 51,112</b>
<b>Cost of sales</b>	<b>23,538</b>	<b>24,251</b>
Gross Margin	<b><u>21,469</u></b>	<b><u>26,861</u></b>
<b><u>Expenses</u></b>		
General and administration	210,134	199,527
Research and development	131,982	225,997
Quality and regulatory assurance	6,616	957
Selling and marketing	36,113	20,849
Share-based compensation	39,151	5,191
Interest and accretion expense	46,964	76,201
Depreciation and amortization	22,341	27,336
Clinical trial	(35,857)	4,481
Changes in fair value	151,542	(14,225)
Public listing costs	230,013	-
Government grants and tax credit	-	-
Total operating expenses	<b><u>838,999</u></b>	<b><u>546,314</u></b>
<b>Comprehensive Loss</b>	<b><u>\$ (817,530)</u></b>	<b><u>\$ (519,453)</u></b>

**Commentary respecting the quarter ended March 31, 2022****Comprehensive Loss**

For the quarter ended March 31, 2022, the Company reported a comprehensive loss of \$817,530 compared to a loss of \$519,453 for the quarter ended March 31, 2021, an increase in losses of \$298,077, of which \$230,013 is due to public listing costs and \$165,767 is due to non-cash fair value adjustments.

Otherwise, there were \$97,703 in loss improvements, including: a \$5,392 decrease in gross margins; a \$10,607 increase in general and administration costs; a \$94,015 decrease in research and development; a \$5,659 increase in quality and regulatory expenses; a \$15,264 increase in selling and marketing costs; a \$33,960 increase in share-based compensation; a \$29,237 decrease in interest and accretion expense; a \$4,995 decrease in depreciation and amortization; and a \$40,338 decrease in clinical trial cost.

**Revenue and gross margin**

Revenue decreased 11.9% and gross margin decreased 20.0% in 2022 compared to 2021. This is due to the impact of the Omicron COVID variant in the first quarter of 2022.

Gross margin rates decreased from 52.6% in 2021 to 47.7% in 2022, due to the consistency of fixed overheads in each year.

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The continuing effects of COVID are still influencing the Company's treatment revenues. Following are the Company's treatment statistics for the three months ended March 31, 2022 and 2021 and the years ended December 31, 2021 and 2020 and 2019:

	December 31			March 31	
	2019	2020	2021	2021	2022
Average per month - Canada					
Clinics	9.0	11.0	16.0	12.0	12.0
Devices	11.0	11.0	18.0	14.0	14.0
Treatments	93.4	118.6	175.4	173.7	114.3
Treatments per clinic	10.4	10.8	11.0	14.5	9.5
Average per month - US					
Clinics	1.3	2.0	2.0	2.0	2.0
Devices	1.3	2.0	2.0	2.0	2.0
Treatments	123.6	88.7	73.4	95.3	61.3
Treatments per clinic	92.7	44.3	36.7	47.7	30.7

**Expenses**

Public listing costs include \$227,943 related to the Company's February 16, 2022 listing on the Canadian Securities Exchange and \$2,070 for subsequent regulatory costs. With respect to the \$227,933 of listing costs, the Company has applied to have \$198,770 of 2022 legal bills, included therein, assessed by the Ontario Superior Court of Justice.

The \$165,767 increase in fair value adjustment expenses, includes \$131,803 related to convertible debentures, plus \$19,739 related to non-interest-bearing government loans, less \$14,225 related to warrants.

The \$10,607 increase in general and administration is primarily due to higher costs for directors and officers insurance, required because MyndTec has become a public company.

The \$94,015 decrease in research and development costs is primarily due to third-party costs for development of MyndMove 2.0 in 2021 that have not occurred in 2022.

The \$5,659 increase in quality assurance and regulatory costs is due to timing of the regulatory expenses.

The \$15,264 increase in marketing costs, is primarily due to the placement of demonstration devices with the Company's new distributor in Asia.

The \$33,960 increase in non-cash share-based compensation is due to options issued on June 21, 2021 to the new Chief Executive Officer.

The \$29,237 decrease in interest and accretion expense is a result of the conversion of the convertible debentures into share capital, effective February 4, 2022.

The \$4,995 decrease in depreciation and amortization is reflective of the Company's new head office lease that commenced on August 1, 2021.

The \$40,338 decrease in net clinical trial costs is due to recovery of costs incurred in prior years.

The receipt and, thus, recognition of the 2020 SR&ED claim, recorded as government grants and tax credits, for the year ended December 31, 2021 occurred in the quarter ended June 30, 2021. The receipt and recognition of the 2021 SR&ED claim is expected in the third or fourth quarter of 2022.

**MyndTec Inc.****Management's Discussion and Analysis (MD&A)****For the Quarter Ended March 31, 2022 (in Canadian Dollars, unless otherwise indicated)****Dated: May 11, 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, 2021, March 31, 2022 and May 11, 2022:

Description	As at December 31, 2021	As at March 31, 2022 and May 11, 2022
Common Shares	17,099,796	21,838,500
Common Share Purchase Warrants	1,259,535	5,998,239
Convertible Debentures	\$1,275,499	\$0
Options	987,500	987,500
Subscription Receipt Units	2,954,302	0

**Liquidity and Capital Resources**

As at March 31, 2022, the Company had working capital of \$986,215 (December 31, 2021 – negative working capital of \$2,271,227); and a cash balance of \$1,497,182 (December 31, 2021 - \$377,065). The Company is not subject to any externally imposed capital requirements.

On July 31, 2021, the Company received and recognized as income its \$230,945 SR&ED claim for the year ended December 31, 2020. The claim for the year ended December 31, 2021 will be submitted before June 30, 2022.

There is unlikely to be significant capital spending for the twelve months ended March 31, 2023.

Working capital requirements for the twelve months ended March 31, 2023 will be funded by the Company's March 31, 2022 working capital and the 2021 SR&ED claim.

Secondary private financing transaction

See page 2 of this MD&A for details in respect of the Company's second private financing in 2021. \$2,359,442 of proceeds was received by the Company on February 18, 2022, with respect to this financing.

Initial private financing transaction

See page 2 of this MD&A for details in respect of the Company's initial private financing in 2021. On May 3, 2021, the Company completed a private financing transaction, led by Company investors, wherein the Company raised \$1,259,535 of share capital proceeds, entirely from existing shareholders.

**Funding Requirements**

As at March 31, 2022, 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 may need additional capital and may raise additional funds should management and the board of directors of the Company (the "**Board of Directors**") deem it advisable.

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. In management's judgement, such disclosure is not required. This judgement is based on management's expectation of revenue and future net cash flows for the 12-month period to March 31, 2023.

During the three-month period ended March 31, 2022, the Company had a net loss of \$817,530 (year ended December 31, 2021, \$3,049,085) and negative cash flows from operating activities of \$559,985 (year ended December 31, 2021, \$2,390,688). To the extent that the Company has negative operating cash flows in future periods, the Company will deploy funds raised through the above noted secondary private financing transaction to fund such negative cash flow. Based on management's expectations of revenue and future net cash flows for the 12-month period to March 31, 2023, management has applied judgement in determining that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The estimates used by management in reaching this conclusion are based on information available as of the date of that these interim condensed consolidated 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.

- **Leases**

Values 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 determine 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.

### Financial Instruments

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.



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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 a 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 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.

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 cash equivalents	Amortized cost
○ Trade and other receivables, excluding HST	Amortized cost
○ Trade and other payables, excluding HST	Amortized cost
○ Deferred payment agreement	Amortized cost
○ Derivative and warrant liabilities	FVTPL
○ Lease obligations	Amortized cost
○ Convertible debentures	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.

### **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.

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Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables.

***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 March 31, 2022:

	<b>Payments Due</b>			
	<b>Less than 1 year</b>	<b>2 - 3 years</b>	<b>After 3 years</b>	<b>Total</b>
Trade and other payables	\$ 724,520	\$ -	\$ -	\$ 724,520
Deferred payment agreement	30,000	304,000	-	334,000
Office lease - base rent and common area	26,707	20,643	-	47,350
Government loans (undiscounted)	177,993	485,378	619,051	1,282,422
	<u>\$ 959,220</u>	<u>\$ 810,021</u>	<u>\$ 619,051</u>	<u>\$2,388,292</u>

***Market risk***

Market risk is the risk 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 \$812 impact to the Q1 financial statements (December 31, 2021 - \$568).
- **Interest rate risk** is the risk 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 March 31, 2022, because all of its indebtedness is at fixed rates.
- **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 March 31, 2022.

### ***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 HTC government loan are determined using level 3 inputs.

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value</b>
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 March 31, 2022 totaled a surplus of \$317,375 (December 31, 2021 - \$3,541,246 deficiency). 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 quarter ended March 31, 2022 and year ended December 31, 2021.

## **Commitments and Contingencies**

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 the 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
- 1% on the cumulative net sales exceeding \$7,500,000

During the quarter ended March 31, 2022, the Company accrued license fees of \$1,585 (2021, \$2,042).

The Company's lease commitments are disclosed in note 5 of the Company's March 31, 2022 interim condensed consolidated financial statements.

## **Related Party Transactions**

During the three-month periods ended March 31, 2022 and 2021, the Company recognized treatment revenues from LBB Applied Technology Inc., a shareholder of the Company that was entitled to nominate one director to the Board. 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.

In 2017, the Board approved the remuneration of a director, related to interim CEO services provided to the Company in addition to his role as director. As at March 31, 2022 and December 31, 2021, the entire \$75,000 amount remains unpaid and is included in trade and other payables.

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\$1,807,500 of the \$2,954,302 in private placement funds raised in 2021, as described on page 2 hereof, was from directors, officers and a significant shareholder.

\$1,000,000 of the \$1,259,535 of private placement funds recorded as share capital on May 3, 2021 was received from a director and a significant shareholder.

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

	<b>March 31</b>	<b>March 31</b>	<b>December 31</b>
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2021</u></b>
<b>Revenue during the three months ended</b>			
Treatment revenues	\$ 23,347	\$ 22,729	
	<u>\$ 23,347</u>	<u>\$ 22,729</u>	
<b>Expenses during the year</b>			
Share-based compensation for directors and senior officers	\$ 38,260	\$ 4,300	
Salaries, fees and benefits for directors and senior officers	149,364	124,568	
License fees	1,585	2,042	
R&D services	-	85,070	
	<u>\$ 189,209</u>	<u>\$ 215,980</u>	
<b>Assets - as at the date specified</b>			
Accounts receivable for treatment revenues	\$ 7,502		\$ 15,147
<b>Liabilities - as at the date specified</b>			
Due to director for pre-2020 compensation	\$ 75,000		\$ 75,000
License fees payable	\$ 11,343		\$ 9,757
Deferred revenue	\$ 79,688		\$ 85,000

Related party share-based compensation for the three-month period ending March 31, 2021 includes \$36,863 for Craig Leon, Director and Chief Executive Officer (2020 - \$nil) and \$2,019 for Ron Kurtz, Vice President Engineering (2020 - \$4,300).

Related party salaries and fees for the period ending March 31, 2022 includes \$66,810 for Craig Leon, Director and Chief Executive Officer (2021 - \$nil); \$45,441 for Ron Kurtz, Vice President Engineering (2021 - \$43,914); \$25,313 for Scott Franklin, Chief Financial Officer (2021 - \$12,000); \$1,800 for Steve Plymale, former Director and Chief Executive Officer (2021 - \$64,654); and, \$10,000 for other Directors (2021 - \$4,000).

**COVID-19 Pandemic**

The global outbreak of the COVID-19 pandemic continues to be a threat to the global economy. The extent to which the COVID-19 pandemic may continue to impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, travel restrictions and social distancing in Canada, the United States and other countries; business closures or business disruptions; and the effectiveness of actions taken by governments around the globe to contain and treat the disease. The measures taken to date have caused material disruptions to businesses globally, resulting in an economic slowdown.

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From an operational perspective, the Company's employees and distribution partners, as well as the workforce of vendors, services providers and counterparties with which the Company does business, may also be adversely affected by the COVID-19 pandemic or efforts to mitigate the pandemic, including government-mandated shutdowns, requests or orders for employees to work remotely and other physical distancing measures, which could result in an adverse impact on the Company's ability to conduct its businesses, including its ability to cultivate adoption of the Company's technology.

To date, the economic downturn and uncertainty caused by the COVID-19 pandemic and global measures undertaken to contain its spread have affected all of the Company's operations to some extent and, in particular, have caused volatility in demand for the Company's technology. This has resulted in a reduction in anticipated revenue and led to delays in the Company's expectations regarding the rate at which agreements for new user sites will be entered into. Despite the COVID-19 pandemic, treatment sessions are continuing, and the Company continues to identify potential new user sites. The Company continues to evaluate the current and potential impact of the COVID-19 pandemic on its business, affairs, operations, financial condition, liquidity and results of operations.

**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 then 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 Canadian generally accepted accounting principles. 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



**MyndTec Inc.**

**Management's Discussion and Analysis (MD&A)**

**For the Quarter Ended March 31, 2022 (in Canadian Dollars, unless otherwise indicated)**

**Dated: May 11, 2022**

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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.

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 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](http://www.sedar.ca)