

EMPATHO HOLDINGS INC.  
MANAGEMENT DISCUSSION & ANALYSIS  
for the nine-month period ended July 31, 2022

The following interim management's discussion and analysis ("**MD&A**") of the consolidated financial position and results from operations of Empatho Holdings Inc. ("Company" or "Empatho"), is for the nine-month period ended July 31, 2022. This Interim MD&A has been prepared to provide material updates to the business operations, liquidity, and capital resources of the Company since its fiscal year ended October 31, 2021. This MD&A should be read in conjunction with the Company's interim consolidated financial statements for its fiscal periods ended July 31, 2022 along with accompanying notes to the statements for the period then ended.

This Interim MD&A has been prepared in compliance with section 2.2 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual Management's Discussion and Analysis ("Annual MD&A"), and the audited annual financial statements of the Company for the period ended October 31, 2021, together with the notes thereto.

The Company's financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors ("Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A was prepared by management of Empatho Holdings Inc. (the "**Company**") and was approved by the Board of Directors on September 28, 2022. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **BASIS OF PRESENTATION**

This MD&A and the financial statements have been prepared in Canadian dollars, unless otherwise indicated, and in accordance with International Financial Reporting Standards ("**IFRS**").

#### **FORWARD-LOOKING INFORMATION**

Certain statements contained in this document constitute "forward-looking information". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Company's management, are intended to identify forward-looking information. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's current views based on their experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward- looking statements. The Company does not intend, and does not assume any obligation,

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to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments unless required by law.

## OVERALL PERFORMANCE

### HIGHLIGHTS FOR THE THREE MONTHS ENDED JULY 31, 2022

During the three-month period ended July 31, 2022, and the subsequent period to the date of this MDA:

- On June 3, 2022, the Company announced that it had been accepted for trading on the OTC platform, allowing access to shareholders in the USA.
- We have further optimized the machine learning models of Empatho's proprietary PsychAI engine.
- Released the iOS version 2.0 and 2.1 of its app on the Apple App Store.
- Finalized testing the Android App, employer's dashboard and the productivity domain.

## BUSINESS OF THE COMPANY

The principal business of the Company will be to enhance personal wellbeing through the use of proprietary artificial intelligence (AI).

The Company was incorporated pursuant to the provisions of the Canada Business Corporations Act on November 20, 2020 (date of incorporation). Between December 17, 2020 and October 31, 2021, the Company issued 51,800,000 common shares at prices of \$0.001 per common share and \$0.05 per common share, for proceeds, net of costs, of \$1,132,188. Further, on June 30, 2021, the Company closed a private placement of \$3,138,000 through an issuance of 12,552,000 subscription receipts. When the Company became publicly traded on December 29, 2021, each subscription receipt was exchanged for a unit of the Company. Each unit contains one share and one share purchase warrant. Each warrant will be exercisable at a price of \$0.50 until June 29, 2023.

In connection with the closing of the Offering, Empatho paid certain eligible persons cash commission of \$251,040 and granted 1,004,160 finders and compensation warrants (each, a "**Compensation Warrant**") with each Compensation Warrant entitling the holder to acquire a units (each, a "**Unit**") of the resulting issuer, with each Unit being comprised of one common share of the resulting issuer and one common share purchase warrant of the resulting issuer. The Compensation Warrants are exercisable at a price of \$0.25 per Unit for a period of twenty-four (24) months following the date of issuance. Each common share purchase warrant shall be exercisable into one additional common share of the Company at a price of \$0.50, with an expiry date of 24 months after issuance. Other cash expenses of \$137,700 were incurred related to the placement.

In connection with the closing of the RTO transaction, the Company issued 8,200,003 common shares, at a share price of \$0.25, as follows:

- 4,000,003 shares on consolidation of the existing shares, at a price of \$1,000,000,
- 200,000 shares on conversion of stock options prior to the RTO Transaction, at a value of \$50,000,
- 4,000,000 finder shares, at a price of \$1,000,000.

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The Company also issued 81,287 warrants which were acquired in the RTO transaction.

**Going Concern**

The Company is in its first year of operations. While the Company intends to build a product to enhance personal wellbeing through the use of proprietary artificial intelligence (AI), there is no guarantee that the Company will succeed in this objective, or if the product will be commercially successful.

The Company has incurred losses since inception and as at July 31, 2022 has a working capital deficit of \$1,742,899 and an accumulated deficit of \$7,865,702. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles as a going concern will be in doubt. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company's financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

**SELECTED ANNUAL FINANCIAL HIGHLIGHTS**

The financial results of the Company for the financial period ended October 31, 2021 are summarized as follows:

For the period from November 20, 2020 to October 31, 2021 (in Canadian \$ except for per share amounts)	
Total Revenue	\$ -
Operating Expenses	2,495,912
Net Income (Loss)	(2,495,912)
Earnings (Loss) per Share-Basic	\$ -
Earnings (Loss) per Share-Diluted	\$ -
Weighted average shares outstanding	43,699,420
Total Assets	\$ 3,386,361
Total Short Term Liabilities	\$ 4,569,346
Shares outstanding	51,800,000

**SELECTED QUARTERLY FINANCIAL HIGHLIGHTS**

The financial results of the Company for the quarters since incorporation are summarized as follows:

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Three Months Ended	Net Gain (Loss)	Basic and Diluted Loss Per Share	Weighted Average Shares Outstanding
2022 July 31	\$ (946,119)	\$ (0.01)	72,591,133
2022 April 30	(1,090,462)	(0.02)	72,552,003
2022 January 31 *	(3,333,208)	(0.05)	62,852,697
2021 October 31	(1,050,966)	(0.02)	51,800,000
2021 July 31	(1,266,957)	(0.03)	50,126,087
2021 April 30	(162,534)	(0.00)	43,330,077
2021 January 31	(45,455)	(0.00)	14,725,000

- *The Company recognized a one-time listing expense of \$2,110,814 in the January 2022 period.*

## DISCUSSION OF OPERATIONS

### Three months ended July 31, 2022

During the three-month period ended July 31, 2022, the Company had a net loss of \$946,119. Research and development spending to complete the application was the most significant cost item in the period. Consulting fees, marketing fees, and investor relation fees were also significant expense items in the July 2022 quarter. During the three-month period ended July 31, 2021, the Company had a net loss of \$1,266,957, mostly research fees and investor relations fees, with significant expenses in non-cash stock-based compensation and professional fees, as the Company was in the process of scaling up its project.

Consulting fees of \$109,709 three-month period ended July 31, 2022 were expensed during the period, related to the activities of the CEO, CFO, and the Board of Directors. At July 31, 2022, \$90,911 (October 31, 2021 - \$255,284) was payable to key management. General and administrative costs of \$104,873 in the three-month period ended July 31, 2022 mostly reflected marketing efforts. Professional fees during the three-month period ended July 31, 2022 mostly reflect legal costs for various corporate matters and an accrual for the 2022 audit. Investor relations consultants for ongoing work related to the placement and future placements, and the CSE Application, were \$84,301 in the three months ended July 31, 2022.

Product research and development spending was \$596,728 during the three-month period ended July 31, 2022. Significant product development accomplishments include:

- Empatho released the iOS version 1.3 and 1.4 of its app on the Apple App Store:
  - Onboarded corporate employees on the iOS version of the Empatho App.
  - Improve the User Experience and User Interact of the App.
- We have further optimized the machine learning models of Empatho's propitiatory PsychAI engine:
  - Implemented new formula for calculation of sleep score.
  - Further optimized machine learning models to account for new use cases.
  - Optimizing the PsychAI Application Programming Interfaces (APIs).

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- The next development phase is focused on releasing the Android app to the Google Play App Store, finalizing the employer’s dashboard, and onboard further corporate clients.

**Nine months ended July 31, 2022**

During the nine-month period ended July 31, 2022, the Company had a net loss of \$5,369,789.

The one-time listing expense of \$2,110,814 represents the cost of an RTO acquisition to list on the CSE. The Company issued 8,200,003 shares at an ascribed value of \$2,050,000 and incurred other expenses of \$89,380, while acquiring net identifiable assets of \$37,168 in this RTO transaction.

Research and development spending of \$1,853,986 to progress the application toward completion was the most significant cost item in the 2022 period. Consulting fees, marketing fees, and investor relation fees were also significant expense items in the fiscal YTD July 2022 period. During the nine-month period ended July 31, 2021, the Company had a net loss of \$1,474,946, mostly research fees and investor relation fees, with significant non-cash stock-based compensation and professional fees, as the Company was in its third quarter of operations and had not scaled up its project.

Currently the only assets of the Company are cash and a prepaid balance.

**DISCLOSURE OF OUTSTANDING SHARE DATA**

During the fiscal 2022 year, the Company issued 8,200,003 common shares at a price of \$0.25. The Company originally issued 100,000 at a price per common share of \$0.001, and 41,200,000 common shares were issued at a price of \$0.005. Later, the Company increased the subscription price and raised a further \$404,088, net of costs of \$12,696, related to these shares. The Company also issued 10,500,000 common shares at a price of \$0.05 per common share. Costs of \$3,000 were incurred related to the \$0.05 placement round. During the period ended October 31, 2021, the Company issued 5,000,000 founder warrants.

During the quarter ended July 31, 2022, the Company issued 200,000 shares.

As of the date of this MDA, April 30, 2022, and October 31, 2021, the Company has the following securities outstanding on a fully diluted basis:

	September 28, 2022	July 31, 2022	October 31, 2021
Common shares	72,752,000	72,752,000	51,800,000
Warrants			
Founder warrants	5,000,000	5,000,000	5,000,000
Subscription receipt warrants	12,552,000	12,552,000	-
Compensation Units <sup>(1)</sup>	1,004,160	1,004,160	-
Shane warrants	81,287	81,287	-
<b>Fully diluted</b>	<b>91,389,447</b>	<b>91,389,447</b>	<b>56,800,000</b>

(1) Compensation Units are exercisable at into one common share and one common share purchase warrant, with each warrant convertible into one additional share at a price of \$0.50 until June 29, 2023.

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**LIQUIDITY AND CAPITAL RESOURCES**

As at, July 31, 2022, the Company had cash of \$20,116 (October 31, 2021 - \$231,201), restricted cash of \$Nil (October 31, 2021 - \$3,017,740) and a net working capital deficiency of \$1,742,899 (October 31, 2021 - capital deficit of \$1,182,985). The Company had amounts payable of \$1,802,886 (October 31, 2021 - \$1,431,346) and subscription receipts liabilities of \$Nil (October 31, 2021 - \$3,138,000).

The Company expects it will require additional capital resources to continue its operations and execute its plan. Although the Company has commenced discussions to raise additional capital there is no guarantee that the Company will be successful in it raise or that the funds can be acquired on terms favourable to the existing shareholders.

**OFF-BALANCE SHEET ARRANGEMENTS**

As at July 31, 2022, October 31, 2021, and up to the date of this MD&A, the Company had no off-balance sheet arrangements.

**TRANSACTIONS BETWEEN RELATED PARTIES**

Related parties include the Board of Directors, Key Management Personnel, close family members and enterprises which are controlled by these individuals as well as persons performing similar functions.

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) and corporate officers of the Company, as follows:

- Col. (Ret) Rakesh Jetly, BGen. (Ret) H. C. Colin MacKay, Andre Peschong, Dr. Carl Castro, Yan Namer, John Ross, Hamid Boland, and Josh Granek.

Remuneration attributed to key management in the nine-month period to July 31, 2022 and the period from November 20, 2021 to July 31, 2021 can be summarized as follows:

	<b>For the nine-month period ended</b>	
	<b>July 31, 2022</b>	<b>July 31, 2021</b>
Consulting fees	\$ 290,758	\$ 193,569
Director fees	120,000	-
Stock-based compensation	-	105,732
	<b>\$ 410,758</b>	<b>\$ 299,301</b>

At July 31, 2022, \$90,911 (October 31, 2021 - \$255,284) was payable to key management and \$120,000 (October 31, 2021 - \$Nil) was payable to Directors. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties. The amounts payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

During the period ended October 31, 2021, certain key management participated in private placements completed by the Company, resulting in a total of 9,250,000 common shares issued in exchange for consideration totaling \$139,871.

During the period ended October 31, 2021, a consulting company participated in a private placement completed by the Company, resulting in a total of 12,900,000 common shares issued

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in exchange for consideration totaling \$386,502. The consulting company who participated in private placement also earned investor relations fees during the six-month period ended July 31, 2022 of \$316,400 (October 31, 2021 - \$384,200). At July 31, 2022, \$327,700 (October 31, 2021 - \$384,200) was payable to the consulting company. During the period ended October 31, 2021, the consulting company also advanced \$81,925 to the Company as a deposit on future products or services to be provided by the Company. The advance is included in accounts payables and accrued liabilities in the consolidated statement of financial position. The consulting company also earned a finder's fee in the form of 1,000,000 finder shares on closing of the business combination.

During the period ended October 31, 2021, certain related parties received a total of 2,925,000 Founders Warrants of the Company. In connection with the Founders Warrant's issued to related parties, share-based compensation totaling \$105,732 was recognized in the consolidated statement of loss and comprehensive loss.

**CRITICAL ACCOUNTING ESTIMATES & CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

The Company's critical accounting estimates are explained in Note 3 of the financial statements.

Notes to the financial statements of the Company for the period ended July 31, 2022 are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, deferred financing costs, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from financial instruments.

**RISKS AND UNCERTAINTIES**

The risk factors are discussed in the section entitled "Risk Factors" in the Company's Form 2A Listing Statement dated December 21, 2021.