COGNETIVITY NEUROSCIENCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Period ended July 31, 2021

GENERAL

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of September 29, 2021, and it presents an analysis of the consolidated financial position of Cognetivity Neurosciences Ltd. (the "Company") for the period ended July 31, 2021. The following information should be read in conjunction with the consolidated financial statements of the Corporation for the year ended January 31, 2021, including the notes contained therein. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Unless otherwise indicated, references to $ or "dollars' are to Canadian dollars.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

BUSINESS OVERVIEW

Cognetivity Neurosciences Ltd. (the "Company") was incorporated on December 11, 2015 under the laws of British Columbia, Canada. Its head office is located at 2250 – 1055 West Hastings Street, Vancouver, BC, V6E 2E9, Canada and registered office is located at 1500-1055 W. Georgia St., Vancouver, BC, V6E 4N7, Canada. The Company is a technology company developing a cognitive testing platform, the Integrated Cognitive Assessment (ICA), for use in medical and commercial environments for potentially allowing early diagnosis of dementia.

The Company's common shares commenced trading on the Canadian Securities Exchange (the "CSE") on March 19, 2018 under the stock symbol "CGN". The Company also commenced trading on the Frankfurt Stock Exchange in Germany under the stock symbol "IUB" and the OTCQB in USA under the stock symbol "CGNSF" on May 3, 2018 and September 4, 2018 respectively.

SIGNIFICANT EVENTS AND MILESTONES

On February 18, 2020, the Company has reported that it is developing a novel smartphone app focused on the personalised tracking and management of cognitive performance. The product is being designed for use in non-clinical environments but will be powered by the same technology as the Integrated Cognitive Assessment (ICA), the company's flagship product and recently CE-marked medical device.

On September 29, 2020, the Company announced its first deployment of its CE-market ICA platform in a clinical setting, with its technology being used by specialist doctors in the UK National Health Service. North Staffordshire Combined Healthcare NHS Trust, one of only two specialist mental health Trusts in England to receive an overall ‘Outstanding’ rating from the Care Quality Commission (CQC) in 2019, deployed the ICA within its care pathway for patients with suspected dementia; the first use of the ICA in a specialist clinical setting.

On November 17, 2020, the company announced the first deployment of its CE-marked ICA in primary healthcare, being used by primary healthcare practitioners as an artificial intelligence based digital tool to aid monitoring for UK National Health Service (NHS) patients with pre-dementia symptoms. Monitoring of these Mild Cognitive Impairment (MCI) patients is important in early diagnosis and determining disease progression, but has traditionally been problematic and time consuming using previously available methods. Cognetivity’s ICA’s speed, ease of use and objectivity allows effective detection and monitoring in this critical phase, helping to improve patient outcomes.

On May 4, 2021, the Company established a partnership with the world-leading data and interoperability platform provider InterSystems. The partnership will facilitate the seamless integration of its cognitive assessment platform with electronic healthcare records (EHRs) and enable the efficient adoption of Cognetivity’s technology in healthcare systems throughout the world. Cognetivity’s partnership with InterSystems grants the Company access to InterSystems IRIS for Health™, a data platform specifically engineered to extract value from healthcare data.

Currently, Cognetivity pursues its growth strategy by:

1. Carrying out a validation trial for the ICA which is specifically designed to provide data to allow regulatory approval as a Class 2 medical device in the USA and Canada to allow its use in clinical environments in these markets.

2. Continuously developing the ICA platform’s technical capability to allow its distribution on other platforms, and its integration with a wide range of healthcare data providers, Electronic Health Record (EHR) system providers and 3rd party digital healthcare platforms.

3. Developing strategic partnerships with targeted healthcare service providers for the use of the ICA as a screening tool in primary healthcare, including the NHS in the UK, healthcare providers and clinics in the USA and Canada.

4. Developing strategic partnerships with large health insurers, particularly in the USA, with the aim of including the ICA in mandated regular health checks and to be used for the early screening for dementias in affiliated clinics and health centers, leading to reduced costs of treatment for payers.

5. Developing strategic partnerships with large pharmaceutical companies, both for market access for a standalone digital tool and as an adjunct technology for pharmaceutical products.

6. Publishing trial results in internationally recognised peer reviewed journals and presenting results at international scientific and healthcare conferences.

7. Developing the ICA for home use, for the remote monitoring of patient’s progress under treatment regimens and for general home healthcare check-ups.

8. Upon completion of regulatory approval, hiring and training business development and sales staff to sell the ICA in targeted markets.

9. Hiring and training customer support representatives as required providing technical support for the Company’s customers.

10. Applying for grants and government assistance as applicable to help to develop the ICA platform

into commercial markets both in healthcare and consumer health monitoring, and to develop in-house capability in sales, development and support.

OVERALL PERFORMANCE

The consolidated statements of financial position as of July 31, 2021 indicates a cash balance of $525,224 (January 31, 2021 – $1,359,851) and total current assets of $931,658 (January 31, 2021 – $1,751,205).

Current liabilities at July 31, 2021 total $1,196,794 (January 31, 2021 - $964,888). Shareholders' deficiency of $567,413 (January 31, 2021 – shareholders' equity of $862,911) is comprised of common shares of $10,302,118 (January 31, 2021 - $9,873,571), equity portion of convertible debentures of $34,851, reserves of $1,842,151 (January 31, 2021 - $1,856,745), accumulated deficit of $12,738,943 (January 31, 2021 - $10,837,531), and accumulative other comprehensive loss of $30,590 (January 31, 2021 – $29,874).

As at July 31, 2021, the working capital deficit is $265,136 (January 31, 2021 - $786,317).

DISCUSSION OF OPERATIONS

The Company incurred $1,901,412 of net loss for the period ended July 31, 2021 (July 31, 2020 – $820,220) as the Company had not commenced generating revenue yet. The Company's operations are in their early stages and no comparative or trend discussion is relevant.

Comparison of Results of Operations

Year-to-date

During the period ended July 31, 2021, the Company reported a net loss of $1,901,412 (July 31, 2020 - $820,220) and a net comprehensive loss of $1,902,128 (July 31, 2020 - $808,586). The increased losses were mainly due to an increase in consulting fees, salaries and benefits, marketing and advertising, and research and development. The increases in salaries and benefits were due to increases in employees hired. The increases in marketing and advertising expenses and consulting fees were due to increased promotion and marketing in the European market. The increase in research and development expenses was due to the Company not receiving tax credits for research and development during the current period compared to July 31, 2020.

During the period ended July 31, 2021, the Company recorded operating expenses of $2,104,191 (July 31, 2020 - $829,047). The largest factors contributing to the operating expenses were consulting fees, marketing and advertising, and salaries and benefits. Consulting fees of $322,705 (July 31, 2020 - $257,013) were mainly from fees paid to consultants for providing clinical testing for the cognitive testing platform (the integrated Cognitive Assessment (ICA)), and corporate advisory. Marketing and advertising expenses of $413,444 (July 31, 2020 - $33,558) were related to its research on developing and testing an Artificial Intelligence-driven platform for detection of cognitive performance in Alzheimer's and pre-Alzheimer's patients. Salaries and benefits expenses of $723,126 (July 31, 2020 - $470,348) were related to the increase in the number of employees and their salaries.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of the Company. This information is derived from unaudited quarterly consolidated financial statements prepared by management. These financial data are prepared in accordance with IFRS.

	Qtr 2 July 31, 2021 $	Qtr 1 April 30, 2021 $	Qtr 4 January 31, 2021 $	Qtr 3 October 31, 2020 $	Qtr 2 July 31, 2020 $	Qtr 1 April 30, 2020 $	Qtr 4 January 31, 2020 $	Qtr 3 October 31, 2019 $
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	1,024,795	876,617	1,002,935	95,944	659,445	169,773	335,679	756,191
Basic and diluted loss per share	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02
Total assets	1,175,978	1,934,058	1,827,799	479,396	331,427	1,060,552	716,321	1,138,896
Working Capital (deficiency)	(265,136)	625,047	786,317	(604,864)	132,071	826,100	453,464	1,003,024

Three Months Ended July 31, 2021

During the quarter ended July 31, 2021, the Company reported a net loss of $1,024,795 (July 31, 2020 - $659,445) which derived from mainly consulting fees, marketing and advertising, research and development, and salaries and benefits expenses.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2021, the Company had a cash balance of $525,224 (January 31, 2021 - $1,359,851). The decrease in total cash was mainly due operating expenses (salaries and benefits, marketing and advertising, and consulting fees), which was offset by cash inflow from exercises of options and warrants as well as the loan from Government Innovative UK. The Company has working capital deficit of $265,136 as at July 31, 2021 compared to a surplus of $786,317 as at January 31, 2021.

Net cash used in operating activities for the period ended July 31, 2021 was $1,505,415 compared to $471,214 for the period ended July 31, 2020. Increase was mainly due to increase of salaries and benefits of $723,126 as at July 31, 2021 compared to $470,348 as at July 31, 2020.

Net cash used for investing activities for the period ended July 31, 2021 was $178,274 compared to net cash used for investing activities of $9,907 for the period ended July 31, 2020. Increase in net cash provided was due to increased development costs and acquisitions of equipment and patents during the period.

Net cash provided by financing activities for the period ended July 31, 2021 was $848,758 compared to $Nil for the period ended July 31, 2020. Increase was mainly due to receiving a loan facility from UK Government Innovate UK program of $568,348. In addition, the Company received a total of $280,410 from warrants and options exercises.

At July 31, 2021, the Company had accounts payable and accrued liabilities of $852,533.

A summary of the Company's contractual obligations at July 31, 2021 is detailed in the table below.

Contractual Obligations	Payments Due by Year				
	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Accounts payable and accrued liabilities	$ 852,533	$ 852,533	N/A	N/A	N/A
Convertible debenture	$ 324,884	$ 324,884	N/A	N/A	N/A
Due to related parties	$ 19,377	$ 19,377	N/A	N/A	N/A
Total	$ 1,196,794	$ 1,196,794	N/A	N/A	N/A

LICENSE AGREEMENT

There are no license agreements.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this management discussion and analysis, the Company does not have any off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

TRANSACTIONS BETWEEN RELATED PARTIES

During the periods ended July 31, 2021 and 2020, the Company incurred the following expenses to related parties:

		2021		**2020**
Consulting fees – CEO and a director	$	103,830	$	103,182
Salaries and wages – CMO and a director		77,530		30,955
Salaries and wages – CSO		58,145		30,955
Consulting fees – CCO and a director		38,820		30,955
Consulting fees – COO		77,530		30,955
	$	355,855	$	227,002

As at July 31, 2021 and January 31, 2021, the Company has the following balance owing to (due from) related parties:

		July 31, 2021		**January 31, 2021**
CEO and a director	$	(4,060)	$	(2,648)
CSO		(7,744)		(12,291)
CCO and a director		6,474		5,260
COO		12,903		8,671

Due to/from related parties are unsecured, non-interest bearing, and due on demand with no specific terms of repayment.

On September 26, 2019, the Company entered into a convertible loan agreement with the CEO and Director of the Company and issued a convertible note in the aggregate principal amount of $164,110.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Adoption of new accounting standards

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

In August 2020, the IASB issued Interest Rate Benchmark Reform (Phase 2), which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases. The Phase 2 amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company has concluded that no significant impact will result from the application of the Phase 2 amendments

FINANCIAL INSTRUMENTS

Fair value of financial instruments

Financial instruments of the Company carried on the Consolidated Statements of Financial Position are all carried at amortized cost. There are no significant differences between the carrying value of these financial instruments carried at amortized cost and their estimated fair values as at July 31, 2021 and 2020 due to the short term nature of the instruments.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company believes that the capital sources will be sufficient to cover the expected short and long-term cash requirements by obtaining financing through the issuance of debt or common shares.

Contractual undiscounted cash flow requirements for financial liabilities as at July 31, 2021 are presented below and all the liabilities will be due within 1 year:

Contractual Obligations	
Accounts payable and accrued liabilities	$ 852,533
Convertible debenture	324,884
Due to related parties	19,377
Total	$ 1,196,794

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is not currently exposed to interest rate risk.

Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have significant exposure to foreign exchange risk because it has minimum transactions in foreign currency.

CAPITAL MANAGEMENT

The Company considers its cash and share capital as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company is not subject to any externally imposed capital restructure. There was no change in the Company's approach to capital management during the period ended July 31, 2021.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company's issued and outstanding share capital as at the date of this report is as follows:
(1) Authorized: Unlimited common shares and unlimited Class B Share without par value.
(2) As at the date of this MD&A, the Company has 75,530,271 common shares, 4,448,000 stock options, 4,606,267 warrants, 632,272 finders' warrants, 332,000 restricted share units issued and outstanding.

ADDITIONAL DISCLOSURE FOR JUNIOR ISSUERS

The Company has expensed the following material cost components:

	For the periods ended			
		July 31, 2021		July 31, 2020
Consulting fees	$	322,705	$	257,013
Marketing and advertising		413,444		33,558
Research and development		303,234		(194,534)
Salaries and benefits		723,126		470,348
Share-based payment		93,394		24,384

Consulting fees were related to the Company engaged consultants for providing clinical testing for the cognitive testing platform, the integrated Cognitive Assessment (ICA).

Marketing and advertising expenses were related to the Company engaged an advertising company for creating and optimizing the advertisement.

Research and Development were related to expenses incurred on research and developing for the cognitive testing platform. The Company received research and development credits from the tax authority in the UK in prior periods, which were recorded as a reduction of the related research and development expenses.

Salaries and benefits were related to the increase in number of employees and their salaries.

Share-based payment is a non-cash expense. During the period ended July 31, 2021, the Company granted 80,000 stock options to an employee which incurred share-based payments of $93,394 (July 31, 2020 – $24,384).

SUBSEQUENT EVENTS

Subsequent to period ended July 31, 2021, the Company issued 2,043,513 common shares pursuant to the exercise of 2,043,513 share purchase warrants for proceeds of $400,437.

Subsequent to July 31, 2021, $118,000 of the convertible loan with unpaid interest of $18,777 were converted into the 526,064 unit of the Company.

Subsequent to July 31, 2021, $164,110 of the convertible loan with unpaid interest of $25,358 were converted into the 1,457,449 unit of Company.

Subsequent to July 31, 2021, Company advanced a loan in the amount of $219,000 to the CEO of the Company bearing interest at 3.75% and repayable on a term of six months from the date of advance. The loan will be secured by 1,456,449 shares of the Company beneficially owned by CEO's spouse with direction to sell such number of shares sufficient to satisfy repayment of the loan plus interest in the event of default.

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RISK FACTORS

Market Risk for Securities
We are a reporting issuer company whose common shares are not listed for trading on a stock exchange. There can be no assurance that an active trading market for our common shares will be established and sustained. Upon a listing, the market price for our common shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Uninsured or Uninsurable Risk
We may become subject to liability for risks against which we cannot insure or against which we may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for our usual business activities. Payment of liabilities for which we do not carry insurance may have a material adverse effect on our financial position and operations.

Conflicts of Interest Risk
Certain of our directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from our interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to our best interests. However, in conflict of interest situations, our directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to us.

Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to us.

Key Personnel Risk
Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

No Established Market for Shares Risk

There is currently no established trading market through which common shares in our authorized capital may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future. You may lose your entire investment.

Going-Concern Risk

The consolidated financial statements of the Company have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Our future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that we will be successful in completing equity or debt financing or in achieving profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should we be unable to continue as a going concern.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. We will be dependent upon the capital markets to raise additional financing in the future, while we establish a client base for our product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to us and our management. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations and the trading price of our Common Shares on the Exchange.

Share Price Volatility Risk

It is anticipated that our common shares will be listed for trading on the Exchange. As such, external factors outside of our control such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward the medical marijuana sector stocks may have a significant impact on the market price of our common shares. Global stock markets, including the Exchange, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

Novel Corona Virus Known as “Covid-19”

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19. An outbreak of infectious disease, a pandemic, or a similar public health threat, such as the recent outbreak of COVID-19, or a fear of any of the foregoing, could adversely impact the Company by causing operating and project development delays and disruptions, labor shortages, travel disruption (including as a result of government regulation and prevention measures). It is unknown whether and how the Company may be affected if such a pandemic persists for an extended period of time, including as a result of the waiver of regulatory requirements or the implementation of emergency regulations to which the Company is subject. The Company may incur expenses or delays relating to such events outside of its control, which the Company cannot estimate the length and severity of these developments or quantify the impact this pandemic may have on the financial results and condition of the Company in future periods.