

Datametrex AI Limited

Management's Discussion and Analysis
June 30, 2021
(Canadian dollars)

Datametrex AI Limited

Management's Discussion and Analysis for the six months ended June 30, 2021
(Canadian dollars, except share and unit information)

Datametrex AI Limited is re-filing this Management's Discussion and Analysis ("MD&A") for the six months ended June 30, 2021 to include the date of the MD&A.

The date of preparation was omitted in the previous MD&A filed on August 16, 2021.

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The following discussion and analysis, prepared as of August 16, 2021, provides information that management believes is relevant to an assessment and understanding of the results of operations and the consolidated financial position of Datametrex AI Limited (the "Company"). The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements for the six months ended June 30, 2021 and the annual consolidated financial statements for the year ended December 31, 2020. Unless otherwise noted, all financial information in the MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

This MD&A contains or incorporates forward-looking statements within the meaning of Canadian Securities legislation (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, revenue, earnings, changes in cost and expenses, capital expenditures and other objectives, strategic plans and business development goals, and may also include other statements that are predictive in nature or that depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates, and projections regarding future events.

Although the Company believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Undue reliance should not be placed on such statements. Certain material assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements.

The forward-looking statements contained in this MD&A are made as at the date of this MD&A and, accordingly, are subject to change after such date. Except as required by law, the Company, does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this MD&A, whether as a result of new information, future events or otherwise.

Summary of Recent Developments

In January 2021, the Company entered into a share exchange agreement (the "Agreement") with Concierge Medical Consultant Inc. ("Concierge") and the shareholders of Concierge to acquire 100% of Concierge's issued and outstanding securities.

Pursuant to the Agreement, the Company acquired all the issued and outstanding securities of Concierge for an aggregate purchase price of \$750,000 (the "Purchase Price"). The Company issued 4,411,764 common shares in the capital of the Company to the Concierge shareholders at a price of \$0.17 per common share for an aggregate purchase price of \$750,000 on a pro-rata basis to the Concierge shareholders. The Company recorded a goodwill of \$750,000 as a result of the acquisition of Concierge.

Concierge is a fully developed telehealth and urgent medical care platform launched in January 2018 and is currently generating revenue through a direct-to-consumer subscription model serving both homes and workplaces. Datametrex intends to leverage Concierge's platform into other jurisdictions and integrate its proprietary Artificial Intelligence (AI) technology.

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In March 2021, the Company entered into a Letter of Intent ("New LOI") to acquire 100% of the issued and outstanding share capital of Medi-Call Inc. ("MediCall"), an arm's length privately held company, incorporated under the laws of the Province of British Columbia.

MediCall is a telemedicine company that is a subscription service that connects patients with providers or doctors in real time. Datametrex intends to integrate the Target's platform into the Company's core AI technology.

In June 2021, the Company completed the acquisition of MediCall and issued 60,000,000 units valued at \$12,000,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.26 per share for a period of 24 months from the date of issuance.

In April 2021, the Company's common shares began trading on the OTCQB under the stock symbol "DTMXF".

EBITDA and Adjusted EBITDA

Management believes that EBITDA and Adjusted EBITDA are effective measures for analyzing the performance of the Company. The term "EBITDA" refers to earnings before deducting interest, taxes, depreciation and amortization. The Company calculates Adjusted EBITDA as earnings before deducting interest and accretion, taxes, depreciation and amortization, impairment charges, listing expense, other reverse takeover fees, acquisition related costs, and share based compensation. "EBITDA", "EBITDA per share", "Adjusted EBITDA", and "Adjusted EBITDA per share" are non-GAAP measures. The Company believes that EBITDA and Adjusted EBITDA are useful additional information to management, the Board and investors as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not necessarily imply they are non-recurring, infrequent or unusual. EBITDA and Adjusted EBITDA are also used by some investors and analysts for the purpose of valuing a company. Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to operating earnings or net earnings determined in accordance with IFRS as an indicator of the Company's financial performance or as a measure of the Company's liquidity and cash flows. EBITDA and Adjusted EBITDA does not take into account the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

The following table reconciles net loss to EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2021 and 2020:

	Three months ended		Six months ended	
	2021	June 30, 2020	2021	June 30, 2020
	\$	\$	\$	\$
Net income (loss)	850,134	(868,478)	10,410,485	(1,590,239)
Income taxes	184,807	-	1,107,410	(16,207)
Depreciation and amortization	530,470	185,078	720,834	379,977
Interest and accretion	546	14,024	11,482	28,790
EBITDA	1,565,957	(669,376)	12,250,211	(1,197,679)
Share based compensation	2,036	573,250	3,270,440	844,250
Adjusted EBITDA	1,567,993	(96,126)	15,520,651	(353,429)
Weighted average number of common shares (basic)	301,545,188	250,829,019	290,511,818	242,217,976
Adjusted EBITDA per share	0.005	(0.000)	0.053	(0.001)

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Refer to the Summary of Operations section in this MD&A for further details.

Business Overview

Datametrex AI Limited (the "Company" or "Datametrex AI") is a technology company focused primarily on collecting, analyzing, and presenting structured and unstructured data using machine learning and artificial intelligence, and selling of COVID-19 Test kits.

The Company is a publicly traded corporation, incorporated in the province of Ontario and its head office is located at 4711 Yonge Street, Suite 1000, Toronto, Ontario, M2N 6K8, Canada. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "DM", on the OTCQB under the trading symbol "DTMXF" and on the Frankfurt Stock Exchange under the trading symbol "D4G".

Summary of Operations

Revenue

For the six months ended June 30, 2021 (Q2-YTD), revenue was \$29,494,191. Certain significant revenue results were as follows:

- \$1,160,838 from IT services and licensing revenue earned from big data and Artificial Intelligence solutions (2020: \$1,388,725).
- \$28,156,627 from COVID-19 Test kit revenue (2020: \$1,375,071). This is a new business for the Company that commenced in 2020.
- The Company experienced significant increase in COVID-19 Test kit revenue during the first quarter ended March 31, 2021. This trend continued into the second quarter ended June 30, 2021 providing nearly \$10 million in revenue as discussed below.

For the three months ended June 30, 2021 (Q2-2021), revenue was \$10,448,303. Certain significant revenue results were as follows:

- \$771,899 from IT services and licensing revenue earned from big data and Artificial Intelligence solutions (2020: \$579,323).
- \$9,595,331 from COVID-19 Test kit revenue (2020: \$1,375,071). This is a new business for the Company that commenced in 2020.

Expenses & Management Fees

For the six months ended June 30, 2021, the Company incurred \$6,553,333 of operating expenses (2020: \$2,758,089). Certain significant items are noted:

- Depreciation and amortization of \$720,834 (2020: \$379,977) relating to the Company's property and equipment, intangible assets and right-of-use assets.
- Salaries, benefits, and consulting fees of \$1,323,514 (2020: \$746,947) increased in 2021 as a result of increased number of employees and contractors for the expanded COVID-19 related business.

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- Office and general expenses of \$754,678 (2020: \$254,364). The office and general expenses include the following: insurance, office rent, office supplies and other office related costs.
- Share based compensation of \$3,270,440 (2020: \$844,250). The significant increase in share-based compensation is due to various stock options granted during the fiscal year 2020. Also, the Company granted additional stock options to certain officers, directors and/or consultants of the Company in February 2021. The fair value is measured using the Black-Scholes Option Pricing Model which inherently includes certain assumptions made by management. The Company also issued 8,850,000 common shares valued at \$1,560,500 for services rendered and recorded as part of the share-based compensation for the period.
- In February 2021, the Company discontinued the use of equity method of accounting related to its investment in Graph Blockchain Inc. ("Graph") as a result of Graph issuing additional shares and diluting the Company's ownership. The Company classified the investment in Graph as a financial assets using fair value through profit or loss. The unrealized gain of \$12,639,102, calculated as the difference between the fair value of its investment in Graph of \$13,263,797 and the carrying value of \$624,696 on the date the Company discontinued the use of the equity method, was recognized in profit or loss for the period.

At June 30, 2021, the fair value of the Company's investment in Graph was \$2,486,962 resulting in an unrealized loss of \$10,776,835.

For the three months ended June 30, 2021, the Company incurred \$1,824,274 of operating expenses (2020: \$1,595,366). Certain significant items are noted:

- Depreciation and amortization of \$530,470 (2020: \$185,078) relating to the Company's property and equipment, intangible assets and right-of-use assets.
- Salaries, benefits, and consulting fees of \$551,629 (2020: \$381,235) increased in 2021 as a result of increased number of employees and contractors for the expanded COVID-19 related business.
- Office and general expenses of \$205,054 (2020: \$107,166). The office and general expenses include the following: insurance, office rent, office supplies and other office related costs.
- Unrealized loss of \$2,486,962 (2020: \$Nil) related to the Company's investment in Graph during the quarter due to the decrease in the fair value of the investment, as discussed above.

Summary of Quarterly Results

The following is a summary of the Company's eight most recently completed quarters:

	Q2 – 21	Q1 – 21	Q4 – 20	Q3 – 20	Q2 – 20	Q1 – 20	Q4 – 19	Q3 – 19
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	10,448,303	19,045,888	4,751,903	4,862,325	1,954,394	809,402	841,766	1,683,986
Management fees	-	-	-	-	-	-	(60,000)	60,000
Net income (loss)	850,134	9,560,351	(2,964,684)	(451,353)	(868,478)	(721,761)	(170,507)	(695,802)
Net income (loss) per share – basic	0.003	0.03	(0.012)	(0.002)	(0.003)	(0.003)	(0.001)	(0.003)
EBITDA	1,565,957	10,684,254	(2,161,771)	(245,938)	(669,376)	(528,303)	(51,358)	(539,115)
Adjusted EBITDA	1,567,993	13,952,658	(871,124)	362,059	(96,126)	(257,303)	(33,284)	(539,115)

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Segment information

Geographical information is summarized as follows:

	Canada \$	Korea \$	Total \$
For the six months ended June 30, 2021			
Revenue from external customers	28,333,353	1,160,838	29,494,191
Non-current assets	17,214,862	256,944	17,471,806
	Canada \$	Korea \$	Total \$
For the six months ended June 30, 2020			
Revenue from external customers	2,092,674	671,122	2,763,796
Non-current assets	6,254,869	11,787	6,266,656

Liquidity, Capital Resources, and Cash Flow

The Company has primarily financed its operations to date through the issuance of common shares and warrants. Also, the management focused on improving sales and reducing operating costs. The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

For the six months ended June 30, 2021, net cash provided by operating activities was \$7,926,928 (2020 – (\$1,475,741)), net cash used in investing activities was \$18,477 (2020 - \$21,518), and net cash provided from financing activities was \$664,337 (2020 - \$1,945,259).

As at June 30, 2021, the Company has an accumulated deficit of \$22,270,771 (December 31, 2020 - \$32,681,256) and a working capital of \$14,300,129 (December 31, 2020 – deficiency of \$2,180,101). For the six months ended June 30, 2021, the Company recognized a net income of \$10,410,485 (2020 – net loss of \$1,590,239) and had net cash flows from operating activities of \$7,926,928 (2020 – outflow of \$1,475,741). At June 30, 2021, the Company believes that it has sufficient cash to fund its planned operations for the next twelve months.

Related Party Transactions

a) **Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities at June 30, 2021 was \$30,900 (December 31, 2020 - \$Nil) due to related parties.

b) **Loan receivables**

As at June 30, 2021, the Company has a loan receivable from Graph in an amount of \$11,215 (December 31, 2020 - \$1,215). The loan is unsecured, non-interest bearing and repayable on demand.

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c) Compensation of key management personnel

Key management includes members of the Board and executive officers of the Company. Compensation awarded to key management is listed below:

	Six months ended June 30, 2021		Six months ended June 30, 2020	
	Amount \$	Options vested	Amount \$	Options vested
Cash based compensation	425,262	-	207,500	-
Share options (based on Black-Scholes)	<u>3,161,949</u>	<u>11,200,000</u>	<u>565,250</u>	<u>14,062,500</u>
	<u>3,587,211</u>	<u>11,200,000</u>	<u>772,750</u>	<u>14,062,500</u>

Business Acquisitions

See "Summary of Recent Developments" for a summary of recent business acquisitions.

Outstanding Share Information

The Company is authorized to issue an unlimited number of common shares with no par value. As at the date this discussion and analysis is prepared, the Company had 355,166,034 shares outstanding, 11,600,000 share options outstanding and 60,000,000 share purchase warrants outstanding.

Off Balance Sheet Arrangements

The Company has not entered into any off balance sheet arrangements, such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Risk Factors

Refer to the "Risk Factors" section of the annual MD&A for the year ended December 31, 2021. The risk factors remain primarily unchanged for the six months ended June 30, 2021.

Other Information

Additional information regarding the Company is available on SEDAR at www.sedar.com