

Datametrex AI Limited

Management's Discussion and Analysis
June 30, 2022
(Canadian dollars)

Datametrex AI Limited

Amended and Restated

Management's Discussion and Analysis for the six months ended June 30, 2022
(Canadian dollars, except share and unit information)

The following management discussion and analysis, prepared as of August 26, 2022, 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 annual consolidated financial statements for the year ended December 31, 2021 and the amended and restated condensed interim consolidated financial statements for the six months ended June 30, 2022. 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.

Amendment to the MD&A for the six months ended June 30, 2022

The Company is amending this MD&A as a result of the termination and cancellation of stock options granted on January 25, 2022. The Company and the optionees have agreed to rescind the stock options with effect as of January 25, 2022.

The termination and cancellation of the 13,000,000 stock options effective January 25, 2022 resulted a decrease in share-based compensation in the amount of \$736,639 and \$1,834,871 for the three and six months ended June 30, 2022, respectively.

There are no other changes to the Company's consolidated financial position and financial results for the three and six months ended June 30, 2022.

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 of 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

The Company appointed Mr. Charles Park, CFA, as the President of Nexalogy.

The Company's Medi-Call received three distribution agreements with international student agencies. These new partnerships now connect Medi-Call with agencies that introduce services, such as healthcare to students who are planning their new journey into Canada.

Nexalogy is in the process of developing an artificial intelligence and machine learning tool to detect depression and anxiety.

The Company received three purchase orders from Bitnine Global Inc., a Silicon Valley technology company based in San Francisco, for an aggregate total of \$2,410,000 CAD, for the Company's NexaSMART (Social Media Automated Reporting Technology) Intelligence Licensing.

The Company received a purchase order from an insurance company for approximately \$100,000 CAD for the Operating System Calibration Management and Monitoring System (SysMind), which is server automatization operations solution software.

The Company commenced launching its highly anticipated Mobile Charging Vehicle in British Columbia, and will be available for consumers to use on their electric vehicle for 24/7 on-demand roadside assistance services.

TSX Venture Exchange has accepted a notice filed by the Company of its intention to increase the number of common shares to be purchase for cancellation under the Company's Normal Course Issuer Bid ("NCIB"). The notice provides that the Company may, during the 12-month period ending June 7, 2023, purchase up to an aggregate 34,789,603 Shares in total, being approximately ten percent (10%) of the total number of Shares outstanding as of June 2, 2022. To date, a total of 17,807,500 Shares have been purchased for cancellation under the NCIB.

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, 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 do 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.

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The following table reconciles net loss to EBITDA and Adjusted EBITDA for the six months ended June 30, 2022, and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
	(Restated)		(Restated)	
Net income (loss)	(621,193)	850,134	1,829,589	10,410,485
Income taxes	107,436	184,807	179,133	1,107,410
Depreciation and amortization	611,963	530,470	1,255,173	720,834
Interest and accretion	1,276	546	2,011	11,482
EBITDA	99,482	1,565,957	3,265,906	12,250,211
Share based compensation	-	2,036	-	3,270,440
Adjusted EBITDA	99,482	1,567,993	3,265,906	15,520,651

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 cyber and health care company. The Company's wholly owned subsidiary, Nexalogy, focuses primarily on collecting, analyzing, and presenting structured and unstructured data using its patented machine learning and artificial intelligence. Datametrex Medi-Call is a telemedicine company providing medical services via its own app. Datametrex EVS is an electric vehicle solutions company providing various services to reduce "range anxiety". The Company also sells Covid-19 test kits and its testing services.

The Company is a publicly traded corporation, incorporated in the province of Ontario and its head office is located at 2300 Yonge Street, Suite 2802, Toronto, Ontario, M4P 1E4, 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, 2022 (Q2-YTD), revenue was \$18,341,444. Certain significant revenue results were as follows:

- \$2,803,472 from IT services and licensing revenue earned from big data and Artificial Intelligence solutions (2021: \$1,160,838).
- \$15,537,972 from health care revenue (2021: \$28,156,627).
- The Company experienced a significant increase in IT services revenue. The Company is currently working with several companies to build on its AI and Technology segment.

For the three months ended June 30, 2022 (Q2-2022), revenue was \$7,627,303. Certain significant revenue results were as follows:

- \$685,037 from IT services and licensing revenue earned from big data and Artificial Intelligence solutions (2021: \$771,899).

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- \$6,942,266 from health care revenue (2021: \$9,595,331).

Expenses & Management Fees

For the six months ended June 30, 2022, the Company incurred \$6,256,480 of operating expenses (2021: \$6,288,271). Certain significant items are noted below:

- Depreciation and amortization of \$1,255,173 (2021: \$720,834) relating to the Company's property and equipment, intangible assets, and right-of-use assets. The increase is due to the increase in intangible assets last year from Medi-Call.
- Share based compensation of \$Nil (2021: \$3,270,440). The Company entered into termination and cancellation agreements with the optionees to rescind the 13,000,000 stock options previously granted on January 25, 2022. As a result, the Company recorded no share based compensation expense for the period.
- Salaries, benefits, and consulting fees of \$2,251,389 (2021: \$1,323,514) increased as a result of increase number of employees and contractors for the new Medi-Call and EVS.
- Other operating expenses of \$2,006,749 (2021: \$218,805). This category includes the following: accounting, legal other professional fees, insurance and other office related costs.
- The Company holds marketable securities in ScreenPro and Graph Blockchain. The investments are measured at fair value, with the change recognized in profit or loss. During the six months ended June 30, 2022, the Company recorded an unrealized loss on its marketable securities of \$1,908,104 (2021 – unrealized gain of \$1,862,266).
- The Company also sold 300,000 shares of ScreenPro for proceeds of \$59,360 resulting in a loss of \$640.

For the three months ended June 30, 2022, the Company incurred \$4,183,816 of operating expenses (2021: \$1,516,136). Certain significant items are noted:

- Depreciation and amortization of \$611,963 (2021: \$530,470) relating to the Company's property and equipment, intangible assets, and right-of-use assets.
- Share based compensation of \$Nil (2021: \$2,036) as the Company had no stock options vested during the period, as discussed above.
- Salaries, benefits, and consulting fees of \$1,489,030 (2021: \$551,629) increased as a result of increase number of employees and contractors for the new Medi-Call and EVS.
- Other operating expenses of \$1,705,981 (2021: \$226,947). This category includes the following: accounting, legal other professional fees, insurance and other office related costs.
- Unrealized loss of \$650,116 (2021: \$2,486,962) related to the Company's investment in ScreenPro and Graph Blockchain.

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Summary of Quarterly Results

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

	Q2 – 22 \$	Q1 – 22 \$	Q4 – 21 \$	Q3 – 21 \$	Q2 – 21 \$	Q1 – 21 \$	Q4 – 20 \$	Q3 – 20 \$
Total revenue	7,627,303	10,714,141	8,713,152	10,821,697	10,448,303	19,045,888	4,751,903	4,862,325
Net income (loss)	(621,193)	2,450,782	(1,490,655)	170,294	850,134	9,560,351	(2,964,684)	(451,353)
Net income (loss) per share – basic	(0.002)	0.006	(0.004)	0.001	0.003	0.03	(0.012)	(0.002)
EBITDA	99,482	3,166,424	(390,334)	1,420,179	1,565,957	10,684,254	(2,161,771)	(245,938)
Adjusted EBITDA	99,482	3,166,424	(1,950,834)	1,420,179	1,567,993	13,952,658	(871,124)	362,059

Segment information

Geographical information is summarized as follows:

	Canada \$	Korea \$	Total \$
For the six months ended June 30, 2022			
Revenue from external customers	17,702,583	638,861	18,341,444
Non-current assets	27,124,235	255,093	27,379,328
	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

Liquidity, Capital Resources, and Cash Flow

The Company has historically primarily financed its operations through the issuance of common shares and warrants, but operations were profitable in recent periods. 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, 2022, net cash provided by operating activities was \$766,294 (2021: \$7,926,928), net cash used in investing activities was \$352,987 (2021: \$18,477), and net cash used in financing activities was \$790,938 (2021: provided \$664,337).

As June 30, 2022, the Company has an accumulated deficit of \$21,761,543 (December 31, 2021: \$23,591,132) and a working capital of \$16,052,000 (2021: \$14,338,151). On June 30, 2022, the Company had cash and cash equivalents of \$14,863,634. Management believes that it has sufficient cash to fund its planned operations for the next twelve months.

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Related Party Transactions

a) **Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities at June 30, 2022 was \$Nil (December 31, 2021 - \$16,600) due to an officer and a director of the Company.

b) **Loan receivables**

As at June 30, 2022, the Company has a loan receivable from Graph in an amount of \$56,706 (December 31, 2021 - \$56,706). The loan is unsecured, non-interest bearing and repayable on demand.

c) **Compensation of key management personnel**

Related parties include key management personnel and others considered to have significant influence or control over the Company's operations. The Company considers key management personnel to include members of the Board of Directors and executive officers of the Company. Compensation to key management personnel is listed below:

	Six months ended June 30, 2022		Six months ended June 30, 2021	
	Amount \$	Options vested	Amount \$	Options vested
Cash based compensation	1,793,025	-	425,262	-
Share based compensation	-	-	3,161,949	11,200,000
	<u>1,793,025</u>	<u>-</u>	<u>3,587,211</u>	<u>11,200,000</u>

Outstanding Share Information

The Company is authorized to issue an unlimited number of common shares with no par value. As of the date this management discussion and analysis is prepared, the Company had 415,960,201 shares outstanding, 3,100,000 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, 2022.

Other Information

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