

Datametrex AI Limited

Management's Discussion and Analysis
March 31, 2021
(Canadian dollars)

Datametrex AI Limited

Management's Discussion and Analysis for the three months ended March 31, 2021
(Canadian dollars, except share and unit information)

The following discussion and analysis, prepared as of May 31, 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 three months ended March 31, 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 a telemedicine company (the "Target"), an arm's length privately held company, incorporated under the laws of the Province of British Columbia.

The Target 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 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 months ended March 31, 2021 and 2020:

| | Three months ended March 31, | |
|---|-------------------------------------|--------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Net income (loss) | 9,560,351 | (721,761) |
| Income taxes | 922,603 | 16,207 |
| Depreciation and amortization | 190,364 | 194,899 |
| Interest and accretion | 10,936 | 14,766 |
| EBITDA | 10,684,254 | (495,889) |
| Share based compensation | 3,268,404 | 271,000 |
| Adjusted EBITDA | 13,952,658 | (224,889) |
| Weighted average number of common shares – basic | 279,355,854 | 233,701,561 |
| Adjusted EBITDA per share – basic | 0.05 | (0.001) |

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

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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 three months ended March 31, 2021, revenue was \$19,045,888. Certain significant revenue results were as follows:

- \$388,939 from IT services and licensing revenue earned from big data and Artificial Intelligence solutions (2020: \$809,402).
- \$18,561,296 from COVID-19 Test kit revenue (2020: \$Nil). 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 upward trend started in third and fourth quarters ended September 30, 2020 and December 31, 2020, respectively.

Expenses & Management Fees

For the three months ended March 31, 2021, the Company incurred \$4,729,059 of operating expenses (2020: \$1,162,723). Certain significant items are noted:

- Depreciation and amortization of \$190,364 (2020: \$194,899) relating to the Company's property and equipment, intangible assets and right-of-use assets.
- Salaries, benefits, and consulting fees of \$771,885 (2020: \$365,712) 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 \$549,624 (2020: \$147,198). The office and general expenses include the following: insurance, office rent, office supplies and other office related costs.
- Share based compensation of \$3,268,404 (2020: \$271,000). 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.

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- 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 March 31, 2021, the fair value of the Company's investment in Graph was \$4,973,924 resulting in an unrealized loss of \$8,289,873.

Summary of Quarterly Results

The following is a summary of the Company's quarterly results, beginning with the three months ended March 31, 2019 ("Q1 - 19").

| | Q1-21 \$ | Q4-20 \$ | Q3 - 20 \$ | Q2 - 20 \$ | Q1 - 19 \$ | Q4 - 19 \$ | Q3 - 19 \$ | Q2 - 19 \$ |
|--|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total revenue | 19,045,888 | 4,751,903 | 4,862,325 | 1,954,394 | 809,402 | 841,766 | 1,683,986 | 376,518 |
| Management fees | - | - | - | - | - | (60,000) | 60,000 | 105,000 |
| Net income (loss) | 9,560,351 | (2,964,684) | (451,353) | (868,478) | (721,761) | (170,507) | (695,802) | (1,011,962) |
| Net income (loss) per share – basic | 0.03 | (0.012) | (0.002) | (0.003) | (0.003) | (0.001) | (0.003) | (0.005) |
| EBITDA | 10,684,254 | (2,161,771) | (245,938) | (669,376) | (528,303) | (51,358) | (539,115) | (830,227) |
| Adjusted EBITDA | 13,952,658 | (871,124) | 362,059 | (96,126) | (257,303) | (33,284) | (539,115) | (841,500) |

Segment information

Geographical information is summarized as follows:

| | Canada \$ | Korea \$ | Total \$ |
|--|--------------|-------------|-------------|
| For the three months ended March 31, 2021 | | | |
| Revenue from external customers | 18,694,142 | 351,746 | 19,045,888 |
| Non-current assets | 5,992,502 | 9,936 | 6,002,438 |
| | Canada \$ | Korea \$ | Total \$ |
| For the three months ended March 31, 2020 | | | |
| Revenue from external customers | 326,241 | 483,161 | 809,402 |
| Non-current assets | 6,468,251 | - | 6,468,251 |

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 Company continues to seek capital through various means including the issuance of equity. 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.

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For the three months ended March 31, 2021, net cash provided by operating activities was \$1,711,858 (2020 – (\$144,324)), net cash used in investing activities was \$8,477 (2020 - \$5,528), and net cash provided from financing activities was \$939,015 (2020 - \$48,025).

As at March 31, 2021, the Company has an accumulated deficit of \$23,120,905 (December 31, 2020 - \$32,681,256) and a working capital of \$12,556,381 (December 31, 2020 – deficiency of \$2,180,101). For the three months ended March 31, 2021, the Company recognized a net income of \$9,560,351 (2020 – net loss of \$721,761) and had net cash flows from operating activities of \$1,711,858 (2020 – outflow of \$144,324). At March 31, 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**

As at March 31, 2021 and December 31, 2020, there were no amounts due to related parties included in accounts payable and accrued liabilities.

b) **Loan receivables**

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

c) **Revenue from related parties**

During the three months ended March 31, 2021, revenue from selling of COVID-19 Test kits and related products to ScreenPro Security Inc., a company with directors in common, was recorded in the amount of \$4,705,564 (2020 - \$Nil). During the three months ended March 31, 2021, the Company purchased goods and services from ScreenPro Security Inc., a company with directors in common, in the amount of \$6,236,471 (2020 - \$Nil).

The amount due from ScreenPro Security Inc. at March 31, 2021 was \$1,239,870 (December 31, 2020 - \$208,969).

e) **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:

| | Three months ended March 31, 2021 | | Three months ended March 31, 2020 | |
|--|--|-------------------|--|-------------------|
| | Amount | Options | Amount | Options |
| | \$ | vested | \$ | vested |
| Cash based compensation | 229,262 | - | 112,500 | - |
| Share options (based on Black-Scholes) | 3,159,913 | 11,200,000 | 230,000 | 11,500,000 |
| | 3,389,175 | 11,200,000 | 342,500 | 11,500,000 |

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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 292,769,034 shares outstanding and 11,600,000 share options outstanding.

Subsequent Events

Exercise of Share Options

Subsequent to March 31, 2021, the Company issued 1,147,000 common shares upon exercise of share options and received proceeds of \$199,990.

Contingent Liabilities and Contingent Consideration

The Company paid and eliminated \$278,923 of the accrual for contingent liabilities and contingent consideration.

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 three months ended March 31, 2021.

Other Information

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