

**Datametrex AI Limited**

Management's Discussion and Analysis  
**May 31, 2024**  
(Canadian dollars)

# Datametrex AI Limited

Management's Discussion and Analysis for the fifteen months ended March 31, 2024  
(Canadian dollars, except share and unit information)

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The following management discussion and analysis, prepared as of July 30, 2024, 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 audited consolidated financial statements for the fifteen months ended March 31, 2024. 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 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.

## **Business Overview**

Datametrex AI Limited is a technology-focused Company with exposure to artificial intelligence, GPT technology, machine learning, and telehealth. Datametrex's mission is to develop innovative tools and solutions that facilitate the adoption of new standards of protocols using artificial intelligence and health diagnostics. Leveraging these technologies enables companies to proactively address issues related to supply chain management and enhance their overall operational efficiency with predictive and preventive technologies.

Datametrex prides itself on its forward-thinking approach and the ability to develop progressive solutions that address the most pressing challenges facing businesses today. Datametrex is committed to supporting clients in achieving their goals and helping them stay ahead of the curve in an ever-changing business landscape.

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".

## **Change in Fiscal Year-End**

In February 2024, the Company changed its financial year end from December 31 to March 31 to better facilitate the audit process for audit services for companies with a year-end of December 31. Accordingly, the Company has a fiscal period of fifteen months from January 1, 2023 to March 31, 2024. Presented as comparative figures are the financial results for the twelve month period of January 1, 2022, to December 31, 2022.

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## Description of Business

### **Nexalogy Environics Inc. ("Nexalogy")**

For over a decade, Nexalogy has combined cutting-edge academic, statistical, and AI research with in-house know-how to build advanced products for social and traditional media research. Nexalogy brings a wealth of experience in AI, NLP, Deep Learning, and big data analysis to produce world-class software for investigative experts to perform data exploration and monitoring. Nexalogy also holds several patents in the field of NLP and text analytics.

Nexalogy has collaborated with the Canadian (DRDC, OSINT) and American armed forces (ONR, USAF) for over seven years, contributing to committees and scientific achievement awards at the NATO level. On the private side, Nexalogy has worked with companies like Samsung, Lotte, Ford and 7-11 to improve brand recognition, audience discovery, and internal narrative monitoring.

During the fifteen months ended March 31, 2024, the Company halted Nexalogy operations as a cost reduction measure as management is currently focusing on the Imagine Health Centres.

### Operational Details

Nexalogy's software, NexaIntelligence and NexaSMART, are available both as stand-alone products and as plug-ins to existing business intelligence and ETL pipelines. Nexalogy offers its software as an enterprise B2B offering with pricing commensurate with the amount of data processed. Nexalogy also participates in request for proposal (RFP) processes both in the public and private sectors, adapting its software solutions to specific customer needs on occasion. A typical enterprise engagement for Nexalogy ranges from hundreds of thousands to millions of dollars.

In addition to the enterprise offerings and RFP activities, Nexalogy offers custom services to businesses. These services include detailed research reports based on social and traditional media, market research and identification, and brand representation. Reporting and services start at \$25,000 CAD. Prices increase with the amount of data processed.

### Key Agreements and Partnerships

Nexalogy, as a subsidiary of Datametrex is currently recognized as a preferred solution provider for Lotte Corporation. This key strategic agreement has allowed Nexalogy to expand its footprint in the Korean market.

### Strategic Direction

In Q1 2023, Nexalogy announced its next-generation software, AnalyticsGPT. This platform integrates Nexalogy's proprietary GPT technology with its existing analytics engines, broadening its application. It aims to cater not only to large enterprises but also to SMEs, diversifying Nexalogy's potential market.

### Risk Factors

Nexalogy's business model is subject to various risks. As privacy laws evolve, access to primary data sources, especially from social media, may become restricted. Nexalogy adheres to these laws across all operational jurisdictions, including Canada, the US, and Korea. Some data types, like medical and legal information, come with added regulations. Additionally, should some data platforms choose to voluntarily restrict access to their data, Nexalogy would be adversely affected.

A significant portion of Nexalogy's revenue stems from public and private sector RFPs. A lack of suitable RFPs or unsuccessful bids could adversely affect the company's financial health. It's worth noting that certain public sector RFPs contain clauses that allow termination without prior notice. Nexalogy also works in the realm of AI. It's also worth noting that as this nascent technology matures, currently unknown risk factors may emerge such as government regulations and public backlash.

This business line holds medical insurance for its employees. Beyond this, no additional insurance is deemed necessary for the regular conduct of its operations.

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## Imagine Health Centres (“Imagine Health”) and Medi-Call Inc. (“Medi-Call”)

The Healthcare Vertical includes Imagine Health Centres, a multidisciplinary healthcare facility with locations currently in Calgary and Edmonton, Alberta, and Medi-Call, a telehealth platform for iOS and Android devices. Both Imagine Health Centres and Medi-Call aim to converge to offer a seamless, integrated healthcare model.

### Operational Details

Imagine Health Centres offer an extensive range of services, particularly focusing on their three primary lines: Medical, Pharmacy, and Physiotherapy. Their wide spectrum of services comprises Primary Care, Emergency Care, Pharmacy, Physiotherapy, Massage Therapy, Acupuncture, Cosmetic Services, Allergy Consultations, and Virtual Consults, provided by both employed healthcare professionals and independent consultants. Imagine Health does not own the locations of its medical clinics. Instead, the Company leases its clinic spaces. Imagine Health holds ownership of the pharmacies. However, the operations and management of these pharmacies are entrusted to and executed by licensed pharmacists in adherence to regulatory standards and best practices.

For the operation of our various services, the following licensing structures are in place:

- **Medical Clinic:**
  - Physicians must be registered and licensed with the College of Physicians & Surgeons of Alberta (CPSA).
- **Pharmacy:**
  - Pharmacists must be registered and licensed through the Alberta College of Pharmacy (ACP).
  - Pharmacy License: The pharmacy itself also has a license, in order to operate, that is under the name of a Imagine Health pharmacist.
- **Physiotherapy:**
  - Physiotherapists need to be registered and licensed with the Physiotherapy Alberta College + Association.

Imagine Health primarily derives its revenue through the following channels:

- **Physician Consultations:** Revenue is primarily generated when physicians consult with patients on a fee-for-service basis. The fees associated with these consultations are typically billable to entities such as Alberta Health, Workers Compensation Board, and Occupational Injury Service. Depending on the nature of the consultation and the coverage of the patient, either the patient directly pays for these services or the cost is covered by Alberta Health or private insurance.
- **Revenue Sharing:** Medical professionals charge a fee for the services they render. This fee is then shared between the professional and Imagine Health based on pre-agreed terms.
- **Pharmacy Operations:** On the pharmacy side of the business, revenue is generated from the sales of prescription drugs and over-the-counter (OTC) products. Moreover, licensed pharmacists have the capability to bill for additional services such as vaccinations and consultative sessions.

Imagine Health receives payments through various channels, including directly from Alberta's health care insurance plan, private insurance providers, and direct payments from clients.

Medi-Call, is an internally developed telehealth platform, with its technology maintained and updated through in-house resources and occasionally through external contractors as necessary. The Company continues to develop and implement Medi-Call technology to its Imagine Health medical centres. However, due to certain delays caused by external factors, there is no immediate update as to when the Company will be able to fully utilize the Medi-Call technologies.

The primary revenue sources for Imagine Health Centres are derived from patient consultations in the medical clinic, pharmacy prescription and OTC sales, and physiotherapy services.

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## Key Agreements and Partnerships

Imagine Health Centres is in the process of integrating the Medi-Call platform into its operations as mentioned above. This initiative will offer patients a unified virtual and physical healthcare experience, enhancing the services under a shared brand and nurturing a cohesive healthcare environment.

## Strategic Direction

The Company envisions unveiling a fully integrated healthcare model. This model intends to combine the in-person consultations facilitated by Imagine Health Centres with Medi-Call's telehealth services.

## Risk Factors

Datametrex's Healthcare division faces several risk factors including ongoing regulatory shifts in telehealth governance as laws catch up to the technology. Expansion into new provinces also runs risks, as new levels of healthcare compliance have to be factored into the business' expansion plans.

Datametrex's Healthcare division is also subject to all risk factors common to the healthcare industry such as federal and provincial laws and regulations, data privacy policies, malpractice, healthcare incidents at physical clinics, and escalating competition in both telehealth and conventional healthcare sectors. Additionally, the international student flows for Medi-Call may be subject to changing immigration policies in Canada and abroad.

The physicians and nurses associated with these entities have their own individual insurance coverages. They are licensed and regulated by their respective colleges – the College of Physicians & Surgeons of Alberta (CPSA) for those based in Alberta and the College of Physicians & Surgeons of British Columbia (CPSBC) for those in British Columbia.

## Upcoming Developments

Imagine Health Centres is set to progressively embed Medi-Call into its offerings, providing patients with a merged virtual and tangible healthcare experience. While a potential move into Ontario is under consideration, a definitive timeline is yet to be set.

## **Datametrex Electric Vehicle Solutions Inc. ("EVS")**

On November 13, 2023, the Company entered into an agreement related to the sale of EVS to New World. Pursuant to the agreement, New World agreed to acquire EVS for an aggregate purchase price of up to \$3,750,000, contingent upon EVS achieving certain milestones. The Company received 15,000,000 common shares of New World valued at \$225,000 (note 10) and may receive up to an additional \$3,000,000 in Earn-Out Payments contingent upon EVS's fulfillment of certain post-closing performance metrics. The sale resulted in a loss on deconsolidation of \$2,574,937, which included bank indebtedness of \$87,517, trade receivables of \$61,733, intangible assets of \$1,578,931, property and equipment of \$1,112,983, prepaids and other assets of \$154,130 and accounts payable and accrued liabilities of \$20,323.

## **Summary of Recent Developments**

### **NCIB Share Buyback Program**

For the fifteen months ended March 31, 2024, the Company has purchased a total of 12,604,000 common shares of the Company for an aggregate amount of \$1,210,677 through the NCIB share buyback program. During the period, a total of 16,390,500 common shares were returned to treasury and cancelled.

### **Summary of NCIB Share Buyback Program**

- In 2022, the Company spent \$2,040,650.71 to cancel 17,807,500 shares.
- From January 2023 to the date of this report, the Company spent a total of \$1,210,677 to cancel an additional 16,390,000 shares.
- From January 2023 to the date of this report, the Company spent a total of \$1,210,677 to cancel 16,390,000 shares.
- Overall, the Company spent a total of \$3,251,328 to cancel 34,198,000 shares.

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## Imagine Health

Imagine Health is currently in the final stages of opening a third clinic in Vancouver, while management reviews the possibility of opening a fourth clinic in Ontario.

To further solidify its position as a leading provider of innovative healthcare solutions, the Company will be incorporating a Wellness Centre into its two (2) existing clinics which further expands services that offer physiotherapy, IV Vitamin Therapy treatment, acupuncture, and much more.

## Selected Financial Information

	<b>Fifteen months ended March 31, 2024</b>	<b>Twelve months ended December 31, 2022</b>	<b>Twelve months ended December 31, 2021</b>
	\$	\$	\$
<b>Current assets</b>	3,673,121	15,618,738	23,775,212
<b>Total assets</b>	12,707,974	35,999,997	42,640,643
<b>Total current liabilities</b>	7,464,566	9,403,193	9,437,061
<b>Total liabilities</b>	11,703,511	13,231,352	10,151,618
<b>Revenue</b>	9,754,617	30,488,939	49,029,040
<b>Net income (loss)</b>	(23,930,387)	(17,258,809)	9,090,124

## 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 fifteen months ended March 31, 2024 and twelve months ended December 31, 2022:

	<b>Fifteen months ended March 31, 2024</b>	<b>Twelve months ended December 31, 2022</b>
	\$	\$
<b>Net loss</b>	<b>(23,930,387)</b>	(17,258,809)
Income taxes	(1,847,295)	988,592
Depreciation and amortization	3,752,098	2,791,878
Interest and accretion	199,733	18,423
<b>EBITDA</b>	<b>(21,825,851)</b>	(13,459,916)
Share based compensation	1,318,192	-
Consideration paid in excess of asset acquired	-	5,061,333
Impairment of intangible assets and goodwill	10,575,450	6,745,317
Impairment of property and equipment	507,011	-
Write down of inventory	136,724	-
Loss on settlement of accounts payable	2,322,582	-
Loss on deconsolidation	2,574,937	-
<b>Adjusted EBITDA</b>	<b>(4,390,955)</b>	(1,653,266)

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

## Summary of Operations

### Revenue

For the fifteen months ended March 31, 2024, revenue was \$9,754,617 (twelve months ended December 31, 2022: \$30,488,939). Certain significant revenue results were as follows:

- \$3,780,939 from IT services and licensing revenue earned from big data and Artificial Intelligence solutions (twelve months ended December 31, 2022: \$4,578,717). Nexalogy reported \$478,092 in revenue from reaching certain milestones on its Government of Canada contract. Remaining amounts are from Datametrex Korea for its IT hardware sales and servicing contracts. Gross profit for the fifteen months ended March 31, 2024 was \$1,156,905 (twelve months ended December 31, 2022: \$2,750,701) and gross margin was approximately 31% (twelve months ended December 31, 2022: 60%). The significant decrease in gross profit and margin is largely due to the composition of the Company IT revenue. The Company does not allocate any labour costs as direct costs related to the Nexalogy's government contracts due to the nature of the services provided.
- \$5,973,678 from health care revenue (twelve months ended December 31, 2022: \$25,910,222) which was largely from COVID-19 related businesses in prior year, but extended to Imagine Health centres for current year. Revenue for the quarter is significantly lower due to the stoppage of COVID-19 testing all locations. Direct costs for the fifteen months ended March 31, 2024 was approximately \$4,283,677. Gross profit for twelve months ended December 31, 2022 was \$7,444,442, or 28% gross margin. During the fifteen months ended March 31, 2024, the Company impaired all inventory related to COVID testing services. The Company is also in the process of improving operating efficiencies at the Imagine Health centres for future profits.
- The Company continues to work with several companies to build on its AI and Technology segment.

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As part of the Company's growth strategy, management made a strategic decision to reinvest the profits made in the acquisition of Imagine Health Centres. This acquisition and the Company exercising its share buyback program have contributed to a decrease in cash. The Company believes that the acquisition of Imagine Health Centres, will enhance its position in the market and drive future growth and profits.

The Company also spent a total of \$1,210,677 to repurchase 16,390,500 common shares of the Company through the NCIB which contributes to the decrease in cash.

The Company notes that the recent loss also includes the expenses related to the amortization and depreciation of various intangible assets. Despite the expected end of the COVID-19 pandemic, which fueled significant profits for the Company, management remains committed to a long-term strategy of prioritizing its core AI technology and integrating it to its healthcare businesses to drive sustained growth and profitability.

## Operating Expenses & Other Items

For the fifteen months ended March 31, 2024, the Company incurred \$14,352,982 of operating expenses (twelve months ended December 31, 2022: \$12,596,099). Certain significant items are noted below:

- Depreciation and amortization of \$3,752,098 (twelve months ended December 31, 2022: \$2,791,878) relating to the Company's property and equipment, intangible assets, and right-of-use assets. The increase is primarily driven by the intangible assets from Imagine Health.
- Share based compensation of \$1,318,192 (twelve months ended December 31, 2022: \$Nil) due to the issuance of 29.5 million stock options in June 2023 and 5 million stock options in August 2023.
- Salaries, benefits, and consulting fees of \$3,625,980 (twelve months ended December 31, 2022: \$3,928,731) related to building out new businesses, including Imagine Health and new AI driven businesses.
- Office and general of \$2,476,235 (twelve months ended December 31, 2022: \$1,871,097) includes office supplies, office maintenance, insurance, travel expenses, marketing costs and allowance for expected credit losses. The costs increased as the costs for COVID-19 businesses decreased slightly offset by an increase in office costs at dmEVS and Imagine Health. The Company continues to work towards decreasing costs for operating efficiencies.
- Professional fees of \$2,544,874 (twelve months ended December 31, 2022: \$3,232,037) due to various consulting services related to dmEVS and Imagine Health. The Company anticipates that the professional fees will be lower than previous periods due to the sale of the dmEVS to New World.
- The Company holds marketable securities in Justera and New World. The investments are measured at fair value, with the change recognized in profit or loss. During the fifteen months ended March 31, 2024, the Company recorded an unrealized gain on its marketable securities of \$1,416,029 (twelve months ended December 31, 2022: unrealized loss of \$2,456,839) and a realized loss on sale of marketable securities of \$1,084,591 (twelve months ended December 31, 2022: \$940) related to the disposal of 4,144,937 New World shares for proceeds of \$241,783 (twelve months ended December 31, 2022: \$Nil).
- Impairment of intangible assets and goodwill of \$10,575,450 (twelve months ended December 31, 2022: \$6,745,317) due to the Company completely writing down the trademarks, developed technologies, other intangible assets and goodwill of Nexalogy and Medi-Call operations due to a combination of not generating expected revenues and management shifting focus to other business ventures.

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- Loss on deconsolidation of \$2,574,937 (twelve months ended December 31, 2022: \$Nil) related to the sale of dmEVS to New World for an aggregate purchase price of up to \$3,750,000, contingent upon dmEVS achieving certain milestones.

## Quarter Ended March 31, 2024

For the three months ended March 31, 2024, the Company reported revenue of \$1,235,944 (2023: \$3,832,217) and operating expenses of \$2,068,287 (2023: \$3,398,133). The decrease in revenue is largely due to the declining sales in health division, namely the COVID-19 testing activities, as discussed above. AI and Technology sales remain steady and the Company plans to further invest and develop its proprietary AI technology for a potential of future revenues.

Operating expenses decreased as a result of significantly reduced operating activities related to COVID-19 testing, which is shown as reduction in all areas, including labour costs, office and operating costs, and professional costs. The Company continues to monitor expenses and will continue to implement new plans and strategies to stay operationally focused on newly acquired businesses.

The net loss for the quarter ended March 31, 2024 of \$12,209,532 (2023: \$1,251,169) included \$10,575,450 resulting from the impairment of intangible assets and goodwill of Nexalogy and Medi-Call's operations.

For detailed analysis of the fluctuations, see the discussion above for the fifteen months ended March 31, 2024.

## Summary of Quarterly Results

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

	Q5 – 24	Q4 – 23	Q3 – 23	Q2 – 23	Q1 – 23	Q4 – 22	Q3 – 22	Q2 – 22
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total revenue</b>	1,235,944	1,997,366	1,608,722	1,080,367	3,832,217	2,944,601	9,202,894	7,627,303
<b>Net income (loss)</b>	(10,362,236)	(6,881,275)	(2,362,458)	(3,073,249)	(1,251,169)	(20,071,827)	961,922	(621,193)
<b>Net income (loss) per share – basic</b>	(0.026)	(0.017)	(0.006)	(0.008)	(0.003)	(0.046)	0.002	(0.002)
<b>EBITDA</b>	(11,455,310)	(6,213,084)	(1,579,694)	(2,422,174)	(115,589)	(13,459,916)	2,699,239	99,482
<b>Adjusted EBITDA</b>	2,085,379	(3,572,071)	(1,418,838)	(1,369,836)	(115,589)	(1,653,266)	2,699,239	99,482

In the past, since Q2-2021, the Company reported approximately \$10 million revenue each quarter, with some fluctuations depending on seasonality of travelling or filming. Starting Q4-2022, the Company reported a sharp drop in revenue which is due to the fact that COVID-19 testing is no longer required for travels and the expectation that COVID-19 pandemic is coming to an end. This trend continued into Q1-2023 in which the Company reported revenue of \$3.8 million which is due to a strong revenue added by Nexalogy on reaching certain milestones with the Government of Canada. The Company's revenue stream related to COVID-19 businesses have ended during the first half of 2023 and Q2-2023 was the final quarter that the Company reported any such revenue.

Net income (loss) over the past 8 quarters were fluctuating significantly which is due to the timing of recognition of expense items, including share-based compensation expense, impairment losses on intangible assets, losses from business acquisitions, and unrealized losses on marketable securities. As a result, the Company experienced significant losses during Q4 of both 2022 and 2021. The Company reported positive EBITDA and Adjusted EBITDA except for those two Q4 quarters due to the annual adjustments, as described above. The net losses for Q1-2023 all the way up to Q5-2024 are due to the start-up costs associated with the new businesses acquired.

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## Segment information

Geographical information is summarized as follows:

	Canada \$	Korea \$	Total \$
<b>For the fifteen months ended March 31, 2024</b>			
Revenue from external customers	6,454,688	3,299,929	9,754,617
Non-current assets	8,990,150	254,393	9,244,543
	Canada \$	Korea \$	Total \$
For the twelve months ended December 31, 2022			
Revenue from external customers	28,312,374	2,176,565	30,488,939
Non-current assets	20,125,413	255,846	20,381,259

## 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 fifteen months ended March 31, 2024, net cash used in operating activities was \$7,028,413 (twelve months ended December 31, 2022: \$249,093), net cash used in investing activities was \$1,211,435 (twelve months ended December 31, 2022: \$3,791,975), and net cash used in financing activities was \$317,722 (twelve months ended December 31, 2022: \$2,402,657).

At March 31, 2024, the Company has an accumulated deficit of \$64,780,328 (December 31, 2022: \$40,849,941) and a working capital deficit of \$3,791,445 (December 31, 2022: working capital of \$6,215,545). On March 31, 2024, the Company had cash and cash equivalents of \$341,242 (December 31, 2022: \$8,934,913).

At March 31, 2024, the Company had current assets of \$3,673,121, including cash of \$341,242, and current liabilities was approximately \$7,464,566, including legal provision of \$1,875,000. Management believes that it has sufficient cash to fund its planned operations for the next twelve months. However, as noted above, the Company's cash flows from operations decreased significantly. During the fifteen months ended March 31, 2024, the cash used in operations was approximately \$7,028,413 compared to \$249,093 during the twelve months ended December 31, 2022. This is due to decreasing sales and increasing costs associated with start-up businesses.

In February 2024, the Company closed a financing for \$1 million to be used for working capital purposes.

Nexalogy's contract with the Canadian government continues to provide cash in 2023 and the Company continues to obtain IT related contracts both in Canada and in Korea.

The acquisitions of dmEVS and Imagine Health are complete and Imagine Health started to add revenues and cash flows almost immediately without any significant additional capital expenditures. At March 31, 2024, the Company had \$2.5 million already advanced to Imagine Health and no further capital expenditure is required. In connection with the purchase of Imagine Health, the Company issued a secured vendor take-back note with a principal amount of \$800,000 payable in installments of 6, 12 and 18 months from the date of issuance. \$266,667 was paid in May 2023 and \$533,333 remain outstanding as of the date of this MD&A.

dmEVS was sold to New World for further liquidity and to better focus on the health care businesses.

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## Related Party Transactions

### a) **Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities at March 31, 2024 was \$12,600 (December 31, 2022 - \$Nil) due to an officer of the Company.

### b) **Loan receivables**

As at March 31, 2024, the Company has a loan receivable from New World in an amount of \$10,000 (December 31, 2022 - \$10,000). 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:

	<b>Fifteen months ended March 31, 2024</b>		<b>Twelve months ended December 31, 2022</b>	
	<b>Amount</b>	<b>Options</b>	<b>Amount</b>	<b>Options</b>
	<b>\$</b>	<b>vested</b>	<b>\$</b>	<b>vested</b>
Short term compensation	727,657	-	2,610,222	-
Services included in direct costs	560,000	-	-	-
Share based compensation	884,514	23,500,000	-	-
	<b>2,170,171</b>	<b>23,500,000</b>	<b>2,610,222</b>	<b>-</b>

## 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.

## Contingency

A former employee of the Company filed a claim for wrongful dismissal seeking damages aggregating \$135,000. The Company filed a defence and counterclaim denying the claim and counterclaiming for certain losses incurred by the Company. The Company intends to defend the claim vigorously and the outcome of the claim cannot be reasonably estimated at this time.

## Risk Factors

The Company is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar business. Material risks that could significantly affect the financial condition, operating results or business of the Company are listed below:

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## *Risks Associated with the Company's Business*

### **Risks Associated with the Company's Limited Operating History and Evolving Business Model**

The Company has a limited operating history, especially Imagine Health, and therefore is exposed to the risks, expenses and problems frequently encountered by companies in the early stage of their development. The Company's business model is continuously evolving to adapt to the new and rapidly evolving industries that the Company operates. There are no assurances that the Company's products will gain market acceptance. To date, the Company has not earned operating profits and significant further operating losses are possible. There can be no assurance that the Company will achieve profitability.

### **Market Acceptance**

The success of the Company's products and any new services the Company may launch is dependent upon its ability to attract and retain a critical mass of customers in potentially diverse geographic locations. The sales cycle for a new merchant can be lengthy. Customers may not be willing to invest the time and resources necessary to achieve the necessary education and integration required to successfully deploy the Company's technology.

### **Key Management Personnel**

The Company depends on the services of its key technical, management, sales and marketing personnel. The loss of the services of any of these persons could have a material adverse effect on the Company's business, results of operations and financial condition. The Company's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Competition for such personnel can be intense, and the Company cannot provide assurance that it will be able to attract, engage, hire or retain technical, managerial, sales and marketing personnel in the future with the right qualifications, at the times needed, and/or at competitive costs. The Company's inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect its future growth and profitability.

### **Ability to Manage Growth**

The Company continuously seeks opportunities to grow its current business by pursuing existing and potential market opportunities, including acquisitions. Such growth may place significant demands on existing management and operational resources. It also creates the need for proper onboarding procedures to ensure smooth integration of the acquired business with existing business and products. In order to manage expected growth effectively, the Company must concurrently develop more sophisticated operational systems, procedures and controls. If the Company fails to develop these systems, procedures or controls on a timely basis, its business, financial condition and operating results could be materially affected in an adverse manner.

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## Technology and Development Risk

The Company's approach utilizes technology principally architected and developed by the Company. The Company has also contracted with or identified a number of key suppliers for the various components that comprise the Company's solutions. There can be no assurances that the Company will meet its targeted development or integration timelines such that it will be able to offer solutions at competitive pricing, or that the Company can continue to enhance and improve the responsiveness, functionality and features of its technology and enable the solutions to scale at a reasonable cost. In addition, there is a risk that third parties may have applied for or been granted patents for certain processes or technology which the Company has already deployed or intends to deploy, in which case the Company may incur additional costs or be prohibited from using or implementing certain product features or processes in one or more countries. The Company's solutions incorporate complex technology and software. Accordingly, they may contain errors, or "bugs", that could be detected at any point. Such errors could materially and adversely affect the Company's reputation, resulting in claims and/or significant costs to the Company, and/or cause consumers, merchants, licensees and other parties to abandon the Company's solutions and impair the Company's ability to market and sell solutions and services in the future. The costs incurred in correcting any errors and satisfying any such claims may be substantial and could adversely affect the Company's operating margins. While the Company plans to continually test its solutions for errors and work with customers and merchants through its maintenance support services to identify and correct bugs, errors may be found in the future.

## Protection of Intellectual Property

The Company depends on its ability to develop and maintain proprietary aspects of its technology and business methods. It seeks to protect its software, documentation and other written materials under trade secret and copyright law, as well as with confidentiality provisions in contracts with its customers, suppliers, contractors and employees, all of which afford limited protection. It is also seeking to protect its proprietary technology and business methods under patent laws in selected jurisdictions. The Company intends to apply for several trademark registrations.

Despite the measures the Company has taken to protect its intellectual property, there can be no assurance that these steps will be adequate, that the Company will be able to secure patents for all its inventions or trademark registrations for or the rights to use its trademarks, respectively, in Canada, the U.S. or other countries, that third parties will not breach the confidentiality provisions in the Company's contracts or infringe or misappropriate its copyrights, patents, trademarks and other proprietary rights, or that third parties have not already obtained prior rights in one or more jurisdictions to the same or similar trademarks to those of the Company or any other intellectual property sought to be protected by the Company.

## Global Financial Developments

Stress in the global financial system may adversely affect the Company's finances and operations in ways that may be hard to predict or to defend against. Financial developments seemingly unrelated to the Company or to its industry may adversely affect the Company over the course of time. For example, material increases in any applicable interest rate benchmarks may increase the debt payment costs for any credit facilities. Credit contraction in financial markets may hurt its ability to access credit in the event that the Company identifies an acquisition opportunity or requires significant access to credit for other reasons. A reduction in credit, combined with reduced economic activity, may adversely affect business. Any of these events may have a material adverse effect on the Company business, operating results, and financial condition.

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## **Compliance with Complex Domestic and Foreign Laws**

The Company is subject to a variety of laws and regulations in Canada and South Korea that involve matters central to its business, including user privacy, data protection, intellectual property, distribution, contracts and other communications, consumer protection, and taxation. Korean laws and regulations may be more restrictive than those in Canada. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry that the Company operates in. Existing and proposed laws and regulations can be and may be costly to comply with and can delay or impede the development of new products, result in negative publicity, increased operating costs, additional time and attention required from management, and subject the Company to claims or other remedies, including fines or demands that the Company modify or cease existing business practices.

The Company may in the future enter into agreements or conduct activities outside of Canada and South Korea, which expansion may present additional complexities in terms of the Company's legal compliance, and adversely affect the results of operations and/or financial condition of the Company.

## **Litigation**

Within the Company's normal course of operation, the Company may become involved in various legal proceedings. Such matter can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results and financial condition. In particular, the Company may face claims relating to the Company's products as the nature of the Company's business exposes it to claims related to intellectual property rights and rights of privacy.

## **Risks Associated with Additional Financing**

The Company may need to raise additional financing. There can be no assurance that the Company will be successful in raising sufficient capital on acceptable terms, if at all. If it is unable to raise capital, it may not be able to execute its business plan or respond to competitive pressures. If the Company is able to raise additional capital, it may be on terms and conditions which result in significant dilution to existing shareholders.

## **Currency Risk**

While the Company is headquartered in Canada and its shares are traded on the TSX Venture Exchange, certain operations may be conducted in Asia, the United States and Europe. As such, the Company's results of operations are subject to fluctuations in currency exchange rates, which may adversely affect the financial position and operating results of the Company.

## **Disruption of its Information Technology Systems**

The Company relies on information technology in virtually all aspects of its business. A significant disruption or failure of its information technology systems could result in service interruptions, security violations, regulatory compliance failures, an inability to protect information and assets against intruders, and other operational difficulties. Attacks perpetrated against its information systems could result in loss of assets and critical information and exposes it to remediation costs and reputational damage. A significant disruption or cyber intrusion could lead to misappropriation of assets or data corruption and could adversely affect its results of operations, financial condition, and liquidity. Additionally, if the Company is unable to acquire or implement new technology, it may suffer a competitive disadvantage, which could also have an adverse effect on its results of operations, financial condition, and liquidity. Cyber-attacks could further adversely affect the Company's ability to operate information technology and business systems or compromise confidential customer and employee information.

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## **Other Information**

Additional information regarding the Company is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)