



ARHT



Management's Discussion & Analysis

**for the three and twelve months ended December 31, 2023
and 2022**

ARHT MEDIA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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General

This discussion and analysis ("MD&A") of financial position and results of operations is prepared as at, May 3, 2024 and should be read in conjunction with the consolidated financial statements of ARHT Media Inc. (the "Company" or "ARHT") for the twelve months ended December 31, 2023 and the related notes thereto.

The financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the international Financial Reporting Interpretations Committee ("IFRIC"). Except where otherwise noted, all dollar figures included herein are quoted in Canadian dollars. These documents and other information relevant to the Company's activities are available for viewing on SEDAR at www.sedar.com.

Forward Looking Information

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management of the Company ("Management") and are subject to a variety of risks, uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: general business, general economic conditions, competitive, political, regulatory and social uncertainties, and in particular uncertainties relating to COVID-19; risks related to factors beyond the control of the Company; risks related to the Company's shares, including price volatility due to events that may or may not be within the Company's control; the ability to raise capital, disruptions or changes in the credit or securities markets; global economic climate; regulatory risks; the Company's ability to generate positive cash flow; changes in technology; and the emergence of additional competitors in the industry.

Readers are cautioned that the preceding lists of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements. The forward-looking statements contained in this document are made as of the date hereof.

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Description of Business

ARHT Media is the global leader and inventor of leading-edge live and prerecorded hologram experiences that are designed to enhance engagement for sales & marketing, as well as learning & development. The Company empowers brands, retailers, marketers, executives, educators, entertainers, medical practitioners, and speakers to be present as a high-quality life like hologram anywhere on the planet. ARHT creates an interactive and immersive experience that makes the audience feel as though the speaker or the product is in the room. Content (speakers or products) is captured using ARHT's proprietary Capture Studio and then transmitted over the common internet and appear live or pre-recorded on one of four types of holographic display: ARHT Capsule (ideal for smaller audiences), ARHT Show Window Max (for larger marketing and retail activations), ARHT Screens (for mainstage presentations to larger audiences) and ARHT VGS (for online audiences). ARHT's technology is used to help enterprise organizations increase engagement with their audiences, reduce travel costs, help achieve ESG goals and deliver impactful digital communication, ARHT enables brands and retailer to connect with their audiences in a much more engaging way than 2D displays.

ARHT's technology portfolio has been designed to scale for enterprise organizations. The entire system is based on a SAAS platform, including the world's only global holographic network backed by the Azure Cloud which improves reliability and reduces latency of 4K and HD streaming. ARHT's software and related hardware make up the ARHT Engine™ (AE), which is the core of the technology that powers the hologram platform. ARHT's recently released ISO feature, AE Live Advance Mode. enables people to be captured and beamed to a single audience, or multiple audiences, or to capture multiple presenters to a single or multiple audiences. Graphics and background imagery can be integrated for premium engagement and storytelling. PowerPoint and other dynamic 3D presentation aids can also be incorporated into a presentation. AE Quick Connect makes two-way live hologram streaming as simple as booking a Zoom call, without the need for onsite technicians. AE Content Management System (CMS) is a SAAS based system that allows clients to schedule and manage content on thousands of holographic displays from anywhere in the world. This globally recognized CMS system has seamlessly been integrated into the ARHT technology platform. AE Analytics provides a vast array of data to accurately measure engagement with the holographic content and AE Kiosk allows consumers the opportunity to select which content they want to see and interact with through an interactive touch screen.

The Company's technology is protected by US Patent No. 9,581,962, US Patent No. 9,658,462 and US Patent No. 9,904,066.

ARHT is listed on the TSX Venture Exchange (the "TSXV") under the symbol "ART" and under the symbol "ARHTF" on the OTCQB Market. The Company has four subsidiaries – ARHT Media (USA) Inc, Be There Networks Inc, ARHT Media (UK) Limited and ARHT Media Singapore Pte. Ltd. The Company has offices in Toronto, Los Angeles, New York, London and Singapore.

Outlook and Strategy

Throughout 2023 and into 2024, the Company has transformed into a leader in holographic communication, with a sustainable financial model and a proven history of client success. The Company understands precisely where, how, and why it excels. Its business model is not only scalable but also repeatable, ensuring long-term growth and viability. The Company possesses the necessary products and systems to execute large-scale installations effectively, demonstrating a strong product-market fit that aligns with industry demands. The Company expects to raise additional debt and/or equity capital to finance this strategy.

Pillars of this strategy include:

- Prioritizing sales and marketing efforts in the most profitable regions, specifically North America and Europe, to maximize revenue.
- Targeting organizations with significant scaling potential, including sectors such as retail, healthcare, education, and enterprise, to expand market share.
- Achieving substantial reductions in cash operating expenses, decreasing from \$3.1 million per quarter in Q1 2023 to an anticipated \$1.4 million in Q1 2024, enhancing financial efficiency.
- Securing significant cost reductions in the Cost of Goods Sold (COGS) for Capsule Displays through partnerships with major new contract manufacturers in Europe, the US, and Asia, which are expected to boost margins and ensure reliable supply for large-scale deployments.
- Utilizing proprietary software, hardware, network, and technical support systems designed specifically for enterprises, enabling global scalability and market competitiveness.

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- Continuing to integrate advanced AI applications to enhance customer engagement and further reduce operational costs for enterprise clients, driving innovation and efficiency.

2023 Highlights

Technology Development and Deployment:

1. Network Operations and Management:
 - Launched its Global Network Operation Centre
 - Implemented BMS system for NOC with traceability and client support
 - Migrated AE network infrastructure to Microsoft Azure cloud
 - Expanded AE network in China with Ali Cloud
2. Product and System Enhancements:
 - Introduced Enterprise Remote Management system, SaaS cloud-based Content Management system, and client-facing cloud room.
 - Standardized and launched high power AE Computer/System globally.
 - Onboarded global manufacturers in EU/NA and APAC.
 - Enhanced product protection and mobility with CAPSULE Professional Event Road Case.
 - Introduced AE-KIOSK management concept with Netflix Kiosk project.
3. Innovative Technologies and Features:
 - Tried AI Virtual Concierge.
 - Launched instant LIVE beam via QR code scan.
 - Introduced analytics around content usage and client interaction.
 - Integrated cutting-edge AI (LLM) driven concierge service (Beta).
4. Certifications and Compliance:
 - Achieved various global certifications across markets including CA, CE, PSE, RoSH, CB, CCC, UL, and CSA

Strategic Agreements and Partnerships:

- Signed reseller agreements spanning major global markets and with industry leaders like the Samir Group, Newtonlab Space, and a display manufacturer.
- Became a preferred supplier for major organizations such as Encore and Newtonlab Space.
- Secured subscription agreements and embarked on tours to expand network and visibility.
- Showcased at Diversified's global client conference.

Strategic Product Sales and Installations:

- Achieved significant sales of Capsule and ARHT systems to major corporations, healthcare institutions, and educational establishments across North America, Asia, and Europe.

Financial Activities:

- Secured a \$2 million accounts receivable financing facility and closed a \$2.03 million private placement of debentures

Executive and Personnel Announcements:

- Appointed Jack Bensimon to the board of directors (September 2023).

Events and Showcases:

- Participated in high-profile events including NBA All-Star Game, global innovation conferences, and keynotes at major academic and industry-specific gatherings across the globe.
- Showcased technology at various international client and industry events, enhancing brand visibility and engagement

Events Subsequent to 2023

- **Participation at NRF 2024:** In early 2024, ARHT Media participated in NRF 2024: Retail's Big Show, highlighting their innovations in holographic technology to enhance retail experiences.

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- **Multi-Country Holographic Display Contract:** On January 15, 2024, ARHT Media secured its first significant contract to supply holographic displays across multiple countries with a prestigious global luxury brand, marking a milestone in their expansion strategy. ARHT technology is to be installed in the country headquarters in Italy, USA, China, Singapore, and Korea, following the installation in Japan in 2023.
- **ARHT's Largest Single Contract to Date:** On April 2, 2024, the University of Québec at Trois-Rivières and the Province of Quebec invested over \$900,000 in ARHT Media's technology for a pioneering study, reflecting significant institutional support and confidence in the application of holographic technologies.
- **Appointment Richard Carl as Executive Chair:** ARHT Media announced the appointment of Richard Carl as the Executive Chair. Mr. Carl has served as a member of the board of directors of the Company (the "Board") since 2020.
- **Closing of a Private Placement Offering:** ARHT Media announced the successful closing of a \$250,000 private placement of secured subordinated debentures on February 20, 2024.
- **Partnership Enhancements at Trade Shows:** Throughout early 2024, ARHT Media showcased partnerships and hologram technology enhancements, such as at the National Retail Forum in New York with Manhattan Industries and the Passenger Terminal Expo 2024 in Frankfurt with Atkins Realis, demonstrating their commitment to delivering cutting-edge visual display solutions.
- **Appointment of Vasily Ryabov as Chief Financial Officer:** ARHT Media announced the appointment of Vasily Ryabov as the new CFO, succeeding Hanna Ayyad. This change is part of ARHT's ongoing efforts to drive sales growth and future profitability.
- **Enhanced Fan Engagement with Provision Events:** ARHT teamed up with Provision Events to enhance fan engagement at the Hoag Classic PGA Champions event. This collaboration leveraged ARHT's advanced holographic technology to create an immersive experience for attendees.
- **Partnership with German-based Cairo for Retail Innovation:** ARHT formed a partnership with the German design furniture retailer Cairo to integrate holographic sales assistants into Cairo's retail strategy. This initiative aims to provide customers with a unique and personalized shopping experience, blending physical and digital retail elements.
- **London Marathon Fan Experience with Tata Consulting:** ARHT technology enabled participants and fans of the London Marathon to turn themselves into a hologram and post holographic messages on social media

Overall Performance

For 2023, the Company generated revenue of \$4,920,320 as compared to \$7,511,217 in fiscal year 2022.

Management believes that enterprise organizations are actively exploring ways to deploy technology to reduce costs, increase efficiencies and improve client experiences. ARHT's patented, certified and proven holographic technologies, combined with new AI technologies, are extremely well positioned for this new corporate focus. At the same time, retailers and brands continue to test new technologies to curate consumer experiences that cannot be replicated at home in order to increase brand loyalty and fandom.

While the Company is disappointed with the revenue achieved in 2023 the improvements in technology, systems, POC's and channel partners, combined with the new focus in geography, vertical market and profitability has prepared ARHT to scale its business with a sustainable financial model.

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The core of ARHT's technology:

CAPSULE Holographic Display

The Company's latest touchscreen 4K hologram display is capable of creating memorable interactive experiences that completely reimagine viewer engagement. CAPSULE is a consumer-facing holographic display that is plug-and-play for events in all lighting conditions and can be permanently installed for retail and other user-facing applications. CAPSULE can beam-in live hologram presenters by leveraging ARHT's HoloPresence™ capabilities, as well as playback pre-recorded programmatic content that viewers can interact with using touch. The CAPSULE combined with the Company's software provides the following list of features:

- Live, pre-recorded and 3D presentation content.
- A 4K display resolution with interactive touchscreen.
- Plug & play system.
- Analytics for data collection in retail and enterprise
- Ability to easily integrate QR codes.
- Works in all Light conditions.

ARHT Engine™

The ARHT Engine is a proprietary technology developed by the Company that allows for the seamless delivery (0.3 seconds or less) of lifelike holographic displays of people or objects in real-time. The technology is designed to capture and transmit high-definition three dimensional ("3D") images of a person or object in one location, and project a life-sized hologram of that image in another location, giving the appearance that the person or object is physically present. The ARHT Engine utilizes a combination of advanced hardware and transmits data over a private network in the Microsoft Azure cloud. Technology has applications in a wide range of industries, including entertainment, education, and corporate communications. The software provides the company with recurring revenue through software licensing fees.

Virtual Global Stage

In March 2020, the Company launched Virtual Global Stage (Stage ("VGS™")), which allows multiple presenters to interact with one another on the same stage with no latency, appearing much like they would if they were physically next to one another. Presenters can stand or be seated and can appear with 3D graphics, streaming video, or PowerPoint to enhance the story telling.

Business Model

The Company generates revenue through four primary channels:

1. **Equipment Sales:** The Company's growing line of holographic display technology as well as capture studio technology. These sales provide both one time and recurring revenue through license fees.
2. **Subscription Sales:** Q2 2023 marked the introduction of a new revenue stream under the Subscription model. Customers would be able to enter into subscription agreements for the Company's holographic display technology. These are multiyear agreements that generate monthly revenue over the term.
3. **Event Revenue:** By providing holographic and other services primarily to enterprise clients by beaming presenters around the world for conferences, meetings, client presentations, education etc. Not only is this a significant source of revenue, with a very high level of repeat clients, but it also provides marketing exposure to the audiences experiencing these events.

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4. **Licensing, Maintenance, Project Management and Production Services:** As the number of locations that purchase the Company's technology grows so do the ongoing revenues for each of licensing, maintenance fees, project management services and production services.

Summarized Financial Results

Selected Quarterly Financial Information

The following tables set out selected financial information for the last eight quarters:

	Three months ended December 31, 2023	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023
Revenue	\$ 207,515	\$ 1,360,488	\$ 2,071,841	\$ 1,280,476
Net (loss)	(3,238,733)	(3,117,190)	(2,096,451)	(2,808,407)
Per share - basic and diluted	(0.01)	(0.02)	(0.01)	(0.02)

	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022
Revenue	\$ 2,078,909	\$ 2,027,538	\$ 2,006,596	\$ 1,398,174
Net (loss)	(2,891,046)	(1,590,029)	(1,762,756)	(1,331,738)
Per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)

Selected Annual and Quarterly Financial Information

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the twelve months ended December 31, 2023	For the twelve months ended December 31, 2022
Revenue	\$ 207,515	\$ 2,078,909	\$ 4,920,320	\$ 7,511,217
Cash used in operations	(829,446)	(1,453,198)	(6,308,446)	(7,113,174)
Net (loss)	(3,238,733)	(2,891,046)	(11,260,781)	(7,575,569)
Net (loss) per share - basic and diluted	(0.02)	(0.01)	(0.06)	(0.04)

To date, the Company has expensed all research-related expenditures.

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Results of Operations

	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue	\$ 4,920,320	\$ 7,511,217
Cost of Sales	(2,169,800)	(3,928,357)
Gross Profit	\$ 2,750,520	\$ 3,582,860
Expenses		
Employee and consultant expenses	(6,399,316)	(5,627,771)
Research expenditures	(1,035,570)	(1,065,828)
General administration and selling expenses	(3,410,009)	(1,933,746)
Marketing and advertising expenses	(804,051)	(917,420)
Amortization	(1,381,537)	(709,710)
Share-based compensation	(805,833)	(925,302)
Finance (costs)/income	(225,638)	10,924
Foreign exchange (loss)/gain	(98,466)	10,424
Total expenses	(14,160,420)	(11,158,429)
Loss before the undernoted	(11,409,900)	(7,575,569)
Gain on sale of equipment	149,119	-
Net loss and comprehensive loss	(11,260,781)	(7,575,569)
Net loss per share - basic and diluted	\$ (0.06)	\$ (0.04)
Weighted average number of common shares outstanding	192,350,738	181,479,187

See notes to the consolidated financial statements for the year ended December 31, 2023 and 2022.

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Revenue and Expenses Analysis

For the three months ended December 31, 2023 and the three months ended 2022 December 31, 2022

During the three months ended December 31, 2023, the Company generated revenues of \$207,515 (December 31, 2022: \$2,078,909). For Q4 2023, the Company achieved gross revenues of \$1,172,423 but had reductions, eliminations and adjustments related to previous revenues of \$964,908 which resulted in the reported revenues of \$207,515. The Company generated revenues through VGS™ events, equipment sales, rentals, holographic content creation and transmission and license fees.

During the three months ended December 31, 2023, total expenses were \$3,368,423 (three months ended December 31, 2022: \$3,677,360). Excluding non-cash share-based compensation, foreign exchange gain (loss) and non-cash amortization and accretion, cash expenses for the period were \$2,808,582 (December 31, 2022: \$3,154,167). The reduction in total cash expenses compared to the three months ended December 31, 2022 of \$480,508 was the result of a reduction in employee and consultants' expenses, research and development expenditures, marketing and advertising.

For the twelve months ended December 31, 2023 and the twelve months ended December 31, 2022

During the twelve months ended December 31, 2023, the Company generated revenues of \$4,920,320 (twelve months ended December 31, 2022: \$ 7,511,217). The Company generated revenues through VGS™ events, equipment sales, rentals, holographic content creation and transmission and license fees.

During the twelve months ended December 31, 2023, total expenses were \$14,160,420 (twelve months ended December 31, 2022: \$11,158,429). Excluding non-cash share-based compensation, foreign exchange gain/(loss) and non-cash amortization and accretion, cash expenses for the period were \$11,874,584 (twelve months ended December 31, 2022: \$9,544,765). The increase in total cash expenses compared to the twelve months ended December 31, 2022 of \$2,104,181 was due the result of an increase in employee and consultant's expenses, research expenditures, investor relations expenses and marketing and advertising.

Cash Flow Analysis

For the three months ended December 31, 2023, and the three months ended December 31, 2022

Cash of \$2,627,749 was used in operating activities before changes in working capital items during the three months ended December 31, 2023, compared to \$2,444,927 used in operating activities during the three months ended December 31, 2022.

During the three months ended December 31, 2023, net cash of \$190,060 was generated in financing activities (three months ended December 31, 2022 - \$52,433) from the operating line of credit less the principal element of lease payments.

For the twelve months ended December 31, 2023, and the twelve months ended December 31, 2022

Cash of \$8,863,557 was used in operating activities before changes in working capital items during the twelve months ended December 31, 2023, compared to \$5,865,557 used in operating activities during the twelve months ended December 31, 2022.

During the twelve months ended December 31, 2023, net cash of \$1,975,134 was generated in financing activities (twelve months ended December 31, 2022 - \$10,531,451) from the net proceeds from the debentures less the principal element of lease payments.

Liquidity and Capital Resources

The Company defines capital that it manages as the aggregate of its share capital, being composed of capital stock, warrants, options, deficit, and cash. Its objective when managing capital is to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders.

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The Company's objective in managing liquidity risk is to maintain sufficient liquidity to meet operational and investing requirements at any point in time. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company is not currently subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

As of December 31, 2023, the Company has not achieved profitable operations; had a shareholders' deficit of \$2,603,551, working capital deficiency of \$2,348,539 and an accumulated deficit of \$58,687,973.

The operations of the business, in the long term, are dependent upon the Company's ability to achieve market acceptance of its current suite of products and any new products that may be introduced. Until such time as the Company has sufficient sales revenue from which to internally fund its operating cost requirements, the Company will require additional financing. These future financings may be obtained from the sale of equity securities, debt, or the sale of assets. The issuance of additional equity securities by the Company could result in significant dilution in the equity interests of the current stockholders. There can be no assurance that additional financing will be available to the Company when needed or, if available, that it can be obtained on commercially reasonable terms. If the Company is not able to obtain the additional financing on a timely basis, it may be forced to scale down or perhaps even cease the operation of its business.

These factors may raise doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for fiscal 2023. Realizable values may be substantially different from carrying values as shown on December 31, 2023 consolidated financial statements and do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

On January 29, 2024 1,674,000 stock options expired. The options were held by various employees of the Company and were exercisable at a price of \$0.14 per option.

On March 17, 2024 35,372,258 warrants expired. The warrants were exercisable at a price of \$0.33 per warrant.

On January 6, 2024 the Company issued 1,912,031 shares to repay interest accrued on the secured debentures. See note 11.

On February 20, 2024 the Company closed a private placement (the "Private Placement") of secured subordinated debentures (the "Debentures") in a total principal amount of \$250,000, maturing on February 20, 2026 (the "Maturity Date"). The Debentures bear interest at a rate of 15% per annum, accrued and payable semi-annually in cash on each of June 30 and December 31. At the option of the Company and subject to the approval of the TSX Venture Exchange (the "TSXV"), the total interest can be converted into shares at a conversion price of not less than the market price of the Company's shares.

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows
at December 31, 2023					
Accounts payable and accrued expenses	\$ 2,949,240	\$ -	\$ -	\$ -	\$ 2,949,240
Lease liabilities (Note 9)	22,022	79,049	71,558	-	172,629
Loans payable (Note 10)	40,000	-	-	-	40,000
Debentures (Note 11)	-	-	2,029,666	-	2,029,666
Operating line of credit (Note 21)	234,777	-	-	-	234,777
Total	\$ 3,246,039	\$ 79,049	\$ 2,101,224	\$ -	\$ 5,426,312
at December 31, 2022					
Accounts payable and accrued expenses	\$ 2,825,949	\$ -	\$ -	\$ -	\$ 2,825,949
Lease liabilities (Note 9)	53,159	51,947	17,316	-	122,422
Loans payable (Note 10)	-	40,000	-	-	40,000
Total	\$ 2,879,108	\$ 91,947	\$ 17,316	\$ -	\$ 2,988,371

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Risks and Uncertainties

Also see the risks and uncertainties disclosed in the Company's Amended & Restated Annual Information Form dated March 9, 2022 and in the Short Form Prospectus dated March 10, 2022. The risks and uncertainties below must be considered, as they may affect the Company's ability to achieve its strategic goals. Investors are therefore advised to consider the following items in assessing the Company's prospects as an investment.

History of Net Losses

The Company has incurred net losses on an annual basis and has accumulated an approximate deficit of \$57 million as of December 31, 2023. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses or the Company is not able to reduce expenses in a timely manner, the Company will not be profitable.

Debt and Equity Financing

The Company's anticipated growth and development activities will, in part, depend on the Company's ability to secure additional financing. The Company cannot be certain that financing will be available when needed, and, as a result, the Company may need to delay discretionary expenditure. In addition, the Company's level of indebtedness from time to time could impair its ability to obtain additional financing and to take advantage of business opportunities as they arise. Failure to comply with facility covenants and obligations could also expose the Company to the risk of seizure or forced sale of some or all its assets. In addition, in the event of a bankruptcy, liquidation, or reorganization of the Company, creditors will generally be entitled to payment of their claims from the assets of the Company before any assets are made available for distribution to the holders of Common Shares. Therefore, in such an event, the holders of Common Shares will be effectively subordinated to the indebtedness and liabilities of the Company.

Future Operations

The markets for the Company's products and services experience ongoing technological changes and the Company must compete with existing technology and service providers, new companies and advancing technologies. To remain fully competitive, the Company must continue to innovate and respond with advanced generations of software, products, and services. The inability to react in a timely fashion to technological and competitive changes could have a negative impact on the Company and its ability to attract and retain customers. Moreover, the highly competitive market in which the Company operates could cause the Company to reduce its prices and offer other favorable terms to compete successfully with its rivals. These practices could, over time, limit the prices that the Company can charge for its products and services. If the Company were unable to offset such potential price reductions from software sales and related products it could negatively impact the Company's profit margins and operating results.

Difficulties in Managing Growth

The Company and its subsidiary may continue to experience growth in operations, which will continue to place significant demands on management and operational, financial, and technological infrastructure. As growth continues, the Company must expend significant resources to identify, hire, integrate, develop and motivate a large number of qualified employees. If the Company fails to effectively manage hiring needs and successfully integrate new hires, the Company's ability to develop and enhance its technology and generate revenue may be impacted.

To effectively manage growth, including managing its various contractual and regulatory obligations, the Company will need to continue spending significant resources on improving its technology infrastructure, operational, financial and management controls, and reporting system and procedures by, among other things:

- monitoring and updating the Company's technology infrastructure to maintain high performance and attract new customers.
- enhancing the Company's internal controls to ensure timely and accurate reporting of all the Company's operations.

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- developing new technologies and upgrading existing technologies to remain competitive and attract new customers; and
- appropriately documenting the Company's information technology systems and the Company's business processes.

These enhancements and improvements will require significant capital expenditure and allocation of valuable management and employee resources. If the Company fails to implement these enhancements and improvements effectively, then the Company's ability to manage expected growth and comply with the rules and regulations that are applicable to public reporting companies will be impaired.

Litigation

All industries, including the technology industry, are subject to legal claims, with and without merit. Legal proceedings may arise from time to time in the course of the Company's business. Such litigation may be brought against the Company or one or more of its subsidiaries in the future from time to time or the Company or one or more of its subsidiaries may be subject to another form of litigation. Defense and settlement costs of legal claims can be substantial, even with respect to lawsuits that have no merit.

Possible Dilution to Present and Prospective Shareholders

Business negotiations related to the Company's search for new business opportunities may result in the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence of Key Personnel

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term.

Volatility of Share Price

The market price of the Company's Common Shares is subject to significant fluctuations in response to various factors, including, but not limited to, variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative or regulatory changes, and other events and factors outside of the Company's control.

In addition, the stock markets from time to time have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many companies and that often have been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of Common Shares. There can be no assurance that the holders or purchasers of the Common Shares will be able to sell their shares at prices equal to or greater than their cost. Also, general economic and political conditions could adversely affect the market price for the Common Shares.

Third Party Credit Risk

The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers, and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Regulatory

Technology operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Company's operations may require licenses and permits from various governmental authorities in the countries in which it operates. There can be no assurance that the Company, or its partners, will be able to obtain all necessary

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licenses and permits that may be required to carry out or continue its operations.

Conflicts of Interest

Certain of the directors and officers of the Company may serve from time to time as directors, officers, promoters and members of management of other companies involved in technology similar to the Company and therefore it is possible that a conflict may arise between their duties as a director or officers of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and the directors and officers will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Dividend Policy

The declaration and payment of future dividends will be at the discretion of the Board of Directors and may become subject to restrictions under any credit facilities that may be entered into by the Company and may be affected by various other factors, including, but not limited to, the Company's earnings, financial condition and legal or contractual restrictions. There can be no assurance that the Company will be in a position to pay dividends at the same rate (or at all) in the future. Moreover, there are or may be statutory, contractual, tax or other limitations on the ability of the Company's subsidiaries to make distributions to the Company. If the cash the Company receives from its subsidiaries pursuant to such distributions is insufficient, or if the subsidiaries are unable to make such distributions, the Company may be required to raise cash through the incurrence of debt, the issuance of additional equity or the sale of assets to fund its obligations. However, there can be no assurance that the Company would be able to raise cash by any of these means in a timely manner or on terms that are favourable to the Company.

Related Party Transactions

Key management compensation

Key management personnel are those people who have authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, and also comprise the directors of the Company. The remuneration of key management personnel during the three and twelve months ended December 31, 2023, and the three and twelve months ended December 31, 2022 were as follows:

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the twelve months ended December 31, 2023	For the twelve months ended December 31, 2022
Short-term benefits	\$ (155,666)	\$ (180,152)	\$ 783,550	\$ 773,100
Share-based payments	(42,571)	167,148	423,670	566,746
Total compensation	\$ (198,237)	\$ (13,004)	\$ 1,207,220	\$ 1,339,846

As at December 31, 2023, the Company had accrued payroll amount of \$73,643 (2022 – \$ Nil) owing to the officers of the Company. These amounts are non-interest bearing, unsecured, and due on demand.

Additionally, as at December 31, 2023, the Company had \$66,349 (2022 - \$50,000) of consulting and travel fee expense reimbursements owing to directors and officers of the Company. These amounts are non-interest bearing, unsecured and due on demand.

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Financial Instruments

The carrying values of cash and cash equivalents, restricted cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

The principal financial risks to which the Company is exposed are described below:

Currency Risk

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar, namely the U.S. dollar. As a result, fluctuations in the rate of exchange between U.S. and Canadian dollars can have an effect on the Company's reported results. The Company has not utilized any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates. The Canadian dollar equivalent of the Company's monetary assets and liabilities denominated in US, GBP, EUR or SGD dollars as at December 31, 2023 was a net liability of approximately \$1,010,962 (2022 – net asset of \$573,296). A 10% increase or decrease in the exchange rate between US, GBP, EUR or SGD and Canadian dollars would impact net loss by approximately \$101,110 (2022 – \$57,340).

Credit Risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the Company. Cash and cash equivalents are held with a reputable Canadian financial institution, from which management believes the risk of loss is remote. HST receivable is due from the Federal Government of Canada. Trade receivables are all to be received in the normal course of business.

The Company is exposed to credit risk from customers. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its trade receivables in order to mitigate any possible credit losses.

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. The Company considers whether evidence of impairment exists on an individual and collective basis for trade receivables. All trade receivables that are individually material are individually assessed for impairment. All trade receivables that are individually material and not individually impaired are collectively assessed to detect any impairment that may exist but has not yet been identified. Trade receivables that are not individually material are collectively assessed for impairment by aggregating trade receivables. In performing the collective impairment assessment, the Company uses historical patterns for the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Allowance for doubtful accounts and past due receivables are reviewed by management regularly. The allowance for doubtful accounts balance is also updated regularly based on an impairment calculation under the expected credit loss model. Trade receivables are written off once determined not to be collectible.

The following table sets forth the continuity of allowance for doubtful accounts for the years indicated:

	\$
Closing balance, December 31, 2021	133,081
Provisions made during the year	118,439
Provisions used during the year	(39,879)
Closing balance, December 31, 2022	211,641
Provisions made during the year	620,712
Provisions used during the year	(12,025)
Closing balance, December 31, 2023	820,328

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Pursuant to their respective terms, trade receivables are aged as follows as at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
Current	\$	215,858	\$	1,248,832
31 - 60 days		98,030		57,684
61 - 90 days		86,477		722,891
91 - 120 days		461,017		14,851
Over 120 days		946,453		599,905
Total gross trade receivables	\$	1,807,835	\$	2,644,163
Less allowance for doubtful accounts		(820,328)		(211,641)
Total trade receivables	\$	987,507	\$	2,432,522

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The other loans payable bear interest at a fixed rate, thus the cash flows are not subject to significant interest rate risk. The Company does not hedge exposure to interest rate risk as it is minimal and does not believe there would be any material movements for the three and twelve months ended December 31, 2023 as a result of changes in interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Given that the Company does not have internally generated cash inflows, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company on a timely basis. The Company manages this financial risk by endeavoring to ensure that funds are available to meet financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operational growth. Refer to Note 1 of the financial statements for the details regarding going concern assumption.

Capital Management

The Company defines capital that it manages as the aggregate of its share capital, being composed of capital stock, reserves, deficit and cash. Its objective when managing capital is to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders.

The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company requires capital to maintain its operating businesses, sustain corporate operations and repay existing obligations. The Company may seek additional financing by means of issuing share capital, the sale of assets or debt financing. There can be no certainty of the Company's ability to raise any additional financing from any of these sources.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company currently is not subject to externally imposed capital requirements other than as noted below.

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New Accounting Policies

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2024 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. Certain of the following pronouncements have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 10 – Consolidated financial statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date.

The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

Commitments and Contingencies

Management Contracts

The Company is party to certain management contracts. These contracts require that additional payments of approximately \$860,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in the consolidated financial statements for the year ended December 31, 2023. Additional minimum management commitments remaining under agreements are approximately \$703,550 all due within one year.

Litigation

The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company’s financial condition, operations, or liquidity.

COVID-19 Pandemic

The extent to which COVID-19 may impact, or have a future impact on, the Company’s business activities will depend on future developments, such as the of spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and actions taken in Canada, the United States of America and other countries to contain and treat the disease. The Company may face future disruption to operations, supply chain and/or production delays, travel and trade restrictions. The risks to the Company of public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak.

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Management's Responsibility for Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these Financial Statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in these filings. The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing. The Company does not have any off-balance sheet items as at December 31, 2023 and 2022.

Outstanding Share Data

As at the date of this MD&A, there were 194,321,673 common shares outstanding, 20,136,835 stock options outstanding, with exercise prices ranging from \$0.095 to \$0.30 expiring between February 11, 2025 and August 28, 2028 and 19,636,363 warrants outstanding with exercise price of \$0.40 expiring on February 22, 2025. In addition, 1,965,487 RSU's were outstanding.