ARHT MEDIA

Management's Discussion & Analysis

for three months ended March 31, 2020
and the three months ended March 31, 2019

General

This discussion and analysis ("MD&A") of financial position and results of operations is prepared as at May 8, 2020 and should be read in conjunction with consolidated financial statements of ARHT Media Inc. (the "Company" or "ARHT Media") for the three months ended December 31, 2019 and the related notes thereto.

Those 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 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, economic, competitive, political, regulatory and social uncertainties, and in particular uncertainties relating to COVID-19; risks related to factors beyond the control of the Company, including risks related to COVID-19; risks related to the Company's shares, including price volatility due to events that may or may not be within such parties' control, including risks related to COVID-19; 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.

Description of Business

ARHT Media is the global leader and inventor of leading-edge holographic presence experiences. Our patented technology allows for the capture, transmission and display of the most lifelike digital human holograms, delivered to either an in-person or online audience. These images are capable of being beamed onto virtually any stage in the world and displayed live for two-way interactions with an audience with no noticeable latency. ARHT creates presence by giving the viewer an immersive experience that makes the audience feel as though the speaker is in the room. The Company's technology is protected by U.S. Patent No. 9,581,962.

ARHT Media trades under the symbol "ART" on the Toronto Venture Stock Exchange as a Tier2 Technology Issuer. The Company has three subsidiaries – ARHT Media (USA) Inc., Be There Networks Inc and ARHT Media (UK) Limited. Both Be There Networks Inc. and ARHT Media (UK) Limited were incorporated in Q1 2019, on January 24, 2019 and February 28, 2019, respectively. The Company has offices in Toronto and demonstration studios in Toronto, New York, Los Angeles and London, UK.

In 2016, the Company entered into an agreement with NetDragon Websoft Inc ("NetDragon") to establish a joint venture to operate in select Asia Pacific markets (the "Joint Venture"). ARHT Asia Limited ("ARHT Asia") was incorporated in Hong Kong on September 22, 2016. NetDragon owns and exercises control over 51% of ARHT Asia and the Company owns 49%. The Joint Venture has demonstration studios in Hong Kong and Fuzhou, China. The Joint Venture holds an exclusive license to use ARHT's technology for a period of five years in countries within the Asia Pacific region to be mutually agreed upon with NetDragon.

Outlook and Strategy

Sales & Marketing:

Since the beginning of 2018, the Company has been aggressively marketing its technology offering to a global list of Fortune 500 companies in various business segments including, health care, technology and financial and professional services. In addition, the Company is marketing its technology offering to universities, colleges, high schools museums and science centers. The current sales funnel has never been more robust, across all of these verticals and balanced fairly equally in the Americas, Asia and EMEA.

Business Model:

ARHT's business model consists of a combination of events and network sales. The ultimate goal is to create networks that will utilize ARHT's proprietary software, generating recurring revenues through subscription fees and software upgrade and support services. The business model shift from being primarily event driven to a build out of networked display and capture locations globally will significantly increase the Company's revenues in the long term. Significant revenue growth will provide improved operating leverage that will contribute to EBITDA and net earnings growth. With an increased focus on monetization and cost control, in 2019 the Company's revenue doubled while expenses were flat, further illustrating the operating leverage that exists within the business.

To achieve our growth objectives, the Company will focus on the following distribution channels

- Corporations – The biggest repeatable vertical market for ARHT Media in the past 18 months has been international corporations, primarily in the financial services, pharmaceutical and technology sectors. The uses have varied, including client meetings, sales conferences, doctor training, 5G showcases, press events and more. In Q2 2020 the Company is planning to launch the HoloPod, a self-contained unit for use in smaller spaces including board rooms and training centers and the initial feedback from enterprise clients on design drawings have been very positive.

- Education – This is a large potential market for ARHT Media's current technology suite. Universities, Colleges, High Schools and other forms of formal education should all have ARHT Media display and capture suites to deliver the best lecturers and educators to students globally. We have also seen interest from the museum and science centre markets, including a permanent capture and display sale in Kiev, Ukraine in Q1, 2020. Holographic technology allows educational institutes to showcase their best professors to the rest of the world. Since the launch of a permanent installation at Imperial College, London, in November 2018 the company has engaged in numerous events and permanent installations at educational institutions globally, including Central China Normal University, Singapore Institute of Technology, University of Hawaii, American Samoa Community College and ITE in Singapore in Q1 of 2020.
- Media and Entertainment – This sector will take longer to roll out but will be a cornerstone of brand building and is expected to lead to significant recurring revenues. The first two activations in this sector were contracted in Q4 2018 for events in Mexico City and Sao Paulo Brazil with Warner Brothers Pictures, featuring Jason Momoa, star of Aquaman. In Q4 2019 the Company hired Hollywood veteran Roger Pollock, former EVP Marketing for Paramount Pictures, Universal Studios, DreamWorks and IMAX as a consultant to develop this vertical segment.
- SEPS – Single Events and Professional Services. With our new display technology and business model we have reduced the entry level price of delivering an event from approximately $80,000 to $25,000. We will continue to execute high-profile Single Events, as they are profitable and a great form of marketing.

Two Major Trends: Reducing Carbon Footprint and Covid-19

Coming into Q1 2020 there was a worldwide focus for corporations, governments and other organizations to find ways to reduce their carbon footprint and contribute to a healthier planet. At the World Economic Forum in Davos, leader after leader spoke of reducing their carbon footprint as one of the most important initiatives within their organization. We applaud these actions as we want a healthier planet as well. A great way to contribute to these goals is by using ARHT Media's platform rather than flying to a meeting, conference or lecture. In fact, in Q4 2019 over 30% of our inbound leads had reducing carbon footprint as either the #1 or #2 reason for contacting us. We believe that this will be a long-term trend and one that will be very good for our business. Who knew it would take a pandemic to prove how much cleaner our air can be if we reduce emissions of all types, but the world has taken notice?

As the pandemic spread from Asia to Europe our enterprise clients began requesting ways to replicate the face to face conference and meeting experience in an online format. Specifically, they were asking for something that was professionally produced to appear different than streaming services such as Zoom, Hangouts, Blue Jeans, Webex, etc. which largely mimicked consumer streaming services such as FaceTime – a bunch of talking heads in boxes. In March we launched **Virtual Global 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. With more than 50% of communication being nonverbal its important that the presenters body language comes across the screen, rather than just a talking head. This is how we are used to watching speakers on a digital device. The initial reaction has been positive and in fact in many instances, clients have started planning a hybrid of live presentations using holographic presenters with an online version for those who are not traveling to the event. We are also being told that VGS will have a lifespan well beyond this pandemic as organizations re-evaluate their need to travel.

Having been forced to utilize technology to communicate with their teams and clients, large organizations are realizing efficiencies and cost savings they did not think were possible while still getting the job done. All these trends accrue to our benefit as we work with various stakeholders to help them achieve their goals while keeping their employees safe and contributing to a healthier planet.

However, the Covid-19 pandemic has come at a price to ARHT Media, just like almost every other company. Countless meetings and events, where we would be generating revenue or moving clients through the sales cycle on the network side of the business, have either been postponed or cancelled. We entered 2020 with unprecedented momentum, coming off a Q4 which saw revenue increase by 318% year over year. We had budgeted to once again double our revenue in 2020 and moving to profitability by the end of the year and were on course in Q1 to meet or exceed our budget when the delays and cancellations started. The impact was felt in Asia from the end of January, in Europe starting in February and in the Americas from the beginning of March. We expect Q2 will likely be the same for Europe and the Americas, however China is starting to book dates for activations as is Korea and other parts of Asia.

Management took action to reduce costs in early March. A combination of government subsidies, rent concessions from landlords and employees being furloughed for various periods, allowed us to reduce our expenses from $375,000 per month to approximately $75,000 in April and May and $105,000 inJune. With the support of government programs, the majority of our employees are back working from home. We have used this period to produce and updated training programs that will allow the business to scale at a much faster pace in the second half of this year. We have produced content used for sales and marketing activities – including the launch of Virtual Global Stage. We continue to test and develop the HoloPod and we expect to have an operating prototype in Q2 and to deliver units to clients in Q3. Our current sales funnel is the most robust it has been in the last two years from both a quality and quantity perspective and so it is incumbent that the Company is prepared to deliver unprecedented business in the second half of 2020 – and we are ready to do so.

Short-term Priorities:

- **Sales –** Management's focus will be on sales, especially those that build out networks for recurring revenues in the Health Care, Financial Services, Technology, Education, and Entertainment verticals.
- **Third Party Technical Training & Certification Program –** The Company has implemented a program to train third party operators on our capture, display and broadcast technology. This is a high priority for the Company as a growing network of third-party technical partners will allow management to reduce delivery costs and meet the growing demand for the execution of events. Recent events in numerous locations globally were delivered by third party technical teams.
- **Delivery –** Developing systems to enable AV partners to incorporate the Company's technology into their events.
- **Strategic Partnerships –** The Company is continuing to explore strategic partnerships, including re-seller arrangements, that can significantly increase revenues in markets where it does not have an established presence. The most recent reseller agreement in Israel was installed in Q4, 2019 and the one prior was in Korea in Q3 2019.
- **Product Launch –** In Q2 2020 the Company is planning to launch the HoloPod, a self-contained mobile solution perfect for a board room, an office or a classroom. Concept drawings shared with potential clients in Q4 2019 were extremely well received. These concept drawings have been updated, product testing has been conducted and the prototype will be delivered in Q2 2020 with deliveries to clients in Q3 2020.
- **Breakeven –** Successful implementation of these short-term priorities should generate positive cash flow in the fourth quarter of 2020.

Sales and Financial Highlights for Q1 2020:

March

- In March 2020, the Company announce the introduction of Virtual Global Stage (VGS). VGS is designed for clients that want a premium on-stage experience online, without the need for a venue, travel, or the gathering of presenters or attendees. With the Company's patented multipoint broadcast solution, we can bring multiple 3D, life -size presenters to a virtual stage, side by side, as if all parties were physically next to each other, while actually being in completely different locations around the globe. With VGS, panel discussions, fireside chats, training events, town halls, product launches and more, can all be executed in a virtual environment like never before.

- In March 2020, the Company delivered a complete capture and display system for a new museum built in Eastern Europe. The opening of the museum was delayed due to the Covid 19 pandemic. This is the first of four new museums being planned by this government organization.

- In March 2020, the Company was contracted to deliver a keynote speaker at a major healthcare conference in the United States, however the conference was postponed due to the Covid-19 pandemic.

- In March 2020, the Company installed it's second activation in downtown Toronto to demonstrate the benefits of 5G technology with a leading telecommunications client. This twelve-week activation follows a very successful activation at the same location that launched in Q4 2019.

- In March 2020, the Company completed an activation with another healthcare provider in the United States. A product specialist was doing an Indication Launch of a new vaccine for their sales team, a common use of our technology platform.

February

- In February 2020, the Company granted a total of 4,431,500 options to various directors, officers, consultants and employees under the stock option plan of the Company. The options are exercisable at a price of $0.095 and expire on February 10, 2025. The options vest in three equal tranches, with the first tranche vesting on the date of grant, the second tranche vesting on February 10, 2021 and the third tranche vesting on February 10, 2022, all subject to a four-month regulatory hold period.

- In February 2020, the Company delivered a capture and display system to a second Singapore based university. As part of this agreement the Company will train university students on the use of the system and the Company will be able to utilize the system at preferred rates when needs arise to either capture or present speakers for other events.

- In February 2020, the Company completed an activation with a new health care client beaming a speaker from the US into an event in Ireland. A second contracted event, scheduled for later that week with the same client, was postponed due to the Covid 19 pandemic.

- In February 2020, the Company was contracted by one of the leading US telecommunications companies to demonstrate to senior executives the potential benefits of 5G technology for a fireside chat with the President of the organization. The Company has received interest from the client for future activations as well as purchase of permanent systems for ongoing use.

- In February 2020, the Company was a featured platform at a technology showcase in New York for one of the most iconic global brands in fashion. Beaming in a performing artist from Los Angeles and our CEO from London, the fashion house shared that ARHT Media's live holographic presence was by far the biggest hit of the showcase.

January

- In January 2020, the Company successfully closed a private placement of secured debentures for total gross proceeds of $1.6 million. The debentures were issued at a price of $0.9175 for each $1 of principal amount subscribed for, representing a 12% discount to the debentures' principal amount over a nine-month period. The debentures will be redeemed at their principal amount for cash on the date which is nine months and one day following the closing date of the offering. If, prior to the maturity date, either (i) the Company completes a private placement financing that raises gross proceeds of no less than $4 million, or (ii) if a change of control of ARHT or a sale or disposition by ARHT of all or substantially all of its assets should occur, then the maturity date will be accelerated to such earlier date. Subscribers for the debentures received a one-half common share purchase warrant for each $1 invested, resulting in an aggregate of 800,000 warrants being issued on closing of the private placement. Each whole warrant entitles the holder thereof to purchase one common share of the Company, at an exercise price of $0.15 per share for a period of nine months following the closing of the private placement. If, at any time after the date that is four months and one day following the closing date of the private placement, the closing price of the outstanding common shares is greater than $0.25 for a period of 20 consecutive trading days, the Company may, at its option, accelerate the expiry date of the warrants to the date that is the earlier of: (i) the 30th day after the Company gives notice to the holders of the warrants, or (ii) the original expiry date.

- The Company recognized revenue from two global health care companies in January 2020, relating to activations in Europe and Australia. In both cases these were repeat clients and with the success of these activations both companies entered into additional agreements with the Company.

- In January 2020, the Company completed a Master Service Agreement with a global healthcare company which lead to the largest single order in the health care sector in the history of ARHT Media.

Summarized Financial Results

Selected Quarterly Financial Information

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

	Three months ended March 31, 2020	Three months ended December 31, 2019	Three months ended September 30, 2019	Three months ended June 30, 2019
Revenue	$ 440,443	$ 1,451,044	$ 470,295	$ 566,025
Net (loss)	(1,096,642)	(346,568)	(1,423,449)	(1,113,210)
Per share - basic and diluted	(0.01)	(0.00)	(0.02)	(0.02)

	Three months ended March 31, 2019	Two months ended December 31, 2018	Three months ended October 31, 2018	Three months ended July 31, 2018
Revenue	$ 793,618	$ 341,835	$ 450,574	$ 507,816
Net (loss)	(885,153)	(1,062,994)	(1,246,912)	(1,403,416)
Per share - basic and diluted	(0.02)	(0.02)	(0.04)	(0.05)

Selected Annual Financial Information

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Revenue	$ 440,443	$ 793,618
Cash (used in) operations	(1,393,493)	(930,710)
Net (loss)	(1,096,642)	(885,153)
Net (loss) per share - basic and diluted	(0.01)	(0.03)

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

Results of Operations

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Revenue	$ 440,443	$ 793,618
Cost of Sales	(177,463)	(456,951)
Gross Margin	$ 262,980	$ 336,667
Expenses		
Employee and consultant expenses	(538,757)	(670,420)
Research expenditures	(132,791)	(143,780)
General administration and selling expenses	(383,866)	(277,081)
Amortization	(98,202)	(56,978)
Share-based compensation	(144,069)	(102,723)
Finance costs	(92,000)	(5,185)
Foreign exchange loss	30,064	13,559
Total expenses	(1,359,622)	(1,242,608)
Gain on settlement of debt	-	20,788
Net loss and comprehensive loss	(1,096,642)	(885,153)
Net loss per share - basic and diluted	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding	74,428,973	30,049,461

See notes to condensed interim consolidated financial statements for the three months ended March 31, 2020 and the three months ended March 31, 2019.

Revenue and Expenses Analysis

For the three months ended March 31, 2020 and the three months ended March 31, 2019

During the three months ended March 31, 2020, the Company generated revenues of $440,443 (three months ended March 31, 2019: $793,618). The Company generated revenues through equipment sales, rentals, holographic content creation and broadcast and license fees.

During the three months ended March 31, 2020, total expenses were $1,359,622 (three months ended March 31, 2019: $1,242,608). Excluding non-cash share-based compensation, foreign exchange gain/(loss) and non-cash amortization and accretion, cash expenses for the period were $1,147,414 (three months ended March 31, 2019: $1,096,466).

The increase in total cash expenses compared to the two months ended December 31, 2018 of $50,948 was due mainly to the following:

- Occupancy costs as the London location was only opened in March 2019
- Finance costs in relation to the secure debenture issue
- Legal Costs in relation to the secure debenture issue
- Share based compensation cost increase
- These are offset by decreases in employee and consultant costs and research costs

Cash Flows Analysis

Cash flows for the three months ended March 31, 2020 and the three months ended March 31, 2019

Cash of $1,393,493 was used in operating activities before changes in working capital items during the three months ended March 31, 2019 compared to $930,710 used in operating activities during the three months ended March 31, 2019.

During the three months ended March 31, 2020, net cash of $1,567,738 was generated in financing activities (three months ended March 31, 2019 - $410,161 generated) was due to principle element of lease payments.

Cash of $1,500 was used in investing activities during the three months ended March 31, 2020 (three months ended March 31, 2019 – ($51,493)), primarily for computer hardware.

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.

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements at any point in time. The Company manages the capital structure and makes adjustments to it considering changes in economic conditions and the risk characteristics of the underlying assets. 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. There were no changes in the Company's approach to capital management.

At March 31, 2020, the Company has not achieved profitable operations, had a shareholders' deficit of $1,561,581, working capital deficiency of $1,856,104 and an accumulated deficit of $32,893,966. The Company expects to seek additional financing as needed to have sufficient cash on hand to fund operating expenses and development costs until it becomes operating cash flow positive.

The Company has historically financed its operations and met its capital requirements primarily through debt and the sale of capital stock by way of private placements. There can be no certainty that the Company will be able to obtain future financings from these sources.

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 likely require additional financings. These future financings may be obtained from the sale of assets, additional debt, or the issuance of additional equity securities. 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 significant doubt about the Company's ability to continue as a going concern. The Company's condensed interim 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 2019. Realizable values may be substantially different from carrying values as shown on the March 31, 2020 condensed interim 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.

Risks and Uncertainties

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 future prospects as an investment.

Future operations

Presently, the Company's revenues are not sufficient to meet operating and capital expenses and the Company has incurred operating losses since inception, which are likely to continue for the foreseeable future.

There is substantial doubt about the Company's ability to continue as a going concern as the continuation of the business is dependent upon obtaining further financing, successful and sufficient market acceptance of current products and any new products that may be introduced, the continuing successful development of product and related technologies, and, finally, achieving a profitable level of operations. The issuance of additional equity securities by the Company could result in a significant dilution in the equity interests of the current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments.

There are no assurances that the Company will be able to obtain further funds required for continued operations. The Company is pursuing various financing alternatives to meet its long-term financial requirements. 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 will be forced to scale down or perhaps even cease the operation of its business.

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. In order 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 in order 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 was 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 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 of the Company's operations;
- 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 expenditures 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.

Lack of trading

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of share price

Market prices for company shares listed on the TSX Venture Exchange are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's 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 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.

Lack of dividend policy

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends paid by the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

Related Party Transactions

Key management compensation

Key management personnel are those persons having 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 months ended March 31, 2020 and the three months ended March 31, 2019 were as follows:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Short-term benefits	$ 131,250	$ 176,250
Share-based payments	63,522	82,571
Total compensation	**194,772**	**258,821**

NetDragon indirectly owns 4% (2018 – 6%) of ARHT's issued and outstanding common shares on a non-diluted basis through its wholly owned subsidiary, NetDragon Websoft Inc. ("NetDragon Websoft Inc. (BVI)"). NetDragon has the right to and did nominate one individual to the ARHT board of directors and also has the right to maintain its pro rata interest in the Company, in the event of future share offerings. Simon Leung was nominated by NetDragon to the board of directors of the Company.

As a result of the conversion of the advances owing to ARHT Asia into common shares of the Company in fiscal 2019, ARHT Asia owns 5% (2018 – nil) of the Company's common shares as at March 31, 2020.

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 net liability value denominated in US dollars as at March 31, 2020 was approximately $923,634 (2018 - $599,527). A $0.01 increase or decrease in the exchange rate between U.S. and Canadian dollars would impact net loss by approximately $9,236 (2018 – $5,995).

Credit Risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of counterparty on its obligation to the Company. Cash and cash equivalents and restricted 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. As at March 31, 2020, the Company has estimated an allowance of $31,050 (December 31, 2019 - $31,050) for uncollectible trade receivables.

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 or nine months ended September 30, 2019 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 is can provide products and services to its customers and returns to its shareholders.

The Company manages the capital structure and makes adjustments to it in light of 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.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As at December 31, 2019, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

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, 2020 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") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

Commitments and Contingencies

Management Contracts

The Company is party to certain management contracts. These contracts require that additional payments of approximately $700,000 be made upon the occurrence of certain events such as change of control. As a triggering event has not taken place, the contingent payments have not been reflected in the condensed interim consolidated financial statements for the three months ended March 31, 2020. Additional minimum management commitments remaining under agreements are approximately $262,500 all due within one year.

Scientific Research & Experimental Development ("SR&ED") Tax Credits

The Company entered into an agreement with a consultant to assist with a SR&ED tax credit claim for the December 31, 2013, October 15, 2014 and January 31, 2015 tax periods. The Company has retained the consultant on a contingency fee basis. The fees payable to the consultant will be deducted from any SR&ED refunds received. Fees are earned only upon acceptance of the claim by the Canada Revenue Agency. No tax credit claim has been accrued in these financial statements as collectability is uncertain given the claim is subject to the review and approval of the Canada Revenue Agency. As at March 31, 2020, the Canada Revenue Agency has disallowed all claims, but the Company is currently appealing this decision.

Litigation

The Company is 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.

Public Health Crises, including Novel Coronavirus ("COVID-19")

The Company's operations could be materially adversely affected by the effects of a widespread global outbreak of an epidemic, a pandemic, or another health crisis beyond the Company's control, including the recent outbreak of respiratory illness caused by COVID-19. Such public health crises, including COVID-19, can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. 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.

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, social-distancing and quarantines and a general reduction in consumer activity. While these effects are expected to be temporary, the Company cannot accurately predict the impact that COVID-19 will have on its operations and the ability of others to meet their obligations with the Company. Such uncertainties may relate to the spread of the virus, impact to the global supply chains and financial markets, the duration of the outbreak, and mobility restrictions imposed by governments.

To date, the imposition of "social distancing" requirements has resulted in customers of the Company deferring, and in some cases cancelling, planned events and equipment sales, and the Company temporarily laying off staff, both of which have adversely affected the Company in the immediate term.

At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition, including its ability to raise additional financing.

The Company does not have any off-balance sheet items as at March 31, 2020 and March 31, 2019.

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.

Outstanding Share Data

As at the date of this MD&A, there were 74,428,973 common shares outstanding, 7,665,955 stock options outstanding, with exercise prices ranging from $0.14 to $2.20 expiring between February 19, 2021 and February 11, 2025, and 51,700,996 warrants outstanding with exercise prices ranging from $0.13 to $0.21 expiring between May 14, 2020 and November 22, 2022.