



**Management's Discussion & Analysis**

**for nine months ended September 30, 2021  
and the nine months ended September 30, 2020**

**ARHT MEDIA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the nine months ended September 30, 2021 and**  
**the nine months ended September 30, 2020**

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**General**

This discussion and analysis ("MD&A") of financial position and results of operations is prepared as at, November 9, 2021 and should be read in conjunction with the condensed interim financial statements of ARHT Media Inc. (the "Company" or "ARHT Media") for the nine months ended September 30, 2021 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](http://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.

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**Description of Business**

ARHT Media is the global leader and inventor of leading-edge holographic presence experiences with a growing network of HoloPresence™ capture and display locations. The Company empowers executives, educators, entertainers, medical practitioners, and speakers to be present anywhere on the planet appearing live as a high-quality lifelike hologram. ARHT creates memorable human connections that generate emotional impact by giving the viewer an immersive experience that makes that audience feel as though the speaker is in the room. Presenters are captured using ARHT's proprietary capture studio and then transmitted over the common internet and appear live or pre-recorded on a HoloPod™ Display, a H – Series Portable Display or online using Virtual Global Stage™. In all cases the presenter appears in life-size proportions, with the ability to interact live with their audience.

ARHT's patented software and the related hardware make up the ARHT Engine™, which is the core of the technology that powers both the HoloPresence™ platform as well as VGS™. The ARHT Engine™ is able to capture and beam a single presenter to a single audience or capture and simultaneously beam multiple presenters to 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. The Company's technology is protected by U.S. Patent No. 9,581,962 and U.S. Patent No. 9,658,462. The Company is in the process of applying for additional patents.

ARHT Media trades under the symbol "ART" on the Toronto Venture Stock Exchange as a Tier2 Technology Issuer and in February 2021 was recognized as a TSXV to 50 performer. The Company has three subsidiaries – ARHT Media (USA) Inc., Be There Networks Inc. and ARHT Media (UK) Limited. The Company has offices in Toronto and demonstration studios in Toronto, New York, Los Angeles, London, UK and Hong Kong. A recently announced partnership with WeWork will expand the demonstration studios by up to 100 locations with 18 new locations being deployed in Q3 and Q4 of 2021 and Q1 of 2022. As of the date hereof, in addition to the locations above, ARHT has installed its technology in WeWork locations in San Francisco, Seattle, Boston, Miami, Montreal and Singapore.

**Outlook and Strategy**

**Highlights**

- During the nine months ended September 30, 2021 revenue increased to \$3,432,477 compared to revenue of \$1,578,856 during the period last year, representing a 117% increase. This surpasses the Company's December 31, 2019 pre-pandemic entire year revenue of \$3,280,982.
- On March 17, 2021, the Company completed its largest equity offering in its history. The Company is using the proceeds on activities that will accelerate revenue growth and the repayment of its only debt. On May 10, 2021, a \$1.9M debenture was retired 7.5 months prior to the scheduled maturity date. The Company's cash position at September 30, 2021 was \$2,705,117, with another \$1,785,882 of in the money warrants expiring this year. As of the date hereof, \$919,721 of these warrants have been exercised and Management expects the remainder to be exercised during Q4 2021.
- The world's first global holographic network of up to 100 locations was announced with WeWork and 8 of the initial 18 locations have been installed with the remainder expected to be complete by the end of the year.

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- Two new products launched during the pandemic, the HoloPod™ permanent display and VGS™ online display accounted for 61% of revenue during the quarter. During the quarter the Company completed 19 events across Healthcare, Education, Technology and Government and 76% of event revenue was to repeat clients and 79% of event revenue were VGS™ online presentations.
- All of this activity has resulted in the Company being featured in Forbes, CTV The National, Global National News, the Wall Street Journal, Fast Company, Financial Times (UK), The Washington Post, The Times of London, PBS, Sirius XM Radio and numerous other media outlets.

#### **Overview**

Having been forced to utilize technology throughout the pandemic to communicate with their teams and clients, enterprise organizations are realizing efficiencies and cost savings they did not think were possible while still getting the job done. In addition to cost savings, people can save countless travel hours when they are beamed as a hologram to multiple locations, freeing them to work more productively and achieve work-life balance. Clients can utilize HoloPresence™ as a foundational carbon reduction strategy by reducing green-house gas emissions associated with travel. By reducing air travel, ground transportation and hotel stays, HoloPresence™ helps to reduce carbon footprint resulting from meetings and events. Our current sales funnel is the most robust it has ever been from both a quality and quantity perspective and a number of strategic initiatives completed throughout fiscal 2020 and 2021 have positioned the Company well for continued revenue growth heading into 2022.

On March 17, 2021 the Company closed its overnight marketed offering of units of the Company at a price of \$0.24 per unit for gross proceeds of \$7,980,400. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant. Each Warrant entitles the holder to acquire an additional Common Share at the exercise price of \$0.33 for a period of 36 months following the closing of the offering.

During the nine months ended September 30, 2021, 7,002,160 warrants and 250,000 stock options were exercised generating cash of \$1,045,100. This included 1,618,000 warrants that were exercised by directors of the Company. As at September 30, 2021 there were another 13,737,557 in the money warrants expiring in November 2021, December 2021 and January 2022. These warrants are exercisable at \$0.13 for a total amount of \$1,785,882. As of the date hereof, 7,074,778 of these warrants with a value of \$919,721 have been exercised. Management expects that the remainder of these warrants will be exercised during Q4 2021. As of the date hereof, there are an aggregate of 60,060,885 common share purchase warrants outstanding.

The Company is using the proceeds from its March 17, 2021 financing on activities that will accelerate revenue growth. These activities include adding to its direct sales team; increasing its marketing and business development activities; continuing to develop its in-house and third-party technical delivery capability; and continuing to develop its in-house event execution resources, including project management and content development capabilities. The proceeds will also be used to undertake product development activities that will improve the versatility of its product offering. In addition, the available funds were used to repay the 2020 Series A Debenture early resulting in interest savings of approximately \$80,000.

To date, the company has filled a number of planned roles including, VP Business Development and Execution (WeWork), Director Supply Chain Management, Senior Producer / Editor, Project Coordinator, Director of Sales, EMEA and a Sales and Marketing Coordinator. The Company engaged a brand consulting firm to assist with a website re-design and search engine optimization activities. The website re-

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design was launched on November 1, 2021. The Company engaged a Public Relations firm to assist with media related activity and a social media agency to manage online communications. The Company is also working with New York and Toronto based investor relation firms to grow awareness of ARHT Media within the investor community.

#### **ARHT Media and WeWork Strategic Partnership**

In May 2021 the Company announced that it has entered into a strategic partnership with WeWork. This partnership is expected to be transformational for the Company, by creating the first and only fixed network of holographic capture and display locations globally. WeWork is a global flexible office space provider committed to delivering technology-driven flexible solutions, inspiring spaces, and providing unmatched community experiences. WeWork has reimagined “the office of the future” and provides their clients with turnkey meeting and event spaces, which include Wi-Fi, catering, vendor sourcing and audiovisual services. And now up to 100 of their locations will be equipped with ARHT’s HoloPresence™ Solutions offering client’s massive time and travel savings in the post-pandemic reality of hybrid and physical distant meetings and events. The Company’s technology will be integrated into WeWork’s global events offering.

The first phase of this strategic partnership will include ARHT’s holographic technology being rolled out in 18 locations around the globe. As of the date hereof, ARHT has installed its technology into WeWork locations in Los Angeles, New York, San Francisco, Seattle, Boston, Montreal, London, Singapore and Miami. An official media launch is planned for December in New York. The Company has already generated revenue from installations in Boston, New York and Montreal. The Company has confirmed and is in the final planning stages for locations in London, Singapore, Paris, Washington D.C. and Tokyo. Markets that are continuing to be evaluated include Sydney, Sao Paulo, Shanghai, Beijing, Berlin and Dallas. The Company expects to have its technology installed into each of these locations by the end of the Q1, of 2022.

The economics and operational efficiencies that enterprise clients can achieve from having access to a global network of fixed equipment within WeWork locations is so financially compelling that the Company decided to participate directly in the revenue this partnership will generate. ARHT has signed a revenue sharing agreement with WeWork and we expect the initial 18 locations to deliver a \$2 million contribution to ARHT’s revenue in 2022.

#### **Business Opportunity**

In select WeWork locations, ARHT Media will install a “Capture Studio” for users to record and stream events where they can appear live on one of three types of displays: H - Series portable display for in person holographic events, HoloPod™ for in person permanent holographic display, or online as a Virtual Global Stage (VGS)™ presentation, or a hybrid event utilizing a combination of all three.

ARHT’s holographic conferencing technology will provide new optionality for enterprise businesses interested in reducing travel expenses while still having more impactful interactions than traditional streaming and video conferencing offers. From town hall meetings, training and education seminars, and recruitment or sales meetings, ARHT Media’s technology offers users the ability to enhance digital interactions via hologram presentation with no noticeable latency. Presenting as a live, lifelike hologram with integrated holographic presentation visuals creates infinitely more impact than a webcam or even being there in person.

The partnership with WeWork will dramatically expand ARHT Media’s global network of technology, in

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addition to providing access to a new audience of over 3,500 enterprise customers through WeWork's membership base. WeWork offers the very best venues globally to showcase our technology and many of our existing clients are WeWork members. This large-scale adoption of the entire suite of our technologies, including access to content creation from ARHT, is a significant endorsement of the value we bring to clients.

#### **Large Scale Network Accessibility**

With up to 100 locations globally and possibly more, this is ARHT's first large-scale network of its holographic technology. This first large-scale network provides ready access to ARHT's technology for all size organizations globally. If we look at just a sample of the cities, adding Seattle, Silicon Valley, Boston, DC, and many other locations brings us closer to our existing clients in HealthCare, Professional Services, Technology, Education & Entertainment. Many of the Universities that have been contemplating installing HoloPod™ displays can now economically access guest lecturers, or possibly international colleagues without the need for travel.

This large-scale rollout is now a precedent for the numerous proposals ARHT has out to enterprise organizations interested in using its technology to network their own offices internationally. This is a great way for them to easily and cost effectively trial holographic presence for training meetings, town halls, sales and marketing meetings, recruiting and retention meetings, etc., before integrating the technology into their own communications platform. Each capture and display location that gets added to the global network of ARHT technology, the more compelling and valuable the investment is for the next organization coming on board, including ease of use and lower cost when being able to tap into a large, fixed network. This large-scale network also provides the Company a significant competitive advantage over other hologram providers.

#### **Other Benefits**

Simply put, seeing is believing, and we are expanding our ability to demonstrate our product 20x beyond where we are today, with the WeWork strategic partnership. We have been growing our business with strategically placed demonstration studios in NY, LA, London, Hong Kong and Toronto. However, we have had many prospective clients in other cities that have not been able to travel to see the technology for themselves. By adding even a fraction of the cities that this strategic partnership provides, we will be able to demonstrate our technology up close and in person to prospective clients that have not been able to attend a demo because of geographic limitations.

As well, new clients that we will be targeting in each of these cities will be able to easily attend a demonstration. We have an incredible list of Fortune 500 clients and this will provide an opportunity to finally demo ARHT's products to their international colleagues that have been waiting to see the technology in person. This is a missing piece of the puzzle for our "Land and Expand Strategy" which focusses our sales teams on expanding revenue by both product types and geography within a select group of existing global clients, an initiative started earlier this year.

Through leveraging the vast network of WeWork locations, our ability to expand our demo locations and technology is significantly more cost effective compared to establishing our own offices. The Company has exited its leased demo space in both New York and Los Angeles.

#### **Authorized Partners - Reseller and Strategic Relationships**

The company utilizes a two-tier sales and distributions strategy, that includes direct sales to end users and

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channel sales through authorized partners. The Company has put in place a number of reseller and strategic partner agreements over the past year and expects to continue to enter into more such agreements. The Company expects that reseller and strategic partner relationships will accelerate revenue growth by providing the Company with expanded distribution capability and technical capacity within those markets covered.

In April 2021, the Company announce that NMK will be the exclusive distributor of ARHT Media's technology and services in the UAE and Qatar. As part of this agreement, NMK will be installing ARHT's capture and display technology at both existing and planned customer experience centers in Dubai and Doha. NMK is a division of Midwich Group PLC, a specialist audio visual ("AV") distributor to the commercial market with operations across the UK and Ireland, Continental Europe, North America and Asia-Pacific.

In August 2021, the Company announce that Metro Audio Visual Productions Inc., ("Metro AV") a global audio visual and events production company that designs and executes events, have entered into a strategic partnership, wherein Metro AV will offer ARHT's HoloPresence™ technology across the United States, South America and Europe. Metro AV will offer their production services coupled with ARHT's HoloPresence™ technology to address the needs of the evolving events industry.

**Authorized Partners - Reseller and Strategic Partner Agreements**

The Company has entered into the following reseller and strategic partner agreements.

<b>Reseller / Strategic Partner</b>	<b>Geographic Coverage</b>
Metro Audio Visual Productions Inc.	United States, South America and Europe
NMK Group	UAE and Qatar
Electronics and Engineering Pte Ltd	Southeast Asia
Liaison Technology Group	Chicago
Digital Nation Entertainment	Los Angeles
Matrix Video Communications Corp.	Canada
INNOVA – All Around the Brand	Brazil
TLC Creative	Los Angeles
ALMO Corporation	United States
MW Networks	South Korea
Golcan Ltd	Israel
Dorier Group	Europe
Electronics & Engineering PTE	Singapore
Net Dragon	China
Apparition	Italy

**Authorized Partner Support Programs**

New partnership support programs have been developed and will continue to be developed that will provide greater resources to our Authorized Partners to ensure their success in their respective markets. The support programs include extensive in person or online sales training and ongoing sales support by our internal sales

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team. Authorized Partners have full access to our sales and marketing assets. The program also includes in person or online technical training tailored specifically to meet our partners needs and an ongoing technical support system that includes, web support, training manuals, YouTube FAQ videos and service bulletins. We have developed a priority assignment and response-time system for urgent technical issues encountered in the field. We have also developed a reseller and strategic partner web-site template so that partners can easily integrate our products and services into their website.

The Company has developed an Online Portal so that all support assets will be readily available in a single location. This website includes all technical training manuals, training videos, product manuals and technical bulletins. It will also include all sales and marketing related assets and certain financial information specific to the re-seller. We also plan to offer sales and technical webinars and to create a newsletter to keep Authorized Partners up to date on the latest company developments. The Online Portal was rolled out to all authorized partners in Q2 of 2021.

#### **Virtual Global Stage™ (VGST™)**

In March 2020, the Company launched Virtual Global Stage™ (VGST™), 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 it is important that the presenters body language comes across the screen, rather than just a talking head, which is how we are used to watching speakers on a digital device.

The initial customer reaction to VGST™ was very positive. VGST™ activations in Q3 and Q4 2020 in the pharmaceutical and real estate industries have resulted in repeat orders based upon the positive feedback from clients. As the pandemic continued into the new year the Company has seen growing interest in VGST™ events in Q1 and Q2 2021. In Q3 2021 79% of ARHT's event revenue was generated using VGST™ display.

#### **HoloPod™ Display**

In Q4 2020 the Company introduce the HoloPod™, a self-contained, "plug and play", interactive holographic display designed specifically for installation in a corporate board room, meeting or training room or a university lecture hall. The Company began to take delivery of units in Q4 2020. To date, the Company has deployed HoloPod™ displays in Canada, Singapore, the US and Germany. In April 2021, the Company announced that in Q1 2021 it installed it's HoloPod™ and HoloPresence™ Display technology, as well as Capture Studio Kits with two military organizations in three separate countries with a value over \$450,000. The primary uses of the technology will be for military training and education. In one case these permanent installations are a pilot program that has the potential to be rolled out to many additional countries. HoloPods™ will be installed in most WeWork locations as well.

During Q2 2021, the Company began the development of version 2 of the HoloPod™. The primary objective is to create a version of the HoloPod™ that occupies a smaller footprint and is therefore able to accommodate smaller spaces. It is expected that version 2 will be available for production in Q4 2021.

#### **Hybrid Events**

Hybrid events are a combination of in person and typically smaller than normal audiences viewing a presenter on a HoloPresence™ display, often with one or more presenters at the venue in person. This is then captured at the venue and streamed to a much larger online audience. Hybrid events are an ideal



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solution when the majority of attendees are unable or unwilling to travel, as they capture the energy and spirit of presenters interacting with a live-in person audience. Management expects VGS™ and Hybrid Events to be the norm well beyond the COVID-19 pandemic as organizations re-evaluate their need to travel.

**Product Development - Subscription Bundles**

The Company is now offering Subscription Bundles that are based on the volume of transmissions that a subscriber requires. The Bundles lower the per-use cost to the end user and are expected to dramatically increase adoption of the Company's software platform. The Subscription Bundles can be used to transmit presenters, using the ARHT Engine software, for either in-person hologram events and meetings or for online meetings and events that take place on the Virtual Global Stage™.

**Summary 2021 Outlook**

It is difficult to forecast the extent to which COVID-19 may continue to impact the Company, however the significantly improved capitalization of the business resulting from the financing completed in March 2021 and subsequent warrant exercises, along with the strategic initiatives undertaken by Management throughout 2020 and 2021 position the business well to resume its pre-COVID growth trajectory.

During the nine months ended September 30, 2021 revenue increased to \$3,432,477 compared to revenue of \$1,578,856 during the period last year, representing a 117% increase. This surpasses the Company's December 31, 2019 pre-pandemic entire year revenue of \$3,280,982.

Repeat customers represent 76% of Q3 revenue and the Company continues to grow its customer base. The ARHT Media and WeWork Strategic Partnership, growing relationship with NATO, growing list of Reseller and Strategic Partners and the Land and Expand initiative position the Company extremely well to deliver revenue growth in Q4 2021 and into 2022.

**Business Model**

A combination of enterprise organizations interests in reducing expenditure on business travel, reducing carbon emissions and finding a better work/life balance for employees all accrue to the benefit of ARHT Media. The Company helps enterprise organizations achieve these objectives while delivering communication that is comparable to, and in some cases better than, being there in person. As clients realized these benefits, by expanding their own network of capture and display location, the high margin recurring revenue of both transmission fees and software maintenance will increase as a percentage of the Company's overall revenue.

The Company has initiated strategic sales initiatives, including the ARHT Media and WeWork Strategic Partnership, its growing relationship with NATO, its Land and Expand Strategy and continues to expand upon its Channel Sales Strategy. The Company has focused its sales and marketing initiatives on a list of global Fortune 500 companies, in various business segments, including health care, technology, financial and professional services, entertainment, as well as the education sector. In the healthcare sector alone, ARHT generated Q3 revenue from 6 global healthcare brands, five of which were repeat clients. The sixth is already planning additional activations in 2022.

The partnership with WeWork will dramatically expand ARHT Media's global network of technology. With up to 100 locations globally and possibly more, this is the first large-scale network of its holographic

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technology. This large-scale network provides ready access to ARHT's technology for all size organizations globally. WeWork have over 700 locations worldwide.

The Company's technology can be rented and used for a variety of one-off events such as a product launch, client meetings, sales conferences, town hall meetings, doctor training, 5G showcases, press events and more. Clients have reported that the technology facilitates a higher level of audience engagement and interaction, higher levels of content retention and results in higher net promotor scores when compared to a live in person presentation.

**To achieve growth objectives, the Company will focus on the following initiatives and channels**

- **ARHT Media and WeWork Strategic Partnership** - The first phase of this strategic partnership will include ARHT's holographic technology being rolled out in 18 locations around the globe. ARHT has moved its New York and Los Angeles studios into WeWork locations in those cities and as of the date hereof, has added Miami, Boston, Seattle, San Francisco, Montreal and Singapore. The Company will be adding Washington, DC, Tokyo, Sydney, Beijing, Shanghai, London, Paris, Berlin, Dallas & Sao Paulo in the first phase of the rollout. The phase 1 rollout will be completed in early 2022.

The partnership will ultimately result in the implementation ARHT's technology across a total of up to 100 WeWork locations globally. The economics and operational efficiencies that enterprise clients can achieve from having access to a global network of fixed equipment within WeWork locations is so financially compelling that the Company elected to participate directly in the revenue this partnership will generate. ARHT has signed a revenue sharing agreement with WeWork and we expect the initial 18 locations to deliver a \$2 million contribution to our total 2022 revenue.

- **NATO** - The Company announced its contract with NATO Supreme Allied Command Transformation, the training and development division of NATO, to install H-Series HoloPresence™ display systems at NATO's two leading training facilities in the US and Germany. In addition, NATO showcased ARHT's technology at the NATO Training and Technology Conference held between September 14 – 16, 2021. This conference was attended by training leadership from NATO member countries from around the world. NATO is looking into ways to reduce its training-related travel expenses and for more impactful ways to gain access to expertise for training purposes that may be located in another country and unable to be at a training conference or event in person. The Company intends to continue to develop its relationship with NATO by supporting these initiatives.
- **Channel Sales (Resellers and Strategic Partners)** – As noted, the Company will enter into both exclusive and non-exclusive re-seller agreements in key markets around the world. Utilizing the distribution capability of a re-seller in a key market will scale the business dramatically in a very short period.
- **Land and Expand Strategy** – The Company has had success expanding its business geographically with a few major global brands and across different product offerings. In Q1 2021 the Company identified 6 strategic clients, 5 existing and 1 new, that the global sales team will work to grow revenue across their enterprise both from a product and geographical perspective. This initiative will take a systematic and coordinated approach to doing this in a much bigger way. While we continue to bring on new clients each quarter, the quality of our international client list is such that simply increasing the frequency of repeat engagements and working with other parts of their organizations would result in significant revenue and bottom-line growth.

- **Financial, Technology, Health Care and Professional Services** – The biggest repeatable vertical market for ARHT Media in the past 24 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 Q4 2020 the Company introduced the HoloPod, a self-contained unit for use in smaller spaces including board rooms, meeting rooms and training centers. Enterprise organizations have publicly expressed interest in reducing their carbon footprint as well as reducing travel budgets and a network of ARHT technology can contribute to these goals.

National and multi-national corporations can utilize holographic technology as a higher-end solution to video conferencing to facilitate staff meetings, town halls and client meetings. Having been forced through the COVID-19 pandemic to utilize technology to communicate with their teams and clients, larger organizations are realizing the efficiencies and cost savings they did not think were possible while still achieving their goals. This trend will accrue to the benefit of holographic technology as the Company works with various stakeholders to help them achieve their goals while keeping their employees safe and contributing to a healthier planet.

- **Education** – This is a large potential market for ARHT Media's current technology suite, as well as the HoloPod. 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. In Q1 2021 an Atlanta area university purchased a Capture and Display kit with an interest in beaming lecturers from its main campus to satellite campus' in Georgia. This pilot project was partially funded as a government grant to test the effectiveness of higher quality remote learning and could lead to a network of satellite campus' utilizing permanent installations in the future.

Although multi-campus university systems are not new, they continue to be an ever-growing contemporary approach to higher education. Many top brand Master of Business Administration programs offer ongoing executive education on their main and remote campuses. Holographic technology can be used to leverage professors across these multi-campus university systems.

Many universities are part of a network of universities committed to creating special academic and cultural ties in order to promote, for the benefit of their members, internationalization, academic collaboration, excellence in learning and research, and service to society. Holographic technology can be used within university networks to help achieve these goals by promoting the sharing of teaching expertise.

Holographic technology allows educational institutes to showcase their best professors to the rest of the world. In Q3 2020 The Company added the University of Belgrade as an additional permanent display location. Since the launch of a permanent installation in 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 and American Samoa Community College and ITE in Singapore. ARHT added an additional university client in each quarter of 2021 and in Q4 will add a major MBA program that will be able to conduct lectures between its main campus in Paris and a satellite campus in Qatar.

- **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

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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. Publicity in major international entertainment and fashion periodicals for the Green Carpet Awards Gala began in Q3. This worldwide event was in October and was carried by Sky in Europe, TenCent in China and the You Tube Fashion Channel elsewhere in the world. Activations in the Entertainment sector are expected to start ramping up in Q4 2021.

#### **Events Subsequent to Q3 2021**

##### **November**

- In November 2021, the Company announced that its HoloPresence™ technology was used to beam researcher and academic Onyang Ziyun from Beijing into the Hong Kong STEM Education Alliance 2021 conference to provide a keynote address about the Chinese government's Mars exploration program. Designed as an opportunity to inspire students to pursue careers in STEM related disciplines the event was described as a tremendous success, with the keynote address by Professor Onyang as the highlight.

##### **October**

- In October 2021, the Company announced that its HoloPresence™ Technology was deployed at the Singapore Defense Technology Summit (Tech Summit) 2021. In a unique segment of this year's Summit, The Honorable Heidi Shyu, Under Secretary of Defense for Research and Engineering, United States Department of Defense (DoD), was filmed in Washington D.C, and appeared as a live hologram in Singapore for a one-on-one dialogue session on 14 October 2021.

The Singapore Defense Technology Summit is a unique gathering of global thought leaders from government, industry, academia, and think tanks, to network, confer, and collaborate in the development of defense and security capabilities. This year's summit attracted a record number of some 800 participants from 23 countries and was conducted as a hybrid event from 12 to 15 October.

- In October 2021, the Company announced that directors and senior management of the Company have transferred an aggregate of 7,074,778 common share purchase warrants expiring on November 23, 2021 (collectively, the "Warrants") to an arms' length third party purchaser. The purchaser has indicated to management its intention to exercise the Warrants in the near term.

Following the transfer described above, directors and senior management of the Company hold an aggregate of 2,885,001 additional Warrants expiring in November 2021. Each of the directors and members of senior management who hold Warrants have indicated an intention to exercise such Warrants prior to the November 2021 expiry date. In addition, directors of the Company recently exercised an aggregate of 1,618,000 Warrants into Common Shares of the Company.

"The exercise of these warrants will generate approximately \$1,294,771, which is intended to further fund growth at ARHT Media," stated CEO Larry O'Reilly, "Management and directors investing additional capital reflects the long-term belief we all have in our business."

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**Sales and Financial Highlights for Q3 2021**

**September**

- In September 2021, the Company announced increased demand for its HoloPresence™ technology from new and existing multinational healthcare clients in with a robust pipeline of upcoming events across a range of industries and geographies.

“We continue to expand our position as an innovative leader in next-generation communications and strengthen our relationships in the healthcare sector,” stated Larry O'Reilly, CEO of ARHT Media. “Our multinational repeat clients rely on us to connect their employees with seamless interactive environments, increasing engagement and unlocking cost savings across their globalized workforces. Specifically, we are working closely with the medical community to build out virtual programs that leverage the insights from Key Opinion Leaders (KOL) around the world to educate physicians and industry participants on cutting-edge research and technology. ARHT is proud to contribute to the success of our multinational healthcare partners to advance education and innovation through a boundless environment.”

- In September 2021, the Company announced a contract with NATO Supreme Allied Command Transformation, the training and development division of NATO, to install H-Series HoloPresence™ display systems and ARHT Engines at NATO's two leading training facilities in the US and Germany. In addition, NATO will be showcasing this innovative technology at the NATO Training Technology Conference between Sep 14-16, 2021, attended by training leadership from NATO member countries from around the world.

NATO had been looking into ways to reduce its training-related travel expenses and for more impactful ways to gain access to expertise for training purposes that may be located in another country and unable to be at a training conference or event in person. ARHT Media's HoloPresence™ technology will help NATO achieve both goals – and more.

**August**

- In August 2021, the Company announced that ARHT Media and Metro Audio Visual Productions Inc. (“Metro AV”), a global audio visual and events production company that designs and executes events, have entered into a strategic partnership, wherein Metro AV will offer ARHT's HoloPresence™ technology across the United States, South America, and Europe. Metro AV will offer their production services coupled with ARHT's HoloPresence™ technology to address the needs of an evolving events industry.

“With our new strategic partnership with Metro AV, we are able to execute even more events across the United States and South America which will allow us to keep up with the growing demand for our technology,” stated Larry O'Reilly, CEO of ARHT Media. “The events industry is keen for new and refreshing solutions to navigate hybrid, virtual and in-person events, while seamlessly adapting to any logistical constraints. We believe ARHT's technology is the perfect solution to bring engaging presenters and content to audiences from any location as the industry continues to evolve due to the ongoing pandemic.”

## ARHT MEDIA INC.

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#### July

- In July 2021, the Company announced that in partnership with TLC Creative, ARHT's HoloPresence™ technology, including its HoloPresence™ Displays, the Virtual Global Stage™ and the Capture Studio™, was showcased during Michael Cerbelli's: The Hot List™ 2021 presentation at [The Special Event](#) trade show in Miami. Michael Cerbelli, President & CEO of Cerbelli Creative, and emcee Brian Chan, who was captured and displayed as a hologram, gave the audience an inside look at how ARHT's interactive hologram technology works in real-time, leveraging ARHT's Capture Studio™ to present both virtually and to beam-in on stage as an interactive hologram for live presentations.
- In July 2021, the Company announced that their HoloPresence™ technology was used to beam the former President of France, Francoise Hollande, to his keynote address at the Jeju Peace Forum, hosted by the Jeju Peace Institute in Korea. Mr. Hollande was joined at the event by former UN Secretary General Ban Ki-moon, as the two men are largely regarded as the architects of the 2015 Paris Agreement – a document committing countries to reduce greenhouse gas emissions with a goal to improve the quality of the environment. The 2015 Paris Agreement was signed by 190 states as well as the EU, which collectively are responsible for over 97% of global greenhouse gas emissions.

#### June

- In June 2021, the Company announced that it had delivered its patented holographic technology to a record number of industries and regions, including one-time events and permanent installations, in June. ARHT's patented HoloPresence™, Virtual Global Stage™, and HoloPod™ technologies were featured by a growing list of repeat and new Fortune 500 companies, showcasing ARHT's ability to beam in multiple presenters from multiple locations across the globe.

#### **June Highlights:**

- 7 Virtual Global Stage™ presentations, 4 HoloPresence™ presentations, and two HoloPod™ installations and training sessions
- 11 total presentations and installations across healthcare clients, government agencies, and financial institutions; over 50% of these presentations were delivered to repeat clients
- Remote captures in 12 cities across 6 countries, including the U.S., Canada, China, Germany, France, and England
- The successful launch of Dubai distributor NMK Electronics, with two weeks of demos coinciding with the Arab Health 2021 Conference with live beams into Dubai from Singapore, London, Toronto & New York
- “The significant growth in June and continued strong interest in our technology sets the stage for a strong second half of 2021,” stated Larry O'Reilly, CEO of ARHT Media.

#### May

- In May 2021, the Company announced that it would be showcasing its proprietary HoloPresence™ technology in Dubai and Abu Dhabi June 16<sup>th</sup> – 30<sup>th</sup>, 2021. June 16<sup>th</sup> and 17<sup>th</sup> featured two days of back-to-back demonstrations for potential clients in enterprise, government, education and entertainment – including those involved with producing the Dubai World's Fair starting October 1. Demonstrations June 20<sup>th</sup> – 24<sup>th</sup> will be heavily dominated by attendees to the Arab Health 2021

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conference and the following week will include 3 days of demonstrations in Abu Dhabi for a variety of opportunities. With the upcoming World's Fair, as well as the World Government Summit in Dubai, plus the World Cup 2022 in Qatar the scale of the opportunities in the region is significant.

- In May 2021, the Company announced that it had been named the Official HoloPresence™ Partner at Art Basel Hong Kong, running from May 19 through to May 23, 2021. This was the ninth edition of Art Basel Hong Kong and for the first-time gallerists located in Singapore, Geneva and New York will be able to present art from their booths as a live hologram in Hong Kong. The ARHT HOLOPRESENCE™ SHOWROOM @ Art Basel Hong Kong will feature gallerists from Singapore, Switzerland, and the United States life sized and life like with no noticeable latency – as though they are actually in Hong Kong.
- In May 2021 the Company announced that on May 15, 2021 it intends to retire its 2020 Series A Secured Debentures, which will result in approximately \$80,000 in interest savings compared to repayment on the current maturity date of Dec 30, 2021. The early retirement of this debt is subject to receipt of consent of 66 2/3% of the debenture holders which the Company subsequently received.
- In May 2021, the Company announced that it has entered into a strategic relationship with WeWork, the leading flexible workspace provider, that will integrate ARHT Media's technology into WeWork's global events offering. To launch the first phase of this strategic partnership, ARHT's hologram technology will be rolled out in sixteen locations around the globe by Q3 2021. The partnership will result in implementation across a total of up to 100 WeWork buildings.

The partnership is WeWork's latest step to integrate emerging technology into its global portfolio of buildings and continue to bolster its flexible event and production space offerings. In select WeWork locations, ARHT Media will host a "Capture Studio" for users to record and stream events where they can appear live on one of three types of displays: HoloPresence™ for in person holographic events, HoloPod™ for in person permanent holographic display, or online as a Virtual Global Stage (VGS)™ presentation – or a combination of all three.

The holographic conferencing technology will provide new optionality for enterprise businesses interested in reducing travel expenses while still having more impactful interactions than traditional streaming and video conferencing offers. From town hall meetings, training and education seminars, and recruitment or sales meetings, ARHT Media's technology offers users the ability to enhance digital interactions via hologram presentation with no noticeable latency. WeWork members and non-members alike can leverage this technology by booking the space through WeWork's website.

The partnership with WeWork will dramatically expand ARHT Media's global network, in addition to providing access to a new audience of over 3,500 enterprise customers through WeWork's membership base.

- In May 2021, the Company announced that it has been the holographic technology supplier to a joint venture in China between Net Dragon Websoft Holdings and China Unicom. Last week this joint venture announced that it is launching the New Infrastructure "5G+Smart Education" Application Demonstration Project. Based on technologies such as 5G, VR, AR, holographic classrooms and ultra-high-definition video, it aims to provide an exemplar of "5G+Smart Education" applications with the participation of a hundred schools, a thousand classes and ten thousand learners.

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**April**

- In April 2021, the Company announce that in Q1 2021 it installed it's HoloPod™ and HoloPresence™ Display technology, as well as Capture Studio Kits with two military organizations in three separate countries with a value over \$450,000. The primary uses of the technology will be for military training and education. In one case these permanent installations are a pilot program that has the potential to be rolled out to many additional countries.

"Education and training are two very strong use cases of ARHT's technology suite, "stated ARHT CEO Larry O'Reilly, "and if this initial pilot program delivers on the client's expectations, then it could possibly lead to the build out of a very large network within the organization. The program is expected to save the organization hundreds of thousands of dollars annually by reducing the need for air travel."

In April, ARHT Media engaged with retired NATO technology expert, Sean Midwood, to advise the company in its sales and marketing strategy with military organizations globally. Mr. Midwood holds a Masters of Electrical Engineering Degree from the United States Naval Post Graduate School and prior to retirement was the Chief of Staff to the Director of Service Strategy (formerly Chief Technology Officer) at NATO's C&I Agency (formerly C3 Agency) in the Netherlands following a distinguished career with the Royal Canadian Navy.

- In April 2021, the Company announce that NMK will be the exclusive distributor of ARHT Media's technology and services in the UAE and Qatar. As part of this agreement, NMK will install ARHT's capture and display technology at both existing and planned customer experience centers in Dubai and Doha. NMK is a division of Midwich Group PLC, a specialist audio visual ("AV") distributor to the commercial market with operations across the UK and Ireland, Continental Europe, North America and Asia-Pacific.

**Sales and Financial Highlights for Q1 2021**

**March**

- In March 2021, the Company announced that it's HoloPresence™ technology and Virtual Global Stage™ presentation solution is being used to beam in speakers for EPITOME, an in-person conference for young entrepreneurs taking place between March 26 to 27, 2021 at \*SCAPE, Singapore.

ARHT's Virtual Global Stage™ was used as a presentation environment to beam in Kevin Lin, Co-founder of Twitch and Patrick Lee, Co-founder of Rotten Tomatoes from Taiwan for select sessions. As well as we are debuting the HoloPod™ to the Asian market- our latest HoloPresence™ Display which has been set up onsite for attendees to experience our technology first-hand.

"Being able to utilize ARHT Media's HoloPresence™ technology has been a game-changer for us, especially during these challenging times, when travel is not so simple for some of our speakers," stated Joshua Yap, CEO of Open Circles. "We're thrilled to have ARHT as our HoloPresence™ Partner. The technology is helping drive the future of remote presentations and will have a great impact during our speaker sessions."

- In March 2021, the Company announced that it closed its overnight marketed offering of units of the Company at a price of \$0.24 per Unit for aggregate gross proceeds of \$7,980,400. The offering was led by Leede Jones Gable Inc. The net proceeds of the offering are to be used to accelerate revenue growth,



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repay the outstanding secured debenture of the Company maturing on December 20, 2021 and working capital and general corporate purposes.

- In Q1 2021 the Company delivered 9 events using the Virtual Global Stage™ online display platform, a product launched in 2020. Clients included organizations in financial services, pharmaceuticals, real estate and logistics.
- In March 2021, the Company delivered HoloPod™, capture kit and HoloPresence™ technology to a global military alliance to be used primarily for training purposes in the United States and Germany. The client is using the technology on a trial basis with a view to expanding to other member countries following the trial.

**February**

- In February 2021, the Company announced that it has been recognized by the TSX Venture exchange ("TSXV") as one of the top 50 best performing stocks of 2020 and have been included in their annual TSX Venture 50 list for 2021. The TSX Venture 50 is a flagship program that ranks the top performing companies across five sectors selected based on three equally weighted criteria. Including a company's change in share price over the course of a year, the one-year trading volume and the one-year market capitalization change, all as of December 31, 2020.

"This is a great honor and a testament to the hard work of our talented team who create memorable human connections that generate emotional impact for our Fortune 500 enterprise clients," stated Larry O'Reilly, CEO of ARHT Media. "As organizations search for ways to break through the noise of online communication, we offer solutions that generate buzz and get people excited. This positions us very well for significant growth in 2021 with both repeat and new clients."

- In February 2021, the Company welcomed Liaison Technology Group ("Liaison") into its growing global Strategic Partner network. Liaison, a full-service commercial and residential custom electronics design and integration company, will establish a Capture and Demo studio in the Chicago area - offering ARHT's HoloPresence™ and Virtual Global Stage™ solutions to their corporate client base. With the induction of Liaison into ARHT's global HoloPresence™ network, we now have Capture and demo studios in LA, NYC and Chicago, the top three media markets in the United States, as well as a growing list of locations internationally.

**January**

- In January 2021, the Company announced that they beamed Sherrif Karamat, President and CEO of the Professional Convention Management Association (PCMA) from Toronto to Singapore for PCMA's annual signature event *Convening Leaders: An Omnichannel Experience for Event Professionals*. The event took place at Singapore's Marina Bay Sands Hotel between January 13 to 15, 2021. ARHT's technology was deployed by Singapore based strategic partner Electronics & Engineering PTE Ltd. The hybrid event brought together a small group of event professionals in Singapore and streamed online to a larger audience. Mr. Karamat beamed-in to kick-off the event and then joined a panel discussion on *Decoding the Keynote – Big Trends Shaping Business Events*.

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**Summarized Financial Results**

**Selected Quarterly Financial Information**

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

	Three months ended September 30, 2021	Three months ended June 30, 2021	Three months ended March 31, 2021	Three months ended December 31, 2020
Revenue	\$ 1,057,845	\$ 1,208,587	\$ 1,166,045	\$ 636,628
Net (loss)	(1,239,945)	(1,581,317)	(750,257)	(1,321,737)
Per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.02)

	Three months ended September 30, 2020	Three months ended June 30, 2020	Three months ended March 31, 2020	Three months ended December 31, 2019
Revenue	\$ 1,096,709	\$ 41,704	\$ 440,443	\$ 1,451,044
Net (loss)	(677,553)	(533,090)	(1,096,641)	(346,568)
Per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.00)

**Selected Annual Financial Information**

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Revenue	\$ 1,057,845	\$ 1,096,709	\$ 3,432,477	\$ 1,578,856
Cash generated (used in) operations	(1,049,956)	(1,260,514)	(3,714,401)	(2,434,350)
Net (loss)	(1,239,945)	(677,553)	(3,571,520)	(2,368,219)
Net (loss) per share - basic and diluted	(0.01)	(0.01)	(0.03)	(0.03)

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

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**Results of Operations**

	Note	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Revenue	18	\$ 1,057,845	\$ 1,096,709	\$ 3,432,477	\$ 1,578,856
Cost of Sales		(596,461)	(668,906)	(1,605,158)	(873,317)
<b>Gross Margin</b>		<b>\$ 461,384</b>	<b>\$ 427,803</b>	<b>\$ 1,827,319</b>	<b>\$ 705,538</b>
<b>Expenses</b>					
Employee and consultant expenses	14	(825,572)	(647,260)	(2,532,117)	(1,335,878)
Research expenditures		(230,259)	(169,290)	(572,007)	(362,488)
General administration and selling expenses	13	(490,583)	(119,859)	(1,136,400)	(682,790)
Amortization	7	(70,865)	(78,961)	(207,288)	(275,348)
Share-based compensation	12, 14	(91,220)	(48,301)	(479,788)	(224,463)
Finance costs	9, 10	(14,113)	(69,558)	(174,604)	(213,967)
Foreign exchange gain/(loss)		21,283	(32,325)	1,576	(39,019)
<b>Total expenses</b>		<b>(1,701,329)</b>	<b>(1,165,554)</b>	<b>(5,100,629)</b>	<b>(3,133,953)</b>
<b>Loss before the undernoted</b>		<b>(1,239,945)</b>	<b>(737,751)</b>	<b>(3,273,310)</b>	<b>(2,428,415)</b>
Other income		-	60,196	-	60,196
Loss on debenture repayment	10	-	-	(298,210)	-
<b>Net loss and comprehensive loss</b>		<b>(1,239,945)</b>	<b>(677,555)</b>	<b>(3,571,520)</b>	<b>(2,368,219)</b>
Net loss per share - basic and diluted	11	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
Weighted average number of common shares outstanding	11	133,187,208	82,913,616	120,466,848	77,277,831

See notes to the condensed financial statements for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020.

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**Revenue and Expenses Analysis**

**For the three months ended September 30, 2021 and the three months ended September 30, 2020**

During the three months ended September 30, 2021, the Company generated revenues of \$1,057,845 (three months ended September 30, 2020: \$1,096,709). The Company generated revenues through VGS™ events, equipment sales, rentals, holographic content creation and transmission and license fees.

During the three months ended September 30, 2021, total expenses were \$1,701,329 (three months ended September 30, 2020: \$1,165,554). Excluding non-cash share-based compensation, foreign exchange gain/(loss) and non-cash amortization and accretion, cash expenses for the period were \$1,546,414 (three months ended September 30, 2020: \$936,409). The increase in total cash expenses compared to the three months ended September 30, 2020 of \$610,005 was mainly the result of an increase in employee and consultants' expenses, research expenditures and marketing and advertising.

**For the nine months ended September 30, 2021 and the nine months ended September 30, 2020**

During the nine months ended September 30, 2021, the Company generated revenues of \$3,432,477 (nine months ended September 30, 2020: \$1,578,856). The Company generated revenues through VGS™ events, equipment sales, rentals, holographic content creation and transmission and license fees.

During the nine months ended September 30, 2021, total expenses were \$5,100,629 (nine months ended September 30, 2020: \$3,133,953). Excluding non-cash share-based compensation, foreign exchange gain/(loss) and non-cash amortization and accretion, cash expenses for the period were \$4,240,524 (nine months ended September 30, 2020: \$2,381,156). The increase in total cash expenses compared to the nine months ended September 30, 2020 of \$1,859,368 was due mainly the result of an increase in employee and consultants expenses, research expenditures and marketing and advertising.

**Cash Flows Analysis**

**Cash flows for the three months ended September 30, 2021 and the three months ended September 30, 2020**

Cash of \$1,077,860 was used in operating activities before changes in working capital items during the three months ended September 30, 2021 compared to \$584,275 used in operating activities during the three months ended September 30, 2020.

During the three months ended September 30, 2021, net cash of \$31,386 was generated in financing activities (three months ended September 30, 2020 - \$1,996,881) from the exercise of stock options less the principal element of lease payments.

**Cash flows for the nine months ended September 30, 2021 and the nine months ended September 30, 2020**

Cash of \$2,751,244 was used in operating activities before changes in working capital items during the nine months ended September 30, 2021 compared to \$1,846,347 used in operating activities during the nine months ended September 30, 2020.

During the nine months ended September 30, 2021, net cash of \$6,321,758 was generated in financing

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activities (nine months ended September 30, 2020 - \$3,480,445) from the net proceeds from the public offering and exercise of warrants less the repayment of secured debentures and 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.

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 currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

On September 30, 2021, the Company has not achieved profitable operations however, had a shareholders' surplus of \$3,516,270, working capital of \$3,061,213 and an accumulated deficit of \$38,900,432.

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 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 2021. Realizable values may be substantially different from carrying values as shown on September 30, 2021 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 March 17, 2021 the Company closed an overnight marketed offering of 33,251,667 units of the Company at a price of \$0.24 per unit for aggregate gross proceeds of \$7,980,400. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at an exercise price of \$0.33 for a period of 36 months from the date of issue. In the event that the volume weight average trading price of the outstanding common shares of the TSX Venture Exchange is greater than \$0.70 for a period of 10 consecutive trading days at any time after the closing date, the Company shall have the right to accelerate the expiry of the warrants and, as such, the warrants will expire on the date which is sixty days following the date upon which the

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Company issues a news release announcing the accelerated expiry date.

**Risks and Uncertainties**

Also see the risks and uncertainties disclosed the Company's Amended & Restated Annual Information Form dated March 9, 2021 and in the Short Form Prospectus dated March 10, 2021. 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.

**Future Operations**

On March 17, 2021, the Company closed a public offering for gross proceeds of \$7,980,400. During the nine months ended September 30, 2021, 7,002,160 warrants and 250,000 stock options were exercised generating cash of \$1,045,100. This included 1,618,000 warrants that were exercised by directors of the Company. As at September 30, 2021 there were another 13,737,557 in the money warrants expiring in November 2021, December 2021 and January 2022. These warrants are exercisable at \$0.13 for a total amount of \$1,785,882. As of the date hereof, 7,074,778 of these warrants with a value of \$919,721 have been exercised. Management expects that the remainder of these warrants will be exercised during Q4 2021. As of the date hereof, there are an aggregate of 60,060,885 common share purchase warrants outstanding. The Company believes that the net proceeds of the public offering and proceeds from warrant exercises will be sufficient to fund the operations of the Company for at least the next twelve-month period.

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 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:

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- 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.
- 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.

#### **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.

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**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.



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**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 and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020 were as follows:

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Short-term benefits	191,438	\$ 146,250	\$ 605,354	\$ 330,417
Share-based payments	38,590	8,576	165,674	94,130
<b>Total compensation</b>	<b>230,028</b>	<b>154,826</b>	<b>771,028</b>	<b>424,547</b>

NetDragon indirectly owns 2% (2020 – 3%) 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 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 3% (2020 – 4%) of the Company's common shares as at September 30, 2021.

**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 asset value denominated in US dollars as at September 30, 2021 was approximately \$1,344,512 (2020 – net liability of \$923,634). A \$0.01 increase or decrease in the exchange rate between U.S. and Canadian dollars would impact net loss by approximately \$13,445 (2020 – \$9,236).

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**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 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.

**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 nine months ended September 30, 2021 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, 2021 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, 2023.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

**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 consolidated financial statements for the three and nine months ended September 30, 2021. Additional minimum management commitments remaining under agreements are approximately \$570,833 all due within one year.

**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.

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

The Company's operations have been materially adversely affected by the 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.

Since January 30, 2020, the World Health Organization has 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. The Company cannot accurately predict the ongoing 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.

At this point, the extent to which COVID-19 may continue to 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 in the future.

The Company does not have any off-balance sheet items as at September 30, 2021 and September 30, 2020.

#### **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 140,272,865 common shares outstanding, 11,558,834 stock options outstanding, with exercise prices ranging from \$0.095 to \$0.74 expiring between February 20, 2023 and November 10, 2025 and 60,060,885 warrants outstanding with exercise prices ranging from \$0.13 to \$0.33 expiring between November 23, 2021 and March 17, 2024.