

Datametrex AI Limited

Management's Discussion and Analysis
March 31, 2020
(Canadian dollars)

Datametrex AI Limited

Management's Discussion and Analysis for the three months ended March 31, 2020
(Canadian dollars, except share and unit information)

The following discussion and analysis, prepared as of May 26, 2020, provides information that management believes is relevant to an assessment and understanding of the results of operations and the consolidated financial position of Datametrex AI Limited, formerly Everfront Ventures Corp. (the "Company"). The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements for the three months ended March 31, 2020. Unless otherwise noted, all financial information in the MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

This MD&A contains or incorporates forward-looking statements within the meaning of Canadian Securities legislation (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, revenue, earnings, changes in cost and expenses, capital expenditures and other objectives, strategic plans and business development goals, and may also include other statements that are predictive in nature or that depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates, and projections regarding future events.

Although the Company believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Undue reliance should not be placed on such statements. Certain material assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements.

The forward-looking statements contained in this MD&A are made as at the date of this MD&A and, accordingly, are subject to change after such date. Except as required by law, the Company, does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this MD&A, whether as a result of new information, future events or otherwise.

Selected Financial Information

EBITDA and Adjusted EBITDA

Management believes that EBITDA and Adjusted EBITDA are effective measures for analyzing the performance of the Company. The term "EBITDA" refers to earnings before deducting interest, taxes, depreciation and amortization. The Company calculates Adjusted EBITDA as earnings before deducting interest and accretion, taxes, depreciation and amortization, impairment charges, listing expense, other reverse takeover fees, acquisition related costs, and share based compensation. "EBITDA", "EBITDA per share", "Adjusted EBITDA", and "Adjusted EBITDA per share" are non-GAAP measures. The Company believes that EBITDA and Adjusted EBITDA are useful additional information to management, the Board and investors as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not necessarily imply they are non-recurring, infrequent or unusual. EBITDA and Adjusted EBITDA are also used by some investors and analysts for the purpose of valuing a company. Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to operating earnings or net earnings determined in accordance with IFRS as an indicator of the Company's financial performance or as a measure of the Company's liquidity and cash flows. EBITDA and Adjusted EBITDA does not take into account the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

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The following table reconciles net loss to EBITDA and Adjusted EBITDA for the three months ended March 31, 2020 and 2019:

	Three months ended March 31, 2020 \$	Three months ended March 31, 2019 \$
Net loss	(721,761)	(904,792)
Income taxes	(16,207)	(45,249)
Depreciation and amortization	194,899	203,599
Interest and accretion	14,766	22,913
EBITDA	<u>(528,303)</u>	<u>(723,529)</u>
Share based compensation	271,000	11,273
Adjusted EBITDA	<u>(257,303)</u>	<u>(712,256)</u>
Weighted average number of common shares	<u>233,701,561</u>	<u>218,039,053</u>
Adjusted EBITDA per share	<u>(0.001)</u>	<u>(0.003)</u>

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

Business Overview

Datametrex AI Limited (the "Company" or "Datametrex AI") is a technology company focused primarily on collecting, analyzing and presenting structured and unstructured data using machine learning and artificial intelligence. The Company also has exposure to blockchain technology currently in development for the collection, storage, transfer, analysis and presentation of big data through its associate company, Graph Blockchain Inc. ("Graph").

The Company is a publicly traded corporation, incorporated in the province of Ontario and its head office is located at 4711 Yonge Street, Suite 1000, Toronto, Ontario, M2N 6K8, Canada. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "DM" and on the Frankfurt Stock Exchange under the trading symbol "D4G".

Summary of Operations

Revenue

For the three months ended March 31, 2020, revenue was \$809,402. The revenue results were as follows:

- \$326,241 from Service and licensing revenue earned from big data and Artificial Intelligence solutions.
- \$483,161 from System integration services and hardware revenue.
- Certain projects and various sales negotiations have been postponed due to COVID-19 outbreak. As a result of this, there was a negative impact on revenue.

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Expenses & Management Fees

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

- Depreciation and amortization of \$194,899.
- Salaries, benefits and consulting fees of \$365,712.
- Office and general expenses of \$147,198 include \$23,326 of sales and marketing related expenses, \$11,194 of insurance premiums and \$7,432 of occupancy costs.
- Share based compensation of \$271,000
- Other operating expenses in the amount of \$183,914 include \$94,500 of consulting fees, and \$5,346 of professional fees.

In addition, the Company also recognized share of gain from equity investees in the amount of \$14,640 relating to the Company's share of gain from the operations of Graph and a gain in the amount of \$25,549 relating to the dilution of the Company's ownership interest in Graph during the three months ended March 31, 2020.

Summary of Quarterly Results

The following is a summary of the Company's quarterly results, beginning with the three months ended June 30, 2018 ("Q2 - 18").

	Q1 – 20	Q4 – 19	Q3 – 19	Q2 – 19	Q1 – 19	Q4 – 18	Q3 – 18	Q2 – 18
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	809,472	841,766	1,683,986	376,518	498,565	357,352	589,648	924,873
Management fees	-	(60,000)	60,000	105,000	105,000	70,000	-	884,956
Net loss	(721,761)	(170,507)	(695,802)	(1,011,962)	(904,792)	(1,233,683)	(15,236,076)	(1,042,458)
Net loss per share	(0.003)	(0.001)	(0.003)	(0.005)	(0.004)	(0.006)	(0.076)	(0.005)
EBITDA	(528,303)	(51,358)	(539,115)	(830,227)	(723,529)	(1,372,897)		
Adjusted EBITDA	(257,303)	(33,284)	(539,115)	(841,500)	(712,256)	(1,045,669)	(14,350,712)	(206,724)
							(1,422,731)	(131,469)

Segment information

For the three months ended March 31, 2020, the Company has one operating and reportable segments as defined in note 2 to these consolidated financial statements.

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Geographical information is summarized as follows:

	Canada \$	Korea \$	Total \$
For the three months ended March 31, 2020			
Revenue from external customers	326,241	483,161	809,402
Non-current assets	6,468,251	-	6,468,251
	Canada \$	Korea \$	Total \$
For the three months ended March 31, 2019			
Revenue from external customers	357,883	148,682	498,565
Non-current assets	7,494,296	-	7,494,296

Equity accounted investee

During the three months ended March 31, 2020, the Company recognized a gain on the dilution of its investment in Graph in the amount of \$25,549 (three months ended March 31, 2019 - \$4,330), which was the result of Graph issuing additional shares during the three months ended March 31, 2019.

The Company's share of gain from Graph is \$14,640 for the three months ended March 31, 2020 (three months ended March 31, 2019 – loss of \$268,232). As at March 31, 2020, the Company had a 25.35% ownership interest in Graph (December 31, 2019 – 26.33%).

Liquidity, Capital Resources, and Cash Flow

The Company has primarily financed its operations to date through the issuance of common shares and warrants. Also, the management focused on improving sales and reducing operating costs. The Company continues to seek capital through various means including the issuance of equity. The interim condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

For the three months ended March 31, 2020, net cash used in operating activities was \$144,324 (2019 - \$1,298,157), net cash used in investing activities was \$5,528 (2019 - \$5,759), and net cash provided from financing activities was \$48,025 (2019 - \$1,034,255).

As at March 31, 2020, the Company has an accumulated deficit of \$28,396,741 (December 31, 2019 - \$27,674,980) and a working capital deficiency of \$3,983,070 (December 31, 2019 – \$3,716,948). For the three months ended March 31, 2020, the Company recognized a net loss of \$721,761 (2019 - \$904,792) and had net cash outflows from operating activities of \$144,324 (2019 - \$1,298,157). At March 31, 2020, the Company has insufficient cash to fund its planned operations for the next twelve months. The Company's ability to continue as a going concern is dependent upon the ability of the Company to generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient additional financing to settle its obligations and fund its planned operations. Accordingly, the Company may need further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds

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are not available, the Company may be required to delay or reduce the scope of any or all of its projects. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Related Party Transactions

a) Accounts payable and accrued liabilities

As at March 31, 2020, an amount of \$186,772 (March 31, 2019 - \$9,327) included in accounts payable and accrued liabilities is due to officers of the Company.

d) Loan receivables

As at March 31, 2020, the Company has loan receivable from Graph in an amount of \$65,700 (December 31, 2019 - \$64,990). The loan is unsecured, non-interest bearing and repayable on demand. Datametrex Korea also has loan receivable from Korea segment of Graph in an amount of \$191,347 (December 31, 2019 - \$185,054). The loan is unsecured, bears interest at 5.0% per annum and is repayable on demand.

e) Management fee from related party

During the three months ended March 31, 2020, the Company charged its associate company, Graph, a total management fee in the amount \$nil (three month ended March 31, 2019-\$105,000).

f) Compensation of key management personnel

Key management includes members of the Board and executive officers of the Company. Compensation awarded to key management is listed below:

	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019	
	Amount \$	Options awarded	Amount \$	Options awarded
Cash based compensation	112,500	-	183,000	-
Stock options (based on Black-Scholes)	230,000	11,500,000	-	-
	<u>342,500</u>	<u>11,500,000</u>	<u>183,000</u>	<u>-</u>

Subsequent Events

Issuance of Share Options

In May 2020, the Company granted an aggregate of 16,500,000 incentive share options under the Company's share option plan to certain directors, employees and consultants of the Company. These stock options have an exercise price of \$0.17 and expire on June 30, 2022. All options will be subject to a vesting schedule, with 25% immediately vesting and 25% vesting on the three, six and nine month anniversaries of the grant date.

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Exercise of Share Options and Warrants

Subsequent to the period end, the Company has received \$493,500 from the exercise of share purchase options at \$0.05 and \$0.07 per share and issued 8,750,000 common shares.

Subsequent to the period end, the Company has received \$1,229,184 from the exercise of share purchase warrants at \$0.08 per share and issued 15,364,800 common shares.

Outstanding Share Information

The Company is authorized to issue an unlimited number of common shares with no par value. As at the date this discussion and analysis is prepared, the Company had 257,816,361 shares outstanding, 25,650,000 share options outstanding and 7,244,000 warrants outstanding.

COVID-19 Test Kits

Beginning in March 2020, the Governments of Canada and the United States, as well as other foreign governments instituted emergency measures as a result of the COVID-19 virus outbreak. The virus has had a major impact on North America and international securities, currency markets and consumer activity which may impact the Company's financial position, its results of future operations and its future cash flows significantly. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of future operations, financial position, and liquidity in fiscal year 2020.

Subsequent to the period end, the Company announced that it had entered into agreements securing the rights to import COVID-19 test kits from manufacturers in South Korea. Two test kits are currently under evaluation by Health Canada for Interim Order Approval under the Expedited Approval Program. The Company has also submitted a Medical Devices Interim Order Request Form for Health Canada for two test kits from South Korea. The company has distribution agreements for two other test kits, one of which has been approved by Health Canada under the Interim Order, and another which is pending Interim Order approval submitted by the manufacturer. The Company has received the first purchase order for COVID19 test kits from a Canadian based mining company for use in a jurisdiction outside of Canada. Also, the Company signed a Strategic Partnership and Development Agreement ("the Agreement") with Transpharm Canada Inc ("TCI"). Under the terms of the agreement, TCI will work with the Company on scoping out services and providing access to its testing facility located in Toronto, Ontario, to provide support and testing services for the current and future approved COVID-19 test kits that Datametrex has in its portfolio. The Company will be providing the COVID-19 test kits on the Canadian and international market. In Canada, TCI will be providing all other services including, but not limited to, the collection of specimens, transport of specimens, and processing testing results and provision of results to individuals tested.

Off Balance Sheet Arrangements

The Company has not entered into any off balance sheet arrangements, such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

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Risk Factors

The Company is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar business. Material risks that could significantly affect the financial condition, operating results or business of the Company are set out in the Company's management's discussion and analysis for the fiscal year ended December 31, 2019.

Other Information

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