

Datametrex AI Limited

Management's Discussion and Analysis
September 30, 2020
(Canadian dollars)

Datametrex AI Limited

Management's Discussion and Analysis for the nine months ended September 30, 2020
(Canadian dollars, except share and unit information)

The following discussion and analysis, prepared as of November 24, 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 and nine months ended September 30, 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.

Summary of Recent Developments

In September 2020

The Company has submitted a Medical Devices Interim Order ("IO") Request Form to approve PCL, Inc.'s ("PCL") COV05 COVID19 Rapid Antigen Detection Kits to Health Canada. This application is made under IO Respecting the Importation and Sale of Medical Devices for Use in Relation to COVID-19 pursuant to subsection 30.1(1) of the Food and Drugs Act signed by the Minister of Health on August 24, 2020, for PCLCOV05 COVID19 Rapid Antigen Detection Kits. This IO will allow Health Canada to issue expedited review and approval for the sale of these test kits in Canada. These test kits are suitable for point of care tests. No extra equipment is needed. They are simple to use and results are available in 10 minutes.

The Company announced the largest purchase order to date from a Canadian Mining Company) with operations worldwide. The purchase order is for 50,000 1drop Inc. This purchase order is for their Peru and Surinam mining operations. The total gross sales amount is approximately \$1.6M CAD, excluding shipping and courier fees.

The Company entered into a sales agreement with 7-Eleven Korea for Robotic Process Automation ("RPA") infrastructure. The global RPA market size is expected to reach \$7.2 billion by 2025. RPA is the technology that enables anyone to configure computer software today, or a "robot" to replicate and incorporate the actions of a person working within digital systems to conduct a business process.

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The Company received second purchase order for COVID-19 screening solutions with Lighthouse Pictures Inc., a Film and Television production company based in Vancouver, British Columbia.

The Company received a third purchase order for COVID-19 screening solutions from Are You Afraid of the Dark Inc., a Canadian horror anthology television miniseries based in Vancouver, British Columbia.

The Company entered into a service agreement (the "Agreement"), dated September 21, 2020 with one of the world's largest media and entertainment groups for its theatrical film and TV shows in both Vancouver and Toronto. Pursuant to the terms of the Agreement, the Company will provide COVID-19 tests with test kits and related services as and when required through subsequent statements of work that will set out the specific scope of services and the dollar amounts for the various projects.

The Company received a Purchase Order (the "PO") from a Toronto based film production company, Flatmate Productions Inc., a subsidiary of Cream Production Inc., to provide COVID-19 test kits and related screening solutions.

In October 2020

The Company announced the development of an advanced statistical model to assess the current state of the pandemic and to monitor COVID-19 hotspots using Artificial Intelligence ("AI") and Machine Learning ("ML"). As the COVID-19 pandemic continues to spread around the globe, the Company is further developing its Nexalogy AI to build automated tracking systems that will mine vast amounts of data using NexaIntelligence, from social media and traditional news, for signs of new COVID-19 outbreaks being discussed in real-time. Secondly, the Company is developing an early alarm mapping system to keep watch for the pandemic using an advanced ML statistical model to monitor COVID-19 on the Lexical Map. This is developed using automatic text analysis that identifies with coloured clusters the sub-themes to understand COVID19 noise versus signal quickly and certainly underscores the potential of AI and ML.

Predicting positive results based on scientific mapping brings new developments to treatment in which clusters are systematically screened using computer algorithms for tracking and tracing for viral testing protocols leading to any subsequent quarantining and healthcare that may well be required. This new system will collect and analyze COVID-19 data from Twitter, Facebook, Tumblr, blogs, web forums, online news sites, Google Alerts and RSS feeds.

The Company started to deploy in the market MiCovid Cam Temperature Scanners with COVID-19 testing customers from October 9, 2020. This product is a new AI thermal detector with facial recognition and non-contact temperature assessment device to identify and triage people who may have elevated temperatures.

As Film and Television studios continue to expand productions throughout Canada, Datametrex is being requested by its current clients to take on more coronavirus testing for their portfolio of productions across the country. The Company has also been approached by additional film and studio companies for Datametrex to assist with fulfilling the studio with their own testing needs. Based on these current contracts, and additional opportunities for testing services which the Company is pursuing and in discussions for, management believes that the Company is on track to achieve approximately 4,000 tests per week, based on current operations Datametrex, current cost and revenue model, would result in revenue of approximately \$20 million over the next 28 weeks. There can be no assurance or guarantee that this revenue amount will result for the Company.

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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.

The following table reconciles net loss to EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2020 and 2019:

	Three months ended		Nine months ended	
	2020	September 30, 2019	2020	September 30, 2019
	\$	\$	\$	\$
Net loss	(451,353)	(695,803)	(2,041,592)	(2,612,557)
Income taxes	-	(45,249)	(16,207)	(135,747)
Depreciation and amortization	194,517	204,268	574,494	611,954
Interest and accretion	10,898	(2,332)	39,688	43,478
EBITDA	(245,938)	(539,116)	(1,443,617)	(2,092,872)
Share based compensation	607,997	-	1,452,247	-
Adjusted EBITDA	362,059	(539,116)	8,630	(2,092,872)
Weighted average number of common shares	263,559,851	226,081,561	249,352,780	223,442,651
Adjusted EBITDA per share	0.001	(0.002)	0.000	(0.009)

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

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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, and selling of COVID-19 Test kits. 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 nine months ended September 30, 2020, revenue was \$7,626,121. Certain significant revenue results were as follows:

- \$731,397 from Service and licensing revenue earned from big data and Artificial Intelligence solutions, of which \$13,794 were earned during the three months ended September 30, 2020.
- \$3,184,014 from System integration services and hardware revenue, of which \$2,512,892 were earned during the three months ended September 30, 2020.
- \$3,699,277 from COVID-19 Test kit revenue, of which \$2,324,206 were earned during three months period ended September 30, 2020.
- The Company experienced significant increase in COVID-19 Test kit revenue during the third quarter ended September 30, 2020.

Expenses & Management Fees

For the nine months ended September 30, 2020, the Company incurred \$4,335,346 of operating expenses. Certain significant items are noted:

- Depreciation and amortization of \$574,494, of which \$194,517 incurred during the three months ended September 30, 2020.
- Salaries, benefits and consulting fees of \$1,409,099, of which \$662,152 incurred during the three months ended September 30, 2020.
- Office and general expenses of \$273,105, of which \$18,741 incurred during the three months ended September 30, 2020. The office and general expenses include the following: insurance, office rent, office supplies and other office related costs.
- Share based compensation of \$1,452,247, of which \$607,997 incurred during the three months ended September 30, 2020.

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- For the nine months ended September 30, 2020, other operating expenses in the amount of \$637,870 include \$52,278 of professional fees, \$300,750 of sales and marketing related expenses, and \$78,213 cloud and data costs.

In addition, during the three and nine months ended September 30, 2020, the Company recognized share of loss from equity investees in the amount of \$8,293 and \$63,414 relating to the Company's share of loss from the operations of Graph. The Company also recognized a gain in the amount of \$Nil and \$66,444 relating to the dilution of the Company's ownership interest in Graph during the three and nine months ended September 30, 2020. As at September 30, 2020, the Company had a 23.42% ownership interest in Graph, compared to 26.33% as at December 31, 2019.

Summary of Quarterly Results

The following is a summary of the Company's quarterly results, beginning with the three months ended September 30, 2018 ("Q3 - 18").

	Q3-20	Q2-20	Q1 - 20	Q4 - 19	Q3 - 19	Q2 - 19	Q1 - 19	Q4 - 18
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	4,862,325	1,954,394	809,402	841,766	1,683,986	376,518	498,565	357,352
Management fees	-	-	-	(60,000)	60,000	105,000	105,000	70,000
Net loss	(451,353)	(868,478)	(721,761)	(170,507)	(695,802)	(1,011,962)	(904,792)	(1,233,683)
Net loss per share	(0.002)	(0.003)	(0.003)	(0.001)	(0.003)	(0.005)	(0.004)	(0.006)
EBITDA	(245,938)	(669,376)	(528,303)	(51,358)	(539,115)	(830,227)	(723,529)	(1,372,897)
Adjusted EBITDA	362,059	(96,126)	(257,303)	(33,284)	(539,115)	(841,500)	(712,256)	(1,045,669)

Segment information

Geographical information is summarized as follows:

	Canada	Korea	Total
	\$	\$	\$
For the nine months ended September 30, 2020			
Revenue from external customers	4,442,107	3,184,014	7,626,121
Non-current assets	6,034,104	12,083	6,046,187
	Canada	Korea	Total
	\$	\$	\$
For the nine months ended September 30, 2019			
Revenue from external customers	751,135	1,807,934	2,559,068
Non-current assets	6,743,342	-	6,743,342

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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 nine months ended September 30, 2020, net cash used in operating activities was \$1,087,504 (2019 - \$611,007), net cash used in investing activities was \$52,084 (2019 - \$282,126), and net cash provided from financing activities was \$2,409,599 (2019 - \$1,093,074).

As at September 30, 2020, the Company has an accumulated deficit of \$29,716,572 (December 31, 2019 - \$27,674,980) and a working capital deficiency of \$1,166,959 (December 31, 2019 - \$3,716,948). For the nine months ended September 30, 2020, the Company recognized a net loss of \$2,041,592 (2019 - \$2,612,557) and had net cash outflows from operating activities of \$1,087,504 (2019 - \$611,007). 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. At September 30, 2020, the Company believes that it has sufficient cash to fund its planned operations for the next twelve months.

Related Party Transactions

a) Accounts payable and accrued liabilities

As at September 30, 2020, an amount of \$2,000 (June 30, 2019 - \$41,399) included in accounts payable and accrued liabilities is due to officers of the Company. During the nine months ended September 30, 2020, the Company paid interest charges in the amount of \$2,000 to a director of the Company for advance of fund (nine month ended September 30, 2019 - \$Nil).

b) Loan receivables

As at September 30, 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 \$196,531 (December 31, 2019 - \$185,054). The loan is unsecured, bears interest at 5.0% per annum (interest charged up to the end of February 2020, thereafter non-interest bearing) and is repayable on demand.

c) Management fee from related party

During the three and nine months ended September 30, 2020, the Company charged its associate company, Graph, a total management fee in the amount \$Nil (three and nine months ended September 30, 2019 - \$60,000 and \$270,000).

d) Revenue from related party

During the three and nine months ended September 30, 2020, revenue from selling of COVID-19 Test kits to its associate company, Graph, was recorded in the amount of \$145,675 (three and nine months ended September 30, 2019 - \$Nil).

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e) 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 September 30, 2020		Three Months Ended September 30, 2019	
	Amount \$	Options vested	Amount \$	Options vested
Cash based compensation	73,000	-	(41,250)	-
Stock options (based on Black-Scholes)	365,705	2,062,500	-	-
	438,705	2,062,500	(41,250)	-

	Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
	Amount \$	Options vested	Amount \$	Options vested
Cash based compensation	280,500	-	317,250	-
Stock options (based on Black-Scholes)	930,955	16,125,000	-	-
	1,211,455	16,125,000	317,250	-

Subsequent Events

Exercise of Share Options

Subsequent to the period end, the Company has received \$91,000 from the exercise of stock options at \$0.07 per share and issued 1,300,000 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 267,507,270 shares outstanding and 25,600,000 share options outstanding.

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