

DataMetrex AI Limited
(Formerly, Everfront Ventures Corp.)

Unaudited Consolidated Interim Financial Statements

For the three and nine month periods ended

September 30, 3017

NOTICE TO READER

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

November 20, 2017

Unaudited Consolidated Interim Financial Statements

Unaudited Consolidated Interim Statement of Financial Position	3
Unaudited Consolidated Interim Statement of Loss and Comprehensive Loss	4
Unaudited Consolidated Interim Statement of Changes in Shareholders' Equity	5
Unaudited Consolidated Interim Statement of Cash Flows	6
Notes to the Unaudited Consolidated Interim Financial Statements	7-20

DataMetrex AI Limited
Unaudited Consolidated Interim Statement of Financial Position

As at	Sep. 30, 2017	Dec. 31, 2016
Assets		
Current		
Cash	\$ 378,202	\$ 404,340
Trade and other receivable	168,705	16,928
Inventory	27,542	23,910
Prepaid expenses and deposits	457,503	3,276
	1,031,952	448,454
Property and equipment (Note 4)	37,271	17,232
Patent rights	10	10
Total assets	\$ 1,069,233	\$ 465,696
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 260,563	\$ 75,582
Deferred revenue	-	67,517
	260,563	143,099
Total liabilities	260,563	143,099
Shareholders' equity		
Share capital (Note 6)	3,269,313	495,809
Reserve-share based payments (Note 3)	325,500	-
Deficit	(2,786,143)	(173,212)
	808,670	322,597
Total shareholders' equity	808,670	322,597
Total liabilities and shareholders' equity	\$ 1,069,233	\$ 465,696

Approved and authorized for issue by the Board of Directors on November 20, 2017:

Signed "Andrew Ryu" Director

Signed "Charles Schade" Director

The accompanying notes are an integral part of these consolidated interim financial statements)

DataMetrex AI Limited

Unaudited Consolidated Interim Statement Loss and Comprehensive Loss

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2017	2016	2017	2016
Revenue				
Service revenue	\$ -	\$ -	\$ 100,517	\$ -
Expenses				
Salaries and benefits	255,074	-	517,792	-
Consulting fees (Note 5)	247,998	-	635,857	-
Professional fees (Note 5)	167,743	-	183,870	-
Office and general	134,797	-	215,983	-
Occupancy costs (Note 5)	19,374	-	38,542	-
Insurance	8,306	-	15,763	-
Interest and bank charge	642	-	1,766	-
Amortization and depreciation	1,689	-	3,245	-
	\$ 835,623	-	\$ 1,612,818	\$ -
Loss before undernoted items	\$ (835,623)	-	\$ (1,512,301)	-
Listing expense (Note 3)	-	-	406,859	-
Other fees related to RTO (Note 3)	-	-	376,219	-
Share-based compensation (Note 6)	317,550	-	317,550	-
Net loss and comprehensive loss for the period	\$ (1,153,173)	-	\$ (2,612,929)	\$ -
Loss per share				
Basic and diluted (Note 7)	\$ (0.015)	-	\$ (0.044)	-
Weighted average number of shares outstanding	75,918,088	-	58,793,836	-

(The accompanying notes are an integral part of these consolidated interim financial statements)

DataMetrex AI Limited
Unaudited Consolidated Interim Statement of Changes in Shareholders' Equity

	Share capital		Share-based payment reserve	Deficit	Total equity
	Number of shares	Share capital			
		\$	\$	\$	\$
Balance at December 31, 2016	47,952,840	495,809	-	(173,212)	322,597
Shares issued from private placement (Note 3)	21,608,391	1,921,236	-	-	1,921,236
Shares issued to former Everfront shareholders (Note 3)	5,738,050	573,805	-	-	573,805
Shares issued from exercise of warrants (Note 6)	3,712,840	278,463	-	-	278,463
Options issued to former Everfront directors (Note 3)	-	-	7,950	-	7,950
Options issued during three months ended Sep. 30. 2017 (Note 6)	-	-	317,550	-	317,550
Net loss for the period	-	-	-	(2,612,931)	(2,612,931)
Balance as at Sep. 30, 2017	79,012,121	3,269,313	325,500	(2,786,143)	808,670

(The accompanying notes are an integral part of these consolidated interim financial statements)

DataMetrex AI Limited

Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

1. Nature and organization of business

DataMetrex AI Limited, formerly Everfront Ventures Corp., (the “Company” or “Everfront”) is the parent company of Datametrex Limited (“Datametrex”) that is a big data company for retail, brands, and other organizations. The Company’s DataTap technology captures all data sent from the POS to the receipt printer and scanner, and then sends it to the cloud, so it can be presented for key decision making. The Company is planning on integrating the DataTap environment to decentralized blockchains to further authenticate and validate the data collected. Datametrex also provides enterprise resource planning (“ERP”) customized software, maintenance and other services.

The Company is a publicly traded corporation, incorporated in the province of Ontario and its head office is located at 2161 Yonge St., Suite 210, Toronto, Ontario, M4S 3A6, Canada. The Company’s common shares are listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “DM”. The Company was incorporated under the laws of the Province of Ontario on March 4, 2011, and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSXV. The principal business of the Company at that time was to identify and evaluate assets or businesses with view to completing a qualifying transaction (a “QT”) under relevant policies of the TSXV. On June 7, 2017, the Company completed its QT pursuant to an agreement between Everfront and Datametrex (Note 3). On Sep. 26, 2017, the company’s name has been changed to Datametrex AI Limited.

2. Significant accounting policies

a) Basis of presentation, statement of compliance and going concern

These consolidated interim financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting of the International Financial Reporting Standards (“IFRS”).

The financial statements were approved and authorized for issuance by the Company’s Board of Directors on November 20, 2017. The financial statements are presented in Canadian dollars which is also the Company’s functional currency. The accounting policies have been applied consistently in these financial statements, unless otherwise indicated.

These financial statements were prepared on a going concern basis under the historical cost basis of accounting. The Company has a deficit of \$2,786,143. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to generate revenue and positive cash flows from its 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 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.

b) Judgments and estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. Financial statement items subject to significant judgement include revenue recognition, allowance for doubtful accounts and deferred tax assets. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

DataMetrex AI Limited
Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

2. Significant accounting policies (continued)

c) Revenue recognition

The Company recognizes revenue from the sale of its DT devices and services when the risks and rewards of ownership have been transferred to the customer and collection is reasonably assured.

Revenue from service contracts and customized software are recognized by reference to the stage of completion based on estimated total costs if they can be estimated reliably. When the outcome of the transaction cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable. If estimated total costs on a contract are greater than the expected revenues, the Company recognizes the entire estimated loss when the loss becomes known.

The percentage of completion method of revenue recognition requires the Company to make estimates of contract revenues and costs to complete the contract. In making these estimates, management judgments are required to evaluate significant assumptions including cost of labour and materials.

d) Inventory

Inventory is measured at the lower of cost and net realizable value. Cost is determined using the first in, first out (“FIFO”) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventory comprises all costs of purchase, costs of assembly and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase include the purchase price, import duties, and non-recoverable taxes and transport, handling and other costs directly attributable to the acquisition of the finished goods, materials or services.

At September 30, 2017, the inventories consist of raw materials and finished goods.

e) Property and equipment

Property and equipment is recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Office and manufacturing equipment and furniture	5 years
Computer equipment and software	2 years

Equipment under construction is amortized once available for use. The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of any assets may not be recoverable.

f) Patent rights

Patent rights are initially recognized at cost and subsequently at cost less accumulated amortization and any accumulated impairment losses. Amortization commences when the assets are available for use and is recognized on a straight-line basis over their useful lives.

g) Deferred income taxes

Income tax expense consists of current and deferred tax expense. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

DataMetrex AI Limited
Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

2. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

h) Financial instruments

The Company has designated its cash and trade and other receivables as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

i) Lease payments

Payments made under operating leases are recognized as an expense on a straight line basis over the term of the lease. Lease incentives received, if any, are recognized as an integral part of the total lease expense over the term of the lease.

j) Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its non-financial assets, including intangible assets, to determine whether there is any indication of impairment. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

k) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

DataMetrex AI Limited
Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

3. Reverse Take-Over

On June 7, 2017, the Company completed its acquisition of Datametrex by way of a three-cornered amalgamation among the Company, Datametrex, and Everfront Acquisition Corp., a wholly-owned subsidiary of the Company. The transaction constituted the Company's QT in accordance with TSXV Policy 2.4- Capital Pool Companies and a reverse takeover of the Company within the meaning of such term in National Instrument 51-102 - Continuous Disclosure Obligations. As a result of the Amalgamation, the holders of all outstanding securities of Datametrex exchanged such securities for Everfront common shares on a one for one basis. The shareholders of Datametrex (including investors under the private placement) owned 92% of the common shares of the Company and as a result, the transaction is considered a reverse acquisition of Everfront by Datametrex. For accounting purposes, Datametrex is considered the acquirer and Everfront the acquiree. Accordingly, the consolidated interim financial statements are in the name of Everfront Ventures Corp. However, they are a continuation of the financial statements of Datametrex which has a financial year end of December 31. The results of operations of Everfront are included in the consolidated interim financial statements of the Company from the date of the reverse acquisition, June 7, 2017.

The following summarizes the reverse takeover of Everfront by Datametrex and the assets acquired and liabilities assumed as at June 7, 2017:

Consideration	
Fair value of consideration paid to former Everfront holders of common shares (5,738,050 common shares at \$0.10 per common share)	\$ 573,805
Options (Note 6 (c))	7,950
Total consideration	<u>581,755</u>
Identifiable assets acquired and liabilities assumed:	
Cash	178,121
HST receivable	1,817
Accounts payable and accrued liabilities	<u>(5,042)</u>
	174,896
Listing expense	<u>\$ 406,859</u>

The equity consideration is being measured at the aggregate estimated fair values of the Datametrex shares issued and options re-issued, determined as follows:

The fair value of the 5,738,050 shares issued to Everfront shareholders is \$0.10 per share for a total value of \$573,805.

The estimated fair value of the 384,054 options re-issued to the Everfont option holders is \$0.0207 each for a total value of \$7,950. The stock options have an exercise price of \$0.20 and expire in 2 years. The value was calculated using the Black-Scholes option pricing model with the following assumptions: (i) expected option life of 2.17 years; (ii) risk free rate of 0.75%; (iii) dividend yield of nil; (iv) expected volatility of 70%.

DataMetrex AI Limited

Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

3. Reverse Take-Over (continued)

The amalgamation with Everfront allowed Datametrex, a private company, to obtain a listing on the TSXV without having to go through the initial public offering process. As the acquisition was not considered a business combination, a total of \$406,859, being the excess of fair value of the consideration paid to obtain the listing over the net assets (liabilities) received (assumed), have been included in the listing expense in the consolidated statement of comprehensive income (loss). Also, other fees related to the qualifying transaction of \$376,219 have been expensed in the statements of comprehensive income (loss).

Prior to the closing of the above transaction, Datametrex completed a non-brokered private placement of units to raise gross proceeds of \$2,160,839. Each unit was at a price of \$0.10 and consisted of one common share and one warrant of Datametrex. Each warrant shall be exercisable into one common share of Datametrex at a price of \$0.15 for a period of two years from the date of issuance. Certain dealers and arms-length finders were paid 8% of the gross proceeds and received 771,872 broker warrants exercisable on the same terms and conditions governing those warrants issued under the private placement. Share issuance costs of \$239,603 comprised of \$149,987 in respect of finders fees, together with cash expenses of \$89,616, resulting in net proceeds of \$1,921,236.

All Datametrex common shares and warrants issued in connection with the private placement including broker warrants were exchanged for common shares and warrants of Everfront on similar terms respectively, in each case on a one for one basis, upon closing of the transaction.

4. Property and equipment

	Equipment under construction	Computer equipment	Office Equipment and Furniture	Machinery	Total
Cost					
Balance at Dec. 31, 2016	\$ 10,612	\$ 1,705	\$ 5,070	\$ -	\$ 17,387
Additions (Re-allocations)	(3,304)	2,653	7,345	16,592	23,286
Balance at Sep. 30, 2017	7,308	4,358	12,415	16,592	40,673
Accumulated amortization					
Balance at Dec. 31, 2016	-	71	84	-	155
Amortization		1,041	822	1,383	3,246
Balance at Sep. 30, 2017	-	1,112	906	1,383	3,401
Net book value					
At Sep. 30, 2017	\$ 7,308	\$ 3,246	\$ 11,509	\$ 15,209	\$ 37,271

DataMetrex AI Limited
Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

5. Related party transactions

(a) Occupancy costs

The Company collected \$10,500 for the office sublease from a company controlled by a director and shareholder of the Company, this has been offset into occupancy costs in the Statement of Loss and Comprehensive Loss.

(b) Accounts payable and accrued liabilities

An amount of \$7,547 included in accounts payable and accrued liabilities is due to officers of the Company.

(c) Revenue contract to related parties

The Company entered into a two year proprietary service agreement with a company (“Customer”) that, at the time, had certain common directors and officers with the Company to provide ERP services. The agreement includes a one-time customization fee of \$130,000 to be paid in three installments, one-time installation fee of \$10,000, and a monthly service fee of \$12,000. The Company issued the Customer an invoice for \$60,266 for these ERP services on November 1, 2016, and \$48,966 on December 1, 2016, inclusive of HST (the “Indebtedness”). On December 31, 2016, the Company entered into a debt settlement subscription agreement with the Customer (the “Debt Settlement Subscription Agreement”) whereby the Customer issued 1,205,325 common shares to the Company at a deemed issue price of \$0.05 per share in partial satisfaction of the Indebtedness. Due to the uncertainty regarding the collectability of the receivable and the ultimate realization on the investment, no value was attributed to these transactions as at September 30, 2017.

Also, the Company entered into a two year proprietary service agreement with another company that, at the time, had certain common directors and officers with the Company and is also a shareholder of the Company, to provide ERP services and other maintenance services. The agreement includes a one-time customization fee of \$90,000 to be paid in three installments, a one-time installation fee of \$10,000 and a monthly service fee of \$10,000. The Company invoiced \$100,000 for these ERP services and recognized revenue of \$97,517 for the period ended June 30, 2017. The Company no longer provides ERP services to this company. Revenue of \$3,000 relating to other maintenance and web hosting services has been recognized for the period ended Sep. 30, 2017.

(d) Accounting service fees

The Company incurred \$30,000 of professional service fees to a company that is controlled by a director and shareholder of the Company for the period ended June 30, 2017.

(e) Consulting service fees

The Company incurred \$10,000 of ERP consulting service fees to a company that is controlled by an employee of the Company for the period ended June 30, 2017.

DataMetrex AI Limited
Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

5. Related party transactions (continued)

(f) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company such as directors and executive officers.

For the period ended Sep. 30, 2017

Consulting fees and salaries	<u>\$493,533</u>
------------------------------	------------------

6. Share capital

(a) Common shares

Authorized, issued & outstanding

Authorized

Unlimited number of common shares with no par value

Issued and outstanding

	Number	Amount
Shares issued at December 31, 2016	47,952,840	\$495,809
Shares issued to Everfront's shareholders (Note 3)	5,738,050	573,805
Shares issued from Private Placement (Note 3)	21,608,391	1,921,236
Shares issued from exercise of warrants (Note 6 (b))	3,712,840	278,463
Balance at Sep. 30, 2017	79,012,121	\$3,269,313

On March 14, 2017, a special resolution of the shareholders of Datametrex was made to subdivide all of the issued and outstanding common shares on the basis of two post-subdivision shares for every one pre-subdivision share. The numbers in these statements reflected the completion of the two for one stock split of outstanding common shares and warrants.

DataMetrex AI Limited
Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

6. Share capital (continued)

(b) Warrants

	Number of warrants	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)
Outstanding at Dec. 31, 2016	10,189,868	1.17	0.09
Warrants issued in connection with the private placement (Note 3)	21,608,391	1.68	0.15
Brokers' warrants (Note 3)	771,872	1.68	0.15
Warrants exercised	(3,712,840)	1.17	0.08
Outstanding as Sep. 30, 2017	28,857,291	1.57	0.14

During the three month period ended Sep. 30, 2017, a total of warrants of 3,712,840 were exercised at \$0.075. The company issued a total of 3,712,840 common shares.

(c) Options (Share-based payments reserve)

	Number of warrants	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)
Outstanding at December 31, 2016	-	-	-
Options issued for former Everfront directors (Note 3)	384,054	2.17	0.20
Options issued during three month period ended Sep. 30, 2017	7,300,000	1.77	0.10
Outstanding at Sep. 30, 2017	7,684,054	1.78	0.11

On June 15, 2017, the directors of the Company passed a resolution approving the extension of the exercise date of an aggregate of 249,635 stock options granted to former Everfront directors beyond 90 days from the date of their resignations as directors to June 8, 2018.

DataMetrex AI Limited
Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

6. Share capital (continued)

On July 5, 2017, the Company granted an aggregate of 7,300,000 incentive stock options under the Company's stock option plan to certain directors, officers, employees and consultants of the Company. The options are exercisable at \$0.10 per share, all of which (with the exception of an aggregate of 1,000,000 options which are not subject to vesting conditions) shall vest one-quarter (1/4) on July 5, 2017, one-quarter (1/4) on January 5, 2018, one quarter (1/4) on July 5, 2018 and one quarter (1/4) on January 5, 2019, and shall be exercisable for a term of two years, in accordance the Company's stock option plan.

The estimated fair value of 7,300,000 options is \$0.0435 each for a total value of \$317,550. The value was calculated using the Black-Scholes option pricing model with the following assumptions: (i) expected option life of 1.76 years; (ii) risk free rate of 1.25%; (iii) dividend yield of nil; (iv) expected volatility of 70%.

7. Loss per share

For nine months period ended Sep. 30, 2017

Loss for the period	\$ (2,612,931)
Weighted average number of shares outstanding	<u>58,793,836</u>
Basic and diluted loss per share	<u>\$ (0.044)</u>

Basic loss per share is calculated by dividing the total loss by the weighted average number of shares outstanding during the period. Outstanding warrants and options, as at Sep. 30, 2017 of 36,541,345 have not been factored into the calculation as they are considered anti-dilutive. The following table presents the maximum number of shares that would be outstanding if all dilutive and potentially dilutive instruments as described in Note 6 were exercised or converted as at Sep. 30, 2017.

	Number
Common shares outstanding	79,012,121
Options and Warrants outstanding	<u>36,541,345</u>
	<u>115,553,466</u>

8. Commitments

As of September 30, 2017, the Company has following lease commitments.

2017	\$ 23,272
2018	62,900
2019	<u>47,175</u>
	<u>\$ 133,347</u>

9. Financial instruments and risk management

Risk management

DataMetrex AI Limited

Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

9. Financial instruments and risk management (continued)

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented below.

General objectives, policies and processes

Management has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of management is to set policies that seek to minimize risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The Company has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results and distributions. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of cash and trade and other receivables.

Credit risk associated with cash is minimized by ensuring these financial assets are maintained with financial institutions of reputable credit and may be redeemed upon demand. At the period ended Sep. 30, 2017, the impairment allowance was \$Nil.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they become due. The Company's approach is to ensure it will have sufficient liquidity to meet operations, tax, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed by management to ensure a sufficient continuity of funding exists. The Company's financial liabilities are comprised of its accounts payable and accrued liabilities. The payments for its accounts payable and accrued liabilities are due in less than a year.

Fair values

IFRS 7 Financial Instruments: Disclosures requires disclosure of a three-level hierarchy ("FV hierarchy") that reflects the significance of the inputs used in making fair value measurements and disclosures. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include those whose valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement. There were no financial instruments carried at fair value as at Sep. 30, 2017.

DataMetrex AI Limited

Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

9. Financial instruments and risk management (continued)

Classification of financial assets and liabilities

The following table represents the carrying amounts and fair values of financial assets and financial liabilities measured at amortized cost:

	Carrying amount and fair value
Cash	\$ 378,202
Sales tax receivable	168,705
Accounts payable and accrued liabilities	260,563

As at Sep. 30, 2017, the carrying value of cash, trade and other receivables and accounts payable and accrued liabilities approximates their fair value due to their short-term nature.

10. Management of capital

The Company defines its capital as its shareholders' equity. The Company's objectives when managing capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future development of the business. The Company is not exposed to any externally imposed capital requirements.

11. Contingencies

On March 1, 2017, the Company and directors of the Company received notice alleging that they had unlawfully misappropriated and unlawfully used confidential information of a corporation ("Corp") where two of the directors were former officers and directors to develop technology for Corp. The Company retained litigation counsel to defend any potential claims against the Company. Management believes that there is no merit or substance to this allegation. Management is in discussion with said group to resolve the issue. As such, no amounts have been reflected in the consolidated interim financial statements. The Company will record a provision if it believes that the outcome of this contingency becomes probable and can be reasonably estimated.

12. Proposed acquisition

On Sep. 25, 2017, the Company has entered into a definitive purchase agreement (the "Purchase Agreement") to acquire a Montreal, Canada based company, 9172-8766 Quebec Inc. (doing business as Nexalogy Environics), ("Nexalogy"), a business intelligence and data analysis software provider to government agencies and Fortune 500 corporations.

Pursuant to the Purchase Agreement, Datametrex will acquire all of the issued and outstanding common shares of Nexalogy and of 9225-6965 Québec Inc., an affiliate of Nexalogy, for an aggregate purchase price of \$6 million (subject to debt adjustments at closing) of which: (i) \$2.7 million in cash and \$2.7 million in common shares of the Company (priced at a volume weighted average price of the common shares of the Company for the twenty (20) trading day period prior to closing) will be paid on closing; and (ii) \$600,000 will be paid over a three year period upon Nexalogy achieving certain agreed-upon revenue milestones. The Transaction is anticipated to close on or about November 20, 2017.

DataMetrex AI Limited

Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

12. Proposed acquisition (continued)

The completion of the Transaction remains subject to a number of terms and conditions including, among other things:

- Everfront and Nexalogy obtaining all necessary consents, orders and regulatory approvals, including the final approval of the TSX Venture Exchange which has granted conditional approval
- no material change occurring to the business of Everfront or Nexalogy;
- the delivery by each of the parties of standard closing documents.

13. Subsequent events

Subsequent to period end, the Company announced a non-brokered private placement (the “subscription”) for approximately \$5,000,000. Under the subscription, the Company is expected to issue 50,000,000 units in accordance with the terms and conditions of the subscription agreement representing a subscription price of \$0.10 per unit. The Company has the option to increase the size of the offering by up to 15% at any time up to 48 hours before the closing the offering. Each unit is comprised of one common share of the Company and one common share purchase warrant of the company. Each whole warrant shall be exercisable for one common share of the Company at a price of \$0.15 for a period of 18 months from the closing date. The warrants are subject to an acceleration clause whereby if the common share price is equal to or greater than \$0.20 for a period of 15 consecutive trading days, the Company may, at its option, within 10 days following such 15-day period, accelerate the Warrant Expiry Date by issuing a press release (a “Warrant Acceleration Press Release”) and, in such case, the Warrants Expiry Date shall be deemed to be 5:00 p.m. (Toronto time) on the 15th day following the issuance of the Warrant Acceleration Press Release.

The Units are being issued in connection with the previously announced acquisition of 9172-8766 Quebec Inc. (doing business as Nexalogy Environics) (“Nexalogy”) and 9225-6965 Quebec Inc., an affiliate of Nexalogy, pursuant to a share purchase agreement dated September 25, 2017 (the “Purchase Agreement”).

Upon satisfaction of certain conditions in the Purchase Agreement (the “Release Conditions”), the closing of the Offering will occur. The Company expects the Release Conditions to be satisfied on or about November 20, 2017. In the event that the Release Conditions are not satisfied by December 20, 2017, the proceeds of the Offering will be returned to subscribers, without interest.

The Company may, as compensation to individuals that introduce subscribers to the Company (a “Finder”), and subject to regulatory approval: (i) pay cash commissions; and (ii) issue non-transferable common share purchase warrants (with identical terms as those warrants issued under the Offering) equal to 8% of the gross aggregate proceeds (the “Finder’s Fee”) of a subscription made by a subscriber who is introduced to the Company by such Finder upon satisfaction of the Release Conditions.

The Offering is subject to certain conditions, including (but not limited to) the receipt of approval from the TSX Venture Exchange. The securities issued in connection with this private placement will be subject to a four-month hold period. Insiders may participate in the Offering.

DataMetrex AI Limited
Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

13. Subsequent events (continued)

And, subsequent to period end, a total of warrants of 3,515,364 were exercised at \$0.075 and 3,500,000 were exercised at \$0.15. The company issued a total of 7,015,364 common shares and received an aggregate \$788,652 from the exercise of share purchase warrants in addition to a total of 3,712,840 common share issued during the three month period ended Sep. 30, 2017. Accordingly, the Company has received \$1,067,115 year to date basis from the exercise of an aggregate 10,728,204 share purchase warrants previously issued by the Company.

And, subsequent to the period end, the Company has received \$25,000 from the exercise of share purchase options at \$0.10 per share and issued 250,000 common shares.

Also, subsequent to the period end, the Company has incorporated a wholly owned subsidiary called Datametrex Blockchain Limited. This new subsidiary will identify blockchain opportunities that can both complement the existing platforms and other in environments. The Company is currently in discussion with several key organizations to explore specific solutions around how data captured in the Retail, Manufacturing, and Healthcare sectors as well as the Government, can benefit from both the combination of Artificial Intelligence and Data Authentication.

14. Future accounting pronouncements

The IASB has issued the following applicable standards and amendments, which have not yet been adopted by the Company. The Company is assessing the impact of these standards on its financial statements and whether to early adopt any of the new standards. The following is a description of the new standards:

IFRS 9 - Financial Instruments Recognition and Measurement: IFRS 9 retains but simplifies the mixed measurement model where the basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 - Revenue from contracts with customers: In May 2014, the IASB issued IFRS 15 which supersedes existing standards and interpretations including IAS 18, Revenue and IFRIC 13, Customer Loyalty Programs. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs such as IAS 17, Leases. This Standard requires revenue to be recognized in a method that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

- i. Identify the contract with a customer;
- ii. Identify the performance obligations in the contract;
- iii. Determine the transaction price;
- iv. Allocate the transaction price to the performance obligations in the contract; and
- v. Recognize revenue when each performance obligation is satisfied.

DataMetrex AI Limited
Notes to the Unaudited Consolidated Interim Financial Statements

Sep. 30, 2017

14. Future accounting pronouncements (continued)

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfilment costs. This Standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 - Leases: In January 2016, the IASB issued IFRS 16 which supersedes IAS 17, Leases. This Standard introduces a single lessee accounting model. The new standard will affect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019.

Management is assessing the impact of this Standard on the financial statements. However, management believes that the result will be an increase to assets and liabilities, as the Company is required to record a right-of-use asset and a lease liability on the Statement of Financial Position for its operating leases. Management also believes there will be a decrease in operating costs due to the reduction of occupancy costs, an increase in finance costs, due to the accretion of the lease liability, and an increase in depreciation and amortization, due to the amortization of the right-of-use asset.