

Datametrex AI Limited

Management's Discussion and Analysis

Three and Nine Months Ended

September 30, 2019

(Canadian dollars, unaudited)

Datametrex AI Limited

Management's Discussion and Analysis for the three months ended September 30, 2019 (Canadian dollars, except share and unit information)

The following discussion and analysis, prepared as of November 28th, 2019, provides information that management believes is relevant to an assessment and understanding of the results of operations and financial conditions 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, 2019. 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 take-over 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 and nine months ended September 30, 2019 and 2018:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net loss	(695,803)	(15,236,076)	(2,612,556)	(18,165,683)
Income taxes	(45,249)	(93,446)	(135,747)	(289,759)
Depreciation and amortization	204,268	949,612	611,954	2,641,803
Interest and accretion	(2,332)	29,198	43,478	103,815
EBITDA	<u>(539,115)</u>	<u>(14,350,712)</u>	<u>(2,092,871)</u>	<u>(15,709,824)</u>
Share based compensation	-	49,937	-	1,266,457
Impairment of Ronin Mining Rigs	-	522,932	-	522,932
Impairment of Ronin Gosun Intangible	-	12,355,112	-	12,355,112
Adjusted EBITDA	<u>(539,115)</u>	<u>(1,422,731)</u>	<u>(2,092,871)</u>	<u>(1,565,323)</u>
Weighted average number of common shares	<u>226,081,561</u>	<u>200,373,925</u>	<u>223,442,651</u>	<u>198,624,384</u>
EBITDA per share	<u>(0.002)</u>	<u>(0.071)</u>	<u>(0.009)</u>	<u>(0.079)</u>

Other Financial Information

Total assets is \$8,929,826 as at September 30, 2019 (December 31, 2018 - \$9,315,916).

Total current financial liabilities is \$5,833,534 as at September 30, 2019 (December 31, 2018 - \$4,526,287), including \$1,875,000 to be paid in common shares to Ronin vendors as a result of the 2018 Ronin Acquisition disclosed in the audited consolidated financial statements for the year ended December 31, 2018. During the nine months ended September 30, 2019, the Company entered into a final settlement with one of the Ronin vendors through the issuance of 2,000,000 common shares at a deemed price of \$0.05 per common share to settle \$625,000 indebtedness. The Company is in the process to reach settlement with the remaining Ronin vendors.

Total non-current financial liabilities is \$189,922 as at September 30, 2019 (December 31, 2018 - \$420,373), including \$158,210 of deferred incomes taxes (December 31, 2018 - \$293,957).

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

Business Overview

Datametrex AI Limited 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 Limited ("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".

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Summary of Operations

Revenue

For the nine months ended September 30, 2019, revenue was \$2,559,069. The revenue results were as follows:

- \$1,028,132 from Service and licensing revenue earned from big data and Artificial Intelligence solutions, of which \$426,813 were earned during the three months ended September 30, 2019.
- \$1,501,076 from System integration services and hardware revenue, of which \$1,255,503 were earned during the three months ended September 30, 2019.
- \$29,860 from other services the Company provided, of which \$1,669 were earned during the three months ended September 30, 2019.

Expenses & Management Fees

For the nine months ended September 30, 2019, the Company incurred \$3,925,643 of operating expenses, of which \$444,713 relates to non-cash items such as depreciation and amortization. Certain significant items are noted:

- Depreciation and amortization of \$611,954, of which \$204,268 incurred during the three months ended September 30, 2019.
- Salaries, benefits and consulting fees of \$1,607,249, of which \$347,203 incurred during the three months ended September 30, 2019.
- Office and general expenses of \$408,276, of which \$99,941 incurred during the three months ended September 30, 2019. The office and general expenses include \$177,469 of sales and marketing related expenses, of which \$39,245 incurred during the three months ended September 30, 2019.
- For the nine months ended September 30, 2019, other operating expenses in the amount of \$1,465,405 include \$410,599 of professional fees, and \$746,250 of consulting fees. For the three months ended September 30, 2019, other operating expenses in the amount of \$544,445 include \$70,973 of professional fees, and \$456,500 of consulting fees.

In addition, during the three and nine months ended September 30, 2019, the Company recognized share of loss from equity investees in the amount of \$63,559 and \$634,120 relating to the Company's share of loss from the operations of Graph. The Company also recognized a gain in the amount of \$10,447 and \$14,777 relating to the dilution of the Company's ownership interest in Graph during the three and nine months ended September 30, 2019.

In January 2019, the Company issued a statement of claim in the Ontario Superior Court of Justice against various vendors in connection to the Ronin Blockchain Corp. Transaction ("Ronin Vendors"). On March 12, 2019, the Company entered into a final settlement with one of the Ronin Vendors, and is to issue 2,000,000 common shares in satisfaction of an aggregate of \$100,000 of indebtedness at a deemed price of \$0.05 per common share. The Company issued the related common shares on April 1, 2019, at the time the TSX Venture exchange approval is obtained, and recognized a gain of \$545,000 during nine months ended September 30, 2019.

For the three and nine months ended September 30, 2019, the Company also charged \$60,000 and \$270,000 managements fees from Graph for consulting and management services provided.

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Summary of Quarterly Results

The following is a summary of the Company's quarterly results, beginning with the three months ended June 30, 2017 ("Q2 - 17").

	Q3 - 19	Q2 - 19	Q1 - 19	Q4 - 18	Q3 - 18	Q2 - 18	Q1 - 18	Q4 - 17
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	1,683,986	376,518	498,565	357,352	589,648	924,873	358,423	127,502
Management fees	60,000	105,000	105,000	70,000	-	884,956	884,956	-
Net loss	(695,802)	(1,011,962)	(904,792)	(1,233,683)	(15,236,076)	(1,042,458)	(1,887,149)	(2,706,410)
Net loss per share	(0.003)	(0.005)	(0.004)	(0.006)	(0.076)	(0.005)	(0.010)	(0.023)
EBITDA	(539,115)	(830,227)	(723,529)	(1,372,897)	(14,350,712)	(206,724)	(1,152,388)	(2,629,539)
Adjusted EBITDA	(539,115)	(841,500)	(712,256)	(1,045,669)	(1,422,731)	(131,469)	(11,123)	(1,735,046)

Segment information

For the year ended December 31, 2018, management determined that the Company operated in 2 operating and reportable segment. The operating and reportable segment of providing big data, artificial intelligence and private blockchain services (the "Big Data, AI and Private Blockchain" reportable segment), and the operating and reportable segment for its cryptocurrency mining operations (the "Cryptocurrency Mining" reportable segment). Given that as at December 31, 2018, management has written down the Mining Rigs and Gosun Intangible Assets to a value of \$nil, and the Company had nominal operating activities in Cryptocurrency Mining for the nine months ended September 30, 2019, management has determined that the Company is considered to be operating in a single operating and reportable segment in 2019.

For the nine months ended September 30, 2018, the Company had two operating and reportable segment being the Big Data, AI and Private Blockchain segment, and cryptocurrency mining operations. Segment information of the Company is summarized as follows:

	Big Data, AI, and Private Blockchain	Cryptocurrency Mining	Consolidated totals
	\$	\$	\$
For the nine months ended September 30, 2018			
Revenue	3,563,417	79,439	3,642,856
Segment loss	(2,839,409)	(15,326,274)	(18,165,683)
Depreciation and amortization	557,121	2,084,682	2,641,803
Interest and accretion	103,815	-	103,815
Share of loss from equity accounted investee	1,434,887	-	1,434,887
Share based compensation	1,266,457	-	1,266,457
Impairment of Ronin Mining Rigs	-	522,932	522,932
Impairment of Ronin Gosun Intangible	-	12,355,112	12,355,112
Segment assets	9,910,417	126,588	10,037,005
Equity accounted investee	1,103,594	-	1,103,594
Capital expenditure	98,207	766,870	865,077
Segment liabilities	1,089,206	3,705,525	4,794,731

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Geographical information is summarized as follows:

	Canada \$	Korea \$	Total \$
For the nine months ended September 30, 2019			
Revenue from external customers	751,135	1,807,934	2,559,069
Non-current assets	6,743,342	-	6,743,342

	Canada \$	Korea \$	Total \$
For the nine months ended September 30, 2018			
Revenue from external customers	1,013,085	859,859	1,872,944
Non-current assets	8,180,297	-	8,180,297

Equity accounted investee

During the three and nine months ended September 30, 2019, the Company recognized a gain on the dilution of its investment in Graph in the amount of \$10,447 and \$14,777 (three and nine months ended September 30, 2018 - \$3,417 and \$538,481), which was the result of Graph issuing additional shares during the three and nine months ended September 30, 2019.

The Company's share of loss from Graph is \$63,559 and \$634,120 for the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018 - \$528,205 and \$1,434,887). As at September 30, 2019, the Company had a 26.39% ownership interest in Graph (December 31, 2018 - 26.56%).

Liquidity, Capital Resources, and Cash Flow

The Company was relying on the financing for its operation. Since the latest financing took place in January, the management focused on improving sales and reducing operating costs. The Company tries to manage its operations with revenues, however, the Company also continues to seek capital through various means including the issuance of equity for growth. 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 and nine months ended September 30, 2019, net cash provided from (used in) operating activities was \$895,578 and (\$611,006) (three and nine months ended September 30, 2018 - (\$977,166) and (\$2,295,876)), net cash used in investing activities was \$102,973 and \$282,126 (three and nine months ended September 30, 2018 - \$26,628 and \$2,938,296), and net cash provided from (used in) financing activities was (\$13,437) and \$1,093,074 (three and nine months ended September 30, 2018 - \$34,200 used in financing activities and \$3,342,329 provided from financing activities).

These interim condensed consolidated financial statements were prepared on a going concern basis under the historical cost basis of accounting. As at September 30, 2019, the Company has a deficit of \$27,504,473 (December 31, 2018 - \$24,891,917) and a working capital deficiency of \$3,647,050 (December 31, 2018 - working capital deficiency of \$3,068,833). For the three and nine months ended September 30, 2019, the Company recognized a net loss of \$781,424 and \$2,612,556 (three and nine months ended September 30, 2018 - \$15,236,076 and \$18,165,683). The Company also had net

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cash outflows from operating activities of \$611,006 (2018 - \$2,938,296). As at September 30, 2019, 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 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.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operations or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these financial statements should such events impair the Company's ability to continue as a going concern.

Related Party Transactions

a) **Accounts payable and accrued liabilities**

As at September 30, 2019, an amount of \$1,353 (December 31, 2018 - \$1,752) included in accounts payable and accrued liabilities is due to officers and directors of the Company.

b) **Loan receivables and payables**

As at September 30, 2019, the Company has loan receivable from Graph in an amount of \$55,384 due on demand at 0% interest. Datametrex Korea also has loan receivable from Korea segment of Graph in an amount of \$208,141 bearing interest at 5.0% per annum.

As at September 30, 2019, the Company has loan advancements due on demand from officers of the Company for a total amount of \$87,000.

c) **Management fee from Related Party**

The Company charged its associate company, Graph, a total management fee in the amount \$60,000 and \$270,00 during the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018 - \$nil and \$1,769,912).

d) **Private placements**

Certain officers and directors of the Company participated in the January 2019 private placement, as disclosed in note 10, and subscribed to an aggregate of 10,900,000 units for proceeds of \$545,000.

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, 2019		Three months ended September 30, 2018	
	Amount	Options awarded	Amount	Options awarded
	\$		\$	
Cash based compensation	(41,250)	-	253,000	-
Stock options (based on Black-Scholes)	-	-	10,895	-
	(41,250)	-	263,895	-

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	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
	Amount \$	Options awarded	Amount \$	Options awarded
Cash based compensation	317,250	-	615,500	-
Stock options (based on Black-Scholes)	-	-	999,820	4,465,081
	<u>317,250</u>	<u>-</u>	<u>1,615,320</u>	<u>4,465,081</u>

Accounting Pronouncements Adopted in 2019

Effective January 1, 2019, the Company adopted IFRS 16 – Leases, which supersedes previous accounting standards for leases, including IAS 17 – Leases and IFRIC 4 – Determining whether an arrangement contains a lease. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company primarily leases buildings for office use. For all lease contracts entered into, or changed, on or after January 1, 2019, the Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentive received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method.

Where applicable, the Company will elect not to recognize right-of-use and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company will recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Transition

The Company applied IFRS 16 with a date of initial application of January 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

The Company previously classified all its leases for building spaces as operating leases under IAS 17. Upon the adoption of IFRS 16, the following change in accounting policies are made:

The Company has recorded right-of-use asset and lease liability in the interim condensed consolidated statements of financial position for the existing lease at the lease commencement date, which is January 1, 2019 for the purpose of the IFRS 16 adoption. The lease liability is initially measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. It is subsequently measured at amortized cost using the effective interest method.

The right-of-use asset is initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The right-of-use asset is subsequently depreciated using the straight-line method over the remaining lease terms.

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The Company has elected not to recognize right-of-use asset and lease liability for short-term lease in which the lease term ends within 12 months of the date of initial application. The lease payment associated with this lease is recognized as an expense on a straight-line basis over the lease term.

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, there is no impact to total shareholder's equity as at January 1, 2019. Please refer to note 6 of the interim condensed consolidated financial statements for impacts for the period ended September 30, 2019.

Subsequent events

Subsequent to September 30, 2019, the company delivered a notice of indemnity to principal vendors of Nexalogy in connection with alleged breaches of certain representations and warranties of the Indemnifying Parties in favour of Datametrex in the share purchase agreement to acquire Nexalogy dated September 27, 2017.

Datametrex acquired all of the shares of Nexalogy on November 20, 2017. Management believes that certain representations and warranties of the Indemnifying Parties in the Share Purchase Agreement were inaccurate at closing and Datametrex is seeking to be indemnified for damages resulting from the alleged breaches of representations and warranties.

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.

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 226,081,561 shares outstanding, 9,262,122 share options outstanding and 22,608,800 warrants outstanding.

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 listed below:

Risks Associated with the Company's Limited Operating History and Evolving Business Model

The Company has a limited operating history, and therefore is exposed to the risks, expenses and problems frequently encountered by companies in the early stage of their development. The Company's business model is continuously evolving in order to adapt to the new and rapidly evolving industry that the Company operates in. There are no assurances that the Company's products will gain market acceptance. To date, the Company has not earned operating profits and significant further operating losses are possible. There can be no assurance that the Company will achieve profitability.

Operation as a Going Concern; Expenses May Increase Faster than Revenues

The continued operation of the Company as a going concern is dependent upon the Company's ability to generate positive cash flows and/or obtain additional financing sufficient to fund continuing activities and acquisitions. The Company has a history of losses. While the Company continues to review its operations in order to identify strategies to increase revenue streams and financing opportunities, there is no assurance that the Company will be successful in such efforts; if the Company is not successful, it may be required to significantly reduce or limit operations, or no longer operate as a going concern. It is also possible that operating expenses could increase in order to grow the business. If the Company does not significantly increase its revenue to meet these increased operating expenses and/or obtain financing until its revenue meets these operating expenses, its business, financial condition and operating results could be materially adversely affected. The Company cannot be sure when or if it will ever achieve profitability and, if it does, it may not be able to sustain or increase that profitability.

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Key Management Personnel

The Company depends on the services of its key technical, management, sales and marketing personnel. The loss of the services of any of these persons could have a material adverse effect on the Company's business, results of operations and financial condition. The Company's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Competition for such personnel can be intense, and the Company cannot provide assurance that it will be able to attract, engage, hire or retain technical, managerial, sales and marketing personnel in the future with the right qualifications, at the times needed, and/or at competitive costs. The Company's inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect its future growth and profitability.

Ability to Manage Growth

The Company continuously seek for opportunities to grow its current business by pursuing existing and potential market opportunities, including acquisitions. Such growth may place significant demands on existing management and operational resources. It also creates the need for proper onboarding procedures to ensure smooth integration of the acquired business with existing business and products. In order to manage expected growth effectively, the Company must concurrently develop more sophisticated operational systems, procedures and controls. If the Company fails to develop these systems, procedures or controls on a timely basis, its business, financial condition and operating results could be materially affected in an adverse manner.

Technology and Development Risk

The Company utilizes technology principally architected and developed by the Company. The Company's solutions incorporate complex technology and software. Accordingly, they may contain errors, or "bugs", that could be detected at any point. Such errors could materially and adversely affect the Company's reputation, resulting in claims and/or significant costs to the Company, and/or cause consumers, merchants, licensees and other parties to abandon the Company's solutions and impair the Company's ability to market and sell solutions and services in the future. The costs incurred in correcting any errors and satisfying any such claims may be substantial and could adversely affect the Company's operating margins. While the Company plans to continually test its solutions for errors and work with customers and merchants through its maintenance support services to identify and correct bugs, errors may be found in the future.

Protection of Intellectual Property

The Company depends on its ability to develop and maintain proprietary aspects of its technology and business methods. It seeks to protect its software, documentation and other written materials under trade secret and copyright law, as well as with confidentiality provisions in contracts with its customers, suppliers, contractors and employees, all of which afford limited protection. It is also seeking to protect its proprietary technology and business methods under patent laws in selected jurisdictions. The Company intends to apply for several trademark registrations.

Despite the measures the Company has taken to protect its intellectual property, there can be no assurance that these steps will be adequate, that the Company will be able to secure patents for all its inventions or trademark registrations for or the rights to use its trademarks, respectively, in Canada, the U.S. or other countries, that third parties will not breach the confidentiality provisions in the Company's contracts or infringe or misappropriate its copyrights, patents, trademarks and other proprietary rights, or that third parties have not already obtained prior rights in one or more jurisdictions to the same or similar trademarks to those of the Company or any other intellectual property sought to be protected by the Company.

Global Financial Developments

Stress in the global financial system may adversely affect the Company's finances and operations in ways that may be hard to predict or to defend against. Financial developments seemingly unrelated to the Company or to its industry may adversely affect the Company over the course of time. For example, material increases in any applicable interest rate benchmarks may increase the debt payment costs for any credit facilities. Credit contraction in financial markets may hurt its ability to access credit in the event that the Company identifies an acquisition opportunity or require significant access to credit for other

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reasons. A reduction in credit, combined with reduced economic activity, may adversely affect business. Any of these events may have a material adverse effect on the Company business, operating results, and financial condition.

Compliance with Complex Domestic and Foreign Laws

The Company is subject to a variety of laws and regulations in Canada and Korea that involve matters central to its business, including user privacy, data protection, intellectual property, distribution, contracts and other communications, consumer protection, and taxation. Korea laws and regulations may be more restrictive than those in Canada. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry that the Company operates in. Existing and proposed laws and regulations can be and may be costly to comply with and can delay or impede the development of new products, result in negative publicity, increased operating costs, additional time and attention required from management, and subject the Company to claims or other remedies, including fines or demands that the Company modify or cease existing business practices.

The Company may in the future enter into agreements or conduct activities outside of Canada and Korea, which expansion may present additional complexities in terms of the Company's legal compliance, and adversely affect the results of operations and/or financial condition of the Company.

Litigation

Within the Company's normal course of operation, the Company may become involved in various legal proceedings. Such matter can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results and financial condition. In particular, the Company may face claims relating to the Company's products as the nature of the Company's business exposes it to claims related to intellectual property rights and rights of privacy.

Risks Associated with Additional Financing

The Company may need to raise additional financing. There can be no assurance that the Company will be successful in raising sufficient capital on acceptable terms, if at all. If it is unable to raise capital it may not be able to execute on its business plan or respond to competitive pressures. If the Company is able to raise additional capital, it may be on terms and conditions which result in significant dilution to existing shareholders.

Currency Risk

While the Company is headquartered in Canada and the shares are traded on the TSX Venture market, certain operations may be conducted in Asia, the United States and Europe. As such, the Company's results of operations are subject to fluctuations in currency exchange rates, which may adversely affect the financial position and operating results of the Company.

Disruption of its Information Technology Systems

The Company relies on information technology in virtually all aspects of its business. A significant disruption or failure of its information technology systems could result in service interruptions, security violations, regulatory compliance failures, and inability to protect information and assets against intruders, and other operational difficulties. Attacks perpetrated against its information systems could result in loss of assets and critical information and exposes it to remediation costs and reputational damage. A significant disruption or cyber intrusion could lead to misappropriation of assets or data corruption and could adversely affect its results of operations, financial condition and liquidity. Additionally, if the Company is unable to acquire or implement new technology, it may suffer a competitive disadvantage, which could also have an adverse effect on its results of operations, financial condition and liquidity. Cyber-attacks could further adversely affect the Company's ability to operate information technology and business systems, or compromise confidential customer and employee information.

Other Information

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