



**DelphX Capital Markets Inc.**  
(formerly, Seaside Exploration Partners Inc.)

**Unaudited Interim  
Consolidated Financial Statements**

(Expressed in Canadian dollars)

**As at and for the three and nine months ended  
September 30, 2019 and 2018**

**NOTICE TO READER**

The accompanying unaudited interim consolidated financial statements of DelphX Capital Markets Inc. (formerly, Seaside Exploration Partners Inc.) (the “Company”) have been prepared by and are the responsibility of management. These unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2019 and 2018 have not been reviewed by the Company's auditors.



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of DelphX Capital Markets Inc. (formerly, Seaside Exploration Partners Inc.), are the responsibility of the management and the Board of Directors (the "Board") of the Company and have been prepared in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim unaudited consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

## MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting.

As the Company is a Venture Issuer (as defined under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("DC&P") and/or ICFR, as defined in NI 52-109, **nor has it completed such an evaluation**. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

*"Patricia Ziegler"*

Patricia Ziegler  
President and Chief Executive Officer

November 28, 2019

*"Stephen M. Gledhill"*

Stephen M. Gledhill  
Chief Financial Officer

November 28, 2019

# DelphX Capital Markets Inc.

(formerly, Seaside Exploration Partners Inc.)

## Unaudited Interim Consolidated Statements of Financial Position

(expressed in Canadian dollars)

<i>As at</i>	September 30, 2019	December 31, 2018
<b>Assets</b>	\$	\$
<b>Current assets</b>		
Cash (note 7)	179,837	187,634
Restricted cash (note 7)	27,500	27,500
Recoverable taxes	28,153	91,089
Deposits and prepaid expenses (note 8)	26,280	73,595
Due from related party (notes 9 and 14)	53,921	51,660
<b>Total current assets</b>	<b>315,691</b>	<b>431,738</b>
Leasehold improvements (note 10)	140,938	170,469
Intangible asset (note 11)	110,049	117,361
<b>Total assets</b>	<b>566,678</b>	<b>719,308</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 12)	1,368,328	1,077,667
Due to related parties (note 9)	652,228	238,090
<b>Total current liabilities</b>	<b>2,020,556</b>	<b>1,315,757</b>
Secured convertible debentures (note 13)	569,955	-
<b>Total liabilities</b>	<b>2,590,509</b>	<b>1,315,757</b>
<b>Shareholders' deficiency</b>		
Share capital (note 15)	16,653,546	15,830,178
Equity component of convertible debentures (note 13)	61,635	-
Contributed surplus (note 15)	1,287,077	390,476
Warrants (note 15)	543,420	421,959
Deficit	(20,649,327)	(17,192,862)
Currency translation reserve	79,818	(46,200)
<b>Total shareholders' deficiency</b>	<b>(2,023,831)</b>	<b>(596,449)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>566,678</b>	<b>719,308</b>

Going concern (note 1)

Significant contracts and commitments (note 20)

Subsequent events (note 21)

Approved for issuance by the Board on November 28, 2019

"Patricia Ziegler", Director

"Keith Ainsworth", Director

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

**DelphX Capital Markets Inc.**  
(formerly, Seaside Exploration Partners Inc.)

**Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss**  
(expressed in Canadian dollars-except weighted average number of common shares outstanding)

	3 months ended		9 months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
<b>Expenses</b>				
Administration (note 16)	70,711	593,601	802,191	1,657,956
Amortization of intangible asset (note 11)	2,426	2,367	7,311	7,062
Depreciation (note 10)	9,843	3,432	29,530	3,432
Foreign exchange (gains) losses	(40,157)	51,713	101,362	(3,312)
Legal and regulatory (note 16)	82,914	109,086	291,099	728,811
Listing expense (note 18)	-	-	-	1,359,804
Investor relations and public report	35,136	57,241	129,079	312,080
Marketing and sales (note 16)	29,877	175,340	149,150	525,047
Research and development (notes 16 and 17)	55,843	497,653	736,966	1,215,566
Share-based compensation (notes 14 and 15)	527,366	211,993	1,173,715	396,794
Write-off (note 10)	-	-	-	6,177
<b>Total expenses</b>	<b>773,959</b>	<b>1,702,426</b>	<b>3,420,403</b>	<b>6,204,417</b>
<b>Other income (expense)</b>				
Interest income (expense)	(19,023)	-	(24,473)	-
Interest accretion on convertible debentures	(4,209)	-	(11,589)	-
	<b>(23,232)</b>	<b>-</b>	<b>(36,062)</b>	<b>-</b>
<b>Loss</b>	<b>(797,191)</b>	<b>(1,702,426)</b>	<b>(3,456,465)</b>	<b>(6,204,417)</b>
<b>Other comprehensive gain (loss)</b>				
Currency translation differences	(57,383)	10,386	126,018	(9,907)
	<b>(57,383)</b>	<b>10,386</b>	<b>126,018</b>	<b>(9,907)</b>
<b>Income (loss) and comprehensive income (loss) for the period</b>	<b>(854,574)</b>	<b>(1,692,040)</b>	<b>(3,330,447)</b>	<b>(6,214,324)</b>
<b>Basic and fully-diluted loss and comprehensive loss per share</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.04)</b>	<b>(0.09)</b>
<b>Weighted average number of common shares outstanding</b>	<b>87,229,876</b>	<b>78,347,103</b>	<b>84,312,987</b>	<b>71,030,261</b>

*The accompanying notes are an integral part of these unaudited interim consolidated financial statements.*

# DelphX Capital Market Inc.

(formerly, Seaside Exploration Partners Inc.)

## Unaudited Interim Consolidated Statements of Changes in Equity/Deficiency

(expressed in Canadian dollars)

	Capital stock		Equity compon. of conv. deb.	Contri- buted surplus	Warrants	Currency trans- lation reserve	Deficit	Total
	Number of shares	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2017	59,771,820	9,014,437	-	-	44,308	162,530	(8,687,731)	533,544
Shares issued for cash (note 15)	1,995,571	698,436	-	-	-	-	-	698,436
Shares issued to Seaside shareholders (note 15)	4,052,570	1,418,400	-	-	-	-	-	1,418,400
Shares issued pursuant to subscription receipts (note 15)	11,453,000	4,008,550	-	-	-	-	-	4,008,550
Fair value of broker warrants (note 15)	-	(165,003)	-	-	165,003	-	-	-
Costs of issuance (note 15)	-	(388,026)	-	-	-	-	-	(388,026)
Shares issued on the exercise of options (note 15)	300,000	30,000	-	-	-	-	-	30,000
Fair value of exercised options (note 15)	-	86,100	-	(86,100)	-	-	-	-
Option issued to Seaside option holders (note 15)	-	-	-	114,800	-	-	-	114,800
Shares issued on the exercise of warrants (note 15)	240,415	61,398	-	-	-	-	-	61,398
Fair value of exercised warrants (note 15)	-	54,680	-	-	(54,680)	-	-	-
Warrants issued to Seaside warrant holders (note 15)	-	-	-	-	28,147	-	-	28,147
Share-based compensation	620,000	278,865	-	117,929	-	-	-	396,794
Loss and comprehensive loss for the period	-	-	-	-	-	(9,907)	(6,204,417)	(6,214,324)
Balance at September 30, 2018	78,433,376	15,097,837	-	146,629	182,778	152,623	(14,892,147)	687,720
Shares issued for cash (note 15)	2,280,000	1,140,000	-	-	-	-	-	1,140,000
Cash cost of issuance	-	(165,442)	-	-	-	-	-	(165,442)
Fair value of issued warrants (note 15)	-	(225,124)	-	-	225,124	-	-	-
Fair value of issued broker warrants (note 15)	-	(14,057)	-	-	14,057	-	-	-
Share-based compensation	-	(3,036)	-	243,847	-	-	-	240,811
Loss and comprehensive loss for the period	-	-	-	-	-	(198,823)	(2,300,715)	(2,499,538)
Balance at December 31, 2018	80,713,376	15,830,178	-	390,476	421,959	(46,200)	(17,192,862)	(596,449)

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

# DelphX Capital Market Inc.

(formerly, Seaside Exploration Partners Inc.)

## Unaudited Interim Consolidated Statements of Changes in Equity/Deficiency

(expressed in Canadian dollars)

	Capital stock		Equity compon. of conv. deb.	Contributed surplus	Warrants	Currency translation reserve	Deficit	Total
	Number of shares	Amount						
Balance at December 31, 2018	80,713,376	15,830,178	-	390,476	421,959	(46,200)	(17,192,862)	(596,449)
Shares issued for cash (note 15)	8,116,500	1,623,300	-	-	-	-	-	1,623,300
Cash issuance costs	-	(25,585)	-	-	-	-	-	(25,585)
Shares purchased and cancelled (note 15)	(2,000,000)	(1,000,000)	-	-	-	-	-	(1,000,000)
Shares issued for services (note 15)	300,000	60,000	-	-	-	-	-	60,000
Fair value of issued warrants (note 15)	-	(321,475)	-	-	321,475	-	-	-
Fair value of issued finders' warrants (note 15)	-	(18,496)	-	-	18,496	-	-	-
Fair value of warrants and finders' warrants purchased and cancelled (note 15)	-	218,510	-	-	(218,510)	-	-	-
Equity component of debentures (note 13)	-	-	61,635	-	-	-	-	52,969
Shares issued on the exercise of options (note 15)	100,000	10,000	-	-	-	-	-	10,000
Fair value of exercised options (note 15)	-	28,700	-	(28,700)	-	-	-	-
Share-based compensation	-	248,414	-	925,301	-	-	-	1,173,715
Loss and comprehensive loss for the period	-	-	-	-	-	126,018	(3,456,465)	(3,330,447)
<b>Balance at September 30, 2019</b>	<b>87,229,876</b>	<b>16,653,546</b>	<b>61,635</b>	<b>1,287,077</b>	<b>543,420</b>	<b>79,818</b>	<b>(20,649,327)</b>	<b>(2,023,831)</b>

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

**DelphX Capital Markets Inc.**  
(formerly, Seaside Exploration Partners Inc.)

**Unaudited Interim Consolidated Statements of Cash Flow**  
(expressed in Canadian dollars)

	9 months ended September 30,	
	2019	2018
	\$	\$
<b>Operating activities</b>		
Net loss	(3,456,465)	(6,204,417)
Non-cash items:		
Amortization and depreciation (notes 10 and 11)	36,841	10,493
Non-cash interest expense (income)	(2,261)	273
Interest accretion on secured convertible debentures	11,589	-
Listing fees (note 18)	-	1,359,804
Shares issued for services	60,000	-
Share-based compensation	1,173,715	396,794
Write-off of equipment (note 10)	-	6,177
Net change in non-cash working capital:		
HST recoverable	62,936	(74,445)
Prepaid expenses	47,315	(87,802)
Accounts payable and accrued liabilities	290,661	181,56
<b>Cash used for operating activities</b>	<b>(1,775,668)</b>	<b>(4,410,957)</b>
<b>Financing activities</b>		
Advances from related parties (note 14)	414,138	24,869
Exercise of options	10,000	30,000
Exercise of warrants	-	61,398
Issuance of common shares (net of issuance costs)	597,715	4,333,960
Issuance of secured, convertible debentures (note 13)	620,000	-
Currency translation effects	183,401	(9,909)
<b>Cash provided from financing activities</b>	<b>1,767,871</b>	<b>4,440,138</b>
<b>Investing activities</b>		
Equipment	-	(4,903)
Leasehold improvements	-	(309,868)
Changes to restricted to cash	-	(27,500)
Cash acquired on completion of RTO (note 18)	-	186,543
<b>Cash used for investing activities</b>	<b>-</b>	<b>(155,728)</b>
<b>Increase (decrease) in cash for the period</b>	<b>(7,797)</b>	<b>(126,547)</b>
Cash at the beginning of the year	187,634	433,781
<b>Cash at end of the period</b>	<b>179,837</b>	<b>307,234</b>
<b>Non-cash financing activities:</b>		
Interest income on related party loan	2,261	-
Purchase of common shares for cancellation	1,000,000	-

*The accompanying notes are an integral part of these unaudited interim consolidated financial statements.*

**DelphX Capital Markets Inc.**  
(formerly, Seaside Exploration Partners Inc.)

**Notes to Unaudited Interim Consolidated Financial Statements**  
(expressed in Canadian dollars)

**As at and for the 3 and 9 months ended September 30, 2019 and 2018**

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**1. General information and going concern**

DelphX Capital Markets Inc. (“**DelphX**” or the “**Company**”) was incorporated as Seaside Exploration Partners Corp. (“**Seaside**”) on October 21, 2016, pursuant to the *Business Corporations Act* (British Columbia), and was a Capital Pool Company, pursuant to the policies of the TSX Venture Exchange (“**TSXV**”). On April 25, 2018, DelphX and Seaside completed a Qualifying Transaction (“**QT**”), as such is defined pursuant to TSXV Policy 2.4) pursuant to a definitive share-exchange agreement dated December 12, 2017. The QT constituted a reverse take-over of Seaside. Details of the QT are disclosed in note 16.

The principal address of the Company is 137 Glasgow St., Unit 445, Kitchener, Ontario, N2G 4X8. DelphX’s principal business activity is to develop and operate a global facility for transparent offering, purchase, sale, collection and storage of certain fixed income securities and derivatives, and to manage date, research, analytics and valuations of such instruments. The Company is still in its research and developments phase and has not yet started operations.

These unaudited interim consolidated financial statements (the “**Interim Consolidated Financial Statements**”) have been prepared using International Financial Reporting Standards (“**IFRS**”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. As the Company is in the development stage and has not yet realized profitable operations, it has relied on non-operational sources of financing to fund operations. DelphX’s ability to continue as a going concern is dependent on successfully executing its business plan, which includes the raising of additional funds. The Company will continue to seek additional forms of debt and/or equity financing, but it cannot provide assurance that it will be successful in doing so. These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness, ultimately, of the use of accounting principles applicable to a going concern. The Interim Consolidated Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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**2. Basis of preparation**

**2.1 Statement of compliance**

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with *International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’* using accounting policies consistent with the IFRS issued by the International Accounting Standards Board (“**IASB**”) and Interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”).

The Interim Consolidated Financial Statements were approved and authorized for issuance by the Board on November 28, 2019.

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**DelphX Capital Markets Inc.**  
(formerly, Seaside Exploration Partners Inc.)

**Notes to Unaudited Interim Consolidated Financial Statements**  
(expressed in Canadian dollars)

**As at and for the 3 and 9 months ended September 30, 2019 and 2018**

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**2.2 Basis of presentation and measurement**

The Interim Consolidated Financial Statements have been prepared on a historical cost basis, except for financial instruments that are measured on amortized cost or fair value. The Company's functional currency is the US dollar, which is the currency of the primary economic environment in which it operates. For financial reporting purposes the Company has selected the Canadian dollar as its presentation currency. The assets and liabilities in the Interim Consolidated Financial Statements are translated into Canadian dollars for reporting purposes using exchange rate of the reporting date. The revenues and expenses are translated using the average exchange rates over the period of reporting, approximating the rates of exchange on the transaction dates. The equity translation is kept at historical rates. Foreign exchange differences arising on the translation from the functional currency to the presentation currency are recognized separately in other comprehensive income and are carried to the currency translation reserve account.

The preparation of the Interim Consolidated Financial Statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

**2.3 Basis of consolidation**

The Interim Consolidated Financial Statements consolidate the accounts of the Company and all its subsidiaries. The Company acquired 100% of the issued and outstanding shares of DelphX Services Corporation ("**DSC**") on November 27, 2017. DSC is an SEC-registered securities broker-dealer that has an objective to manage the DelphX Alternative Trading System ("**ATS**"). The Company's other wholly-owned subsidiaries are as follows: DelphX Data Corporation (incorporated on February 21, 2018, pursuant to the laws of Canada); Quantem Capital Corporation (incorporated on April 11, 2018, pursuant to the laws of Bermuda) (inactive), DelphX Corporation (incorporated on February 18, 2016, pursuant to the laws Delaware, USA). The Consolidated Financial Statements include the financial position, results of operations and cash flows of its subsidiaries subsequent to acquisition or formation.

A subsidiary is an entity over which the Company has control, whereby control is defined as the power to direct activities of an entity that significantly affect the entity's returns so as to obtain benefit from its activities. Control is presumed to exist where the Company has ownership of more than one-half of the voting rights in its subsidiaries. The effect of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is acquired or transferred to the Company and de-consolidated from the date at which the control ceases.

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**3. Newly adopted standards**

IFRS 16 - Leases ("IFRS 16"). IFRS 16 is to replace IAS 17, Leases and eliminates the classification of leases as either operating or finance leases by the lessee. Classification of leases by the lessor under IFRS 16 continues as either an operating or a finance lease, as was the treatment under IAS 17, Leases. The treatment of leases by the lessee will require capitalization of all leases resulting in accounting treatment similar to finance leases under IAS 17, Leases. Exemptions for leases of very low value or short-term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for

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the lessee. Under the new standard the treatment of all lease expense is aligned in the statement of loss and comprehensive loss with depreciation, and an interest expense component recognized for each lease, in line with finance lease accounting under IAS 17, Leases. IFRS 16 is effective for the Company for annual periods beginning on or after January 1, 2019. The Company has adopted this standard but currently has no significant leases.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 and the Company has adopted this standard. As interim financial statements are not required to disclose detailed tax information, the Company will reflect the effects of IFRIC 23 in its annual financial statements ending December 31, 2019.

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#### **4. Pending accounting pronouncements**

At the date of the Interim Consolidated Financial Statements, the IASB and IFRIC have issued the following revised standards, which are not yet effective for the relevant reporting periods and for which the Company has not early adopted. The Company is assessing what impact the application of the standard or amendment will have on the consolidated financial statements of the Company.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined. The Company has not yet adopted this standard and is currently assessing the impact on its consolidated financial statements.

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#### **5. Capital management**

The Company’s main objective in managing capital is to ensure sufficient liquidity to pursue and fund product development, production and promotion. Secondly, the Company strives to continue to fund research and development and pursue its growth strategy, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company’s capital is considered to be its shareholders’ equity. The Company’s primary uses of capital are financing operations, including the completion and roll-out of its ATS, increasing non-cash working capital and capital expenditures. The Company currently funds these requirements from existing cash resources and/or cash raised through the issuance of common shares. In order to maximize the capacity to finance the Company’s ongoing growth, the Company does not currently pay a dividend to holders of its common shares.

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**As at and for the 3 and 9 months ended September 30, 2019 and 2018**

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2019 nor the year ended December 31, 2018. The Company is not subject to externally imposed capital restrictions.

**6. Financial instruments and risk management**

The Company has the following financial instruments:

	<b>September 30, 2019</b>	December 31, 2018
	\$	\$
Financial assets		
Cash	179,837	187,634
Restricted cash	27,500	27,500
Deposits	11,507	11,507
Due from related parties	53,921	51,660
	<b>272,765</b>	<b>278,301</b>
Financial liabilities		
Accounts payable and accrued liabilities	1,368,326	1,077,667
Due to related parties	652,228	238,090
Secured convertible debentures	569,955	-
	<b>2,590,509</b>	<b>1,268,309</b>

The carrying and fair values of the cash, restricted cash, deposits, due from and to related parties, accounts payable and accrued liabilities approximate their carrying values because of the short-term to maturity nature of these instruments.

**Basis of fair values**

Assets and liabilities recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company treats its cash, restricted cash and, accounts payable and accrued liabilities as Level 1 financial assets and liabilities. Deposits, due to and from related parties are treated as Level 2 financial assets and liabilities. The Company does not have any Level 3 financial assets or liabilities.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no significant transfers between levels during the year.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As at September 30, 2019, the Company had \$2,20,554 (December 31, 2018 - \$1,315,757) of liabilities with a maturity of one year or less and a working capital deficiency of \$1,704,863 (December 31, 2018 – \$884,279). The Company manages its liquidity risk by reviewing its growth plans on an ongoing basis.

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

**Currency risk**

The Company's functional currency is the US dollar. The Company also conducts business in Canadian dollars. Financial assets and liabilities denominated in foreign currencies will be affected by changes in the exchange rate between the functional currency and any foreign currencies. The assets and liabilities primarily affected are cash, accounts payable and accrued liabilities and due to related parties that are denominated in foreign currencies. The Company has recognized currency exchange losses during the three and nine months ended September 30, 2019, of gain of \$40,157 (2018 – \$51,713) and \$101,361 (2018 – gain of \$3,312), respectively.

Management believes that at this stage of its development, foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

The Company's funds are kept in Canadian and US dollars at a major Canadian and US financial institutions.

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**Notes to Unaudited Interim Consolidated Financial Statements**  
(expressed in Canadian dollars)

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The Company's exposure to foreign currency balances is as follows:

<b>Account</b>	<b>Foreign currency</b>	<b>Exposure (\$Cdn)</b>	
		<b>September 30, 2019</b>	<b>December 31, 2018</b>
Cash	US dollar	21,515	98,324
Accounts payable and accrued liabilities	US dollar	(946,238)	(933,605)
		<b>(391,533)</b>	-
		<b>(1,316,256)</b>	<b>(835,281)</b>

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net loss for the year by approximately \$132,000 (2018 – \$84,000).

The Company is not currently exposed to any significant credit risk and other price risk.

**7. Cash and restricted cash**

The Company's cash is held at well established, Tier A Canadian and US banks.

Restricted cash has been invested in a guaranteed investment certificate with a maturity of February 13, 2020, at a rate of 1.55% per annum. The funds have been segregated and restricted as they collateralize the credit made available to the company on bank credit cards issued to it.

**8. Deposits and prepaid expenses**

Deposits and prepaid expenses represent costs expended by the Company for which it has not yet received value. As at June 30, 2019 and December 31, 2018, the deposits and prepaid expenses of the Company are detailed as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$
Office rent	11,507	20,956
Insurance	9,773	44,559
Investor relations	-	8,080
Legal fees	5,000	-
	<b>26,280</b>	<b>73,595</b>

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**9. Due from related party**

As at September 30, 2019, amounts due to the Company comprise a secured loan in the amount of \$50,000 plus accrued interest of \$3,920, equal to \$53,920 provided to its Chief Financial Officer (December 31, 2018 - \$51,660). The maturity of the loan has been extended to December 31, 2019, and interest accrues at the rate of 6% per annum. Both principal and accrued interest are payable on or before the maturity date and the loan is secured by a promissory note from the borrower. As further security to the Company, the borrower agreed not to sell, pledge or otherwise encumber, 62,000 of the Company's common shares owned by him, until the full amount of the loan was repaid (including applicable interest). The borrower has also agreed to surrender the shares to the Company upon its request to do so.

For the 3 and 9 months ended September 30, 2019, \$756 (2018 – \$904) and \$2,260 (2018 - \$904), respectively, of accrued interest income is included in the consolidated statements of loss and comprehensive loss.

**Due to related parties**

As at September 30, 2019, amounts due to related parties include \$652,228 (December 31, 2018 - \$238,090), comprising salary and consulting charges due to senior officers of the Company.

**10. Equipment and leasehold improvements**

	Computer equipment	Leasehold improvements	Total
	\$	\$	\$
<b>Cost</b>			
Balance, January 1, 2018	2,373	196,869	201,772
Additions for the year	4,903	-	4,903
Disposed during the year	(7,276)	-	(7,276)
Balance, December 31, 2018	-	196,869	196,869
<b>Additions for the period</b>	-	-	-
<b>Balance, September 30, 2019</b>	-	<b>196,869</b>	<b>196,869</b>
<b>Accumulated depreciation</b>			
Balance, January 1, 2018	(1,099)	(26,400)	(1,099)
Disposed during the year	1,099	-	1,099
Balance, December 31, 2018	-	(26,400)	(26,400)
<b>Depreciation for the period</b>	-	<b>(29,530)</b>	<b>(29,530)</b>

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<b>Balance, September 30, 2019</b>	-	(55,930)	(55,930)
Net book value, December 31, 2018	-	170,469	170,469
<b>Net book value, June 30, 2019</b>	-	<b>140,939</b>	<b>140,939</b>

**11. Intangible asset**

<b>Patents – cost</b> , January 1, 2018, December 31, 2018 and September 30, 2019	157,058
<b>Accumulated amortization</b>	
Balance, January 1, 2018	(30,164)
Amortization for the year	(9,534)
Balance, December 31, 2018	(39,698)
Amortization for the period	(7,311)
Balance, September 30, 2019	(47,009)
Net book value, December 31, 2018	117,361
<b>Net book value, September 30, 2019</b>	<b>110,049</b>

**12. Accounts payable and accrued liabilities**

Accounts payable of the Company are principally comprised of amounts outstanding for trade purchases and financing activities. The usual credit period taken for trade purchases is between 30 and 60 days.

The following is an analysis of the Company's accounts payable and its accrued liabilities:

	<b>September 30, 2019</b>	December 31, 2018
	\$	\$
Administration	<b>311,287</b>	157,840
Investor relations	<b>37,872</b>	98,439
Legal and regulatory	<b>889,789</b>	760,015
Marketing and sales	<b>21,430</b>	-
Research and development	<b>107,950</b>	61,373
<b>Total accounts payable and accrued liabilities</b>	<b>1,368,328</b>	1,077,667

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**13. Secured, convertible debenture**

As at September 30, 2019, the Company closed on a non-brokered financing of \$620,000, by way of issuance of secured, convertible debentures (the "Convertible Debentures"). The Convertible Debentures carry an interest rate of 12.0%, payable semi-annually, with a maturity date of May 31, 2021. The principal amount of the Convertible Debentures is convertible at any time at the election of the holder. The Convertible Debentures are convertible into Units, whereby each Unit consists of one common share of the Company and one share purchase warrant of the Company. The conversion price of the Convertible Debentures is \$0.15 per Unit. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 per common share, expiring May 31, 2021. The Convertible Debentures are secured with a fixed and floating charge against the current and future assets of the Company through a general security agreement

For accounting purposes, the Convertible Debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue of \$558,365, was calculated as the discounted cash flows for the Convertible Debentures assuming an 18% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the Convertible Debentures and the fair value of the liability component, being \$61,635. The equity component will be accreted over the life of the Convertible Debentures. Accretion expense for the three and nine months ended September 30, 2019 was \$4,209 (2018 - \$nil) and \$11,589 (2018 - \$nil), respectively.

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**14. Related-party transactions and key management compensation**

The Interim Consolidated Financial Statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties.

Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management includes the directors, named executive officers, being the chief executive officer and the chief financial officer, each of the Company's 3 remaining C-suite officers and 2 managing directors. Related-party compensation paid or payable to key management is detailed below:

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	3 months ended		9 months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
Compensation to key management	<b>90,785</b>	478,868	<b>681,634</b>	1,289,508

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Share-based compensation	<b>513,619</b>	198,086	<b>1,123,091</b>	366,380
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**15. Share capital**

**Authorized**

DelphX's authorized share capital consists of an unlimited number of common shares.

**Issued and outstanding**

**2019:**

- (i) In April, 100,000 options were exercised raising \$10,000. The fair value of the exercised options of \$28,700 was transferred from contributed surplus to share capital.
- (ii) In May 2019, the Company issued 8,116,500 units (each a "Unit") at \$0.20 per Unit, raising \$1,623,300. Each Unit consisted of 1 common share and 1 common share purchase warrant (each a "Warrant"). Each Warrant is exercisable for 2 years after issue at an exercise price of \$0.30 each. The fair value of \$321,475 of the issued Warrants, was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free interest rate of 1.59%, term of 2 years, exercise price of \$0.30, volatility of 96.88% and share price of \$0.13. In connection with the private placement, the Company also issued 610,388 finders warrants (the "Finders' Warrants") entitling the holders to exercise same for \$0.20 (for 217,233 Finders' Warrants) and \$0.30 (for 393,155 Finders' Warrants). The fair value of \$36,993 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate of 1.53%, term of 2 years, exercise price of \$0.26, volatility of 96.16% and share price of \$0.13. The fair value of the Finders' Warrants was allocated 50% to common shares and 50% to warrants. In regard to this financing, the Company paid cash finders' fees of \$25,585.
- (iii) During June 2019, the Company purchased and cancelled 2,000,000 common shares with fair value of \$1,000,000 (the "Cancellation").
- (iv) During the 3 and 9 months ended September 30, 2019, the vested value of shares previously issued pursuant to buyback agreements, amounted to \$168,819 (2018 - \$nil) and \$248,814 (2018 - \$nil), respectively.

**2018:**

- (v) In October 2018, the Company issued 2,280,000 common shares, raising proceeds of \$1,140,000. Pursuant to this issuance, the Company also issued 1,140,000 warrants to purchase 1,140,000 common shares at \$0.70 each for a period of 2 years after closing. The fair value of the issued warrants of \$225,124, was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.88%, term of 2 years, exercise price of \$0.70, volatility of 95% and share price of \$0.48. The Company also paid 7% cash commissions totalling \$79,810 and issued 159,600 finders' warrants, entitling the holders to exercise same at \$0.70 each

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for a period of 2 years after issuance. The fair value of the finders' warrants of \$21,085, was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.88%, term of 2 years, exercise price of \$0.70, volatility of 95% and share price of \$0.48. The fair value of the finders' warrants was allocated to common shares and warrants on a 2:1 basis. The Company also incurred \$85,642 of legal fees that have been charged against share capital.

- (vi) In August 2018, 132,253 common shares were issued with the exercise of an equal number of finder warrants. The exercise raised \$46,229 proceeds and resulted in a fair value transfer of \$27,306 from warrants to share capital
- (vii) In June 2018, 108,162 common shares were issued with the exercise of an equal number of finder warrants. The exercise raised \$15,169 of proceeds and resulted in a fair value transfer of \$27,374 from warrants to share capital.
- (viii) In May 2018, 300,000 common shares were issued with the exercise of an equal number of options. The exercise raised \$30,000 of proceeds and resulted in a fair value transfer of \$86,100 from contributed surplus to share capital.
- (ix) In April 2018, 852,714 common shares were issued at \$0.35 each, raising proceeds of \$298,450. Also, in April 2018, the Company completed the QT (note 18) resulting in the issuance of 4,052,570 common shares with a deemed value of \$1,418,400, to the Seaside shareholders. Contemporaneous with the issuance to Seaside shareholders, the Company closed a subscription receipts financing whereby 11,453,000 common shares were exchanged for an equal number of subscription receipts with a gross value of \$4,008,550. Costs of this financing amounted to \$388,026, with such amount recorded as a reduction to share capital. The Company also issued 798,700 finders' warrants with a fair value of \$165,003, such amount recorded as a reduction to share capital and increase to warrants. The fair value of the finders' warrants was calculated using the Black-Scholes option pricing model with the following assumptions: Risk-free rate of 1.8%, term of 1.6 years (expiring on December 22, 2019), volatility of 126.28% and a share price of \$0.35.
- (x) In February 2018, the Company issued 620,000 common shares at a grant-price of US\$0.00001 each, under a restricted stock-grant agreement to the Company's CFO. The Company holds a buy-back option of these shares from the holder at the same price as issuance. The buy-back option right will be released over the period of 4 years on a 25% basis at each anniversary date. The common shares have a grant-date fair value of \$190,456, subject to the repurchase option. The vested value of \$96,000 has been recorded to share capital during the year ended December 31, 2018. The fair value was calculated using the Black-Scholes option pricing model with the following assumptions: Risk-free rate of 2.07%, term of 4 years and a volatility of 113.53%.
- (xi) In January 2018, 1,142,857 common shares were issued at \$0.35 each, raising proceeds of \$399,986.
- (xii) During 2018, the vested value of shares issued in prior years that are subject to buy-back agreements, amounted to \$179,830.

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**Escrowed securities**

Subject to the policies of the TSXV, the following table summarizes the remaining common shares of the Company that are subject to escrow provisions together with the date of general release.

Total	Release date			
	October 27, 2019	April 27, 2020	October 27, 2020	April 27, 2021
32,542,206	8,135,546*	8,135,546	8,135,546	8,135,568

\*See note 21 (ii).

**Warrants**

During the 3 and 9 months ended September 30, 2019, pursuant to the Cancellation, the Company purchased and cancelled 1,000,000 warrants with a fair value of \$198,165 and 154,000 finders warrants with a fair value of \$20,345.

The outstanding issued warrants balance as at September 30, 2019 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price \$	Fair value \$
November 28, 2019	Warrants	200,000	0.35	44,308
October 15, 2020	Warrants	100,000	0.70	19,817
October 23, 2020	Warrants	40,000	0.70	7,142
May 15, 2021	Warrants	6,866,500	0.30	277,874
May 23, 2021	Warrants	1,250,000	0.30	43,601
December 22, 2019	Finder warrants	649,275	0.35	134,134
April 25, 2020	Finder warrants	16,440	0.10	4,336
October 16, 2020	Finder warrants	5,600	0.70	740
May 16, 2021	Finder warrants	393,155	0.30	7,750
May 31, 2021	Finder warrants	217,233	0.30	10,746
Cost of issuances allocated to warrants		-	-	(7,028)
		9,738,203		543,420

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**Contributed surplus**

DelphX has a stock option plan pursuant to which options to purchase common shares of the Company may be granted to certain officers, directors, employees and consultants of the Company. The plan allows for the issuance of options up to 10% of the issued and outstanding common shares. As at September 30, 2019, the Company had 1,653,987 (December 31, 2018 – 5,342,337) options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	Exercise price	Number of options
	\$	\$
Balance at January 1, 2018	-	-
Issued to Seaside option holders on close of QT	0.10	400,000
Issued to DelphX participants	0.70	2,629,000
Exercised by former Seaside option holders	0.10	(300,000)
Outstanding at December 31, 2018	0.67	2,729,000
<b>Issued</b>	<b>0.17</b>	<b>4,650,000</b>
<b>Expired</b>	<b>0.70</b>	<b>(210,000)</b>
<b>Exercised</b>	<b>0.10</b>	<b>(100,000)</b>
<b>Outstanding at September 30, 2019</b>	<b>0.35</b>	<b>7,069,000</b>
<b>Exercisable at September 30, 2019</b>	<b>0.24</b>	<b>5,368,000</b>

The table below provides additional information regarding the outstanding options:

Number outstanding	Number exercisable	Exercise price	Expiry date	Vested Fair value
		\$		
2,700,000	2,700,000	0.12	July 8, 2024	241,974
1,700,000	1,700,000	0.20	May 7, 2024	225,956
125,000	125,000	0.40	May 7, 2024	14,411
125,000	125,000	0.50	May 7, 2024	13,639
2,419,000	718,000	0.70	September 7, 2023	791,097
7,069,000	5,368,000			1,287,077

The grant-date fair value of \$495,980 for the 4,650,000 options issued during 2019 was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions: Risk-free interest rate of 1.55%, exercise price of \$0.23, volatility of 101.48%, maturity of 5 years; dividend yield of nil% and an underlying stock price of \$0.18.

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The grant-date fair value of \$1,282,952 for the 2,629,000 options issued during 2018 was estimated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 2.21%, volatility of 102.02%, exercise price of \$0.70, maturity of 5 years; dividend yield of nil% and an underlying stock price of \$0.65.

**Share-based payments**

The vested value of shares previously issued pursuant to buyback agreements for the 3 and 9 months ended September 30, 2019, amounted to \$168,819 (2018 - \$94,064) and \$248,414 (2018 - \$262,356), respectively, with such amounts having been expensed in the consolidated statements of loss and comprehensive loss.

For the 3 and 9 months ended September 30, 2019, the vested portion of the 2,729,000 options issued in September 2018, amounted to \$116,573 (2018 - \$117,929) and \$429,322 (2018 - \$117,929), respectively, with such amounts expensed on the consolidated statements of loss and comprehensive loss.

For the 3 and 9 months ended September 30, 2019, the 4,650,000 fully-vested options issued in May and September 2019, was the same as the grant-date fair values, such amounting to \$241,974 (2018 - \$nil) and \$495,980 (2018 - \$nil), respectively, with such amounts expensed on the consolidated statements of loss and comprehensive loss.

**16. Compensation**

The expense categories listed below, each contain the disclosed amount of compensation opposite the category:

	3 months ended		9 months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
<b>Expense category</b>				
Administration	10,134	80,249	136,378	223,485
Legal and regulatory	29,854	121,075	213,463	350,835
Marketing and sales	29,877	175,291	149,150	518,691
Research and development	46,384	334,877	683,135	836,521
	116,249	711,492	1,182,126	1,929,532

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**17. Development costs**

	3 months ended		9 months ended	
	<b>September 30, 2019</b>	September 30, 2018	<b>September 30, 2019</b>	September 30, 2018
	\$	\$	\$	\$
ATS development	<b>9,459</b>	162,776	<b>53,831</b>	379,045
Compensation	<b>46,384</b>	334,877	<b>683,135</b>	836,521
	<b>55,843</b>	497,653	<b>736,966</b>	1,215,566

**18. Transaction with Seaside (QT)**

The Company completed the QT on April 25, 2018. The transaction constitutes a reverse-takeover of Seaside but does not meet the definition of a business combination, and therefore *IFRS 3 Business Combinations* is not applicable. As a result, and in accordance with reverse take-over accounting for a transaction that is **not** considered a business combination:

- a) Seaside is treated as the acquiree and DelphX is treated as the acquirer and therefore, the go-forward entity is deemed to be a continuation of DelphX and DelphX is deemed to have acquired control of the assets and business of Seaside in the consideration of the issuance of capital, options and warrants, as applicable.

For accounting purposes, DelphX is deemed to have issued the following securities in exchange for the net assets of Seaside:

**The fair value of the consideration issued for the net assets of Seaside is as follows:**

	\$
24,052,570 common shares valued at \$0.35 per share	1,418,400
400,000 Options (note 18 (a)(i))	114,800
107,430 Agent Options (note 18 (a) (ii))	28,147
	<b>1,561,347</b>

**Allocated to Seaside's net assets:**

	\$
Cash	186,543
Prepaid	15,000
Net assets	201,543
Cost of listing (expensed)	1,359,804
	<b>1,561,347</b>

- i) The fair value of the options was calculated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.65%, volatility of 165.34%, share price of \$0.35 and dividends of nil.

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- ii) The fair value of the Agent Options was calculated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.88%, volatility of 102.29%, share price of \$0.35 and dividends of nil.
- b) Seaside's share capital (net of issuance costs) and contributed surplus are eliminated by a charge to retained earnings.
- c) The assets and liabilities of Seaside are included in the consolidated statements of financial position at their historical carrying values, which approximates their fair values. The assets and liabilities of DelphX are included in the consolidated financial statements of financial position at their fair values.

**19. Segmented information**

**Operating segments**

As at September 30, 2019, the Company has a single operating segment being its principal business activity to develop and operate a global facility for transparent offering, purchase, sale, collection and storage of certain fixed income securities and derivatives, and to manage date, research, analytics and valuations of such instruments. As the operations comprise a single reporting segment, the amounts disclosed in the consolidated financial statements also represent the single reporting segment.

**Geographic segments**

The Company operates in both Canada and the United States.

<b>As at</b>	<b>September 30, 2019</b>	December 31, 2018
	\$	\$
<b>Identifiable assets:</b>		
Canada	<b>435,840</b>	494,650
United States	<b>130,838</b>	224,658
	<b>566,678</b>	719,308

	3 months ended		9 months ended	
	<b>September 30, 2019</b>	September 30, 2018	<b>September 30, 2019</b>	September 30, 2018
	\$	\$	\$	\$
<b>Loss and comprehensive net loss:</b>				
Canada	<b>(672,489)</b>	(939,733)	<b>(2,680,098)</b>	(4,074,280)

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United States	<b>(124,702)</b>	(762,693)	<b>(776,367)</b>	(2,130,137)
	<b>(797,191)</b>	(1,702,426)	<b>(3,456,465)</b>	(6,204,417)
			9 months ended	
			<b>September 30, 2019</b>	September 30, 2018
			\$	\$
<b>Cash used for operating activities:</b>				
Canada			<b>(1,006,612)</b>	(2,317,370)
United States			<b>(769,056)</b>	(2,093,587)
			<b>(1,775,668)</b>	(4,410,957)

**20. Significant contracts and commitments**

The Company leases office space in Kitchener, Ontario, Canada. As of October 15, 2019, the Company has entered into a sub-lease and as of April 2020, has reduced its rent obligations to zero. However, the Company continues as the lead tenant and is responsible for all payments not made by the sub-tenant.

The following table discloses the Company's commitments over the next 5 years:

Year	\$
2019 (remainder)	14,339
2020	72,520
2021	-
2022	-
2023	-
<b>Total</b>	<b>86,858</b>

**21. Subsequent events**

- i) In November 2019, 1,650,000 options were issued to participants of the Company's stock option plan.
- ii) In November 2019, the Company closed on a secured debenture offering raising gross proceeds of \$136,800.
- iii) In October 2019, 8,135,546 shares were released from escrow.