



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

**Interim Management's Discussion and Analysis**

**Quarterly Highlights**

**Three months ended September 30, 2019**

**November 28, 2019**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**QUARTERLY HIGHLIGHTS**  
**Three months ended September 30, 2019**

---

*This interim management discussion and analysis – quarterly highlights (“Interim MD&A”) has been prepared based on information available to DelphX Capital Markets Inc. (formerly, Seaside Exploration Partners Inc.) (“DelphX” or the “Company”) as at November 28, 2019. This Interim MD&A is based on information available to DelphX and updates disclosure previously provided in the Company’s Annual and interim MD&A’s, up to the date of this Interim MD&A and should be read in conjunction with the Company’s unaudited interim consolidated financial statements and the related notes as at and for the three and nine months ended September 30, 2019 and 2018 (the “Unaudited Interim Consolidated Financial Statements”) and the Company’s audited consolidated financial statements for the years ended December 31, 2018 and 2017 (the “Audited Consolidated Financial Statements”). Both the Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this Interim MD&A has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company’s website at [www.delphx.com](http://www.delphx.com).*

---

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 basis 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.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS**

This document contains “forward-looking statements” which may include, but are not limited to, statements with respect to the future financial or operating performance of DelphX or future events related to DelphX which reflect expectations regarding growth, results of operations, performance, business prospects or opportunities or industry performance or trends. These forward-looking statements reflect DelphX’s current internal projections, expectations or beliefs and are based on information currently available to DelphX. Often, but not always, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “intend”, “plan”, “anticipate”, “believe”, “predict”, “potential”, “continue”, “budget”, “schedule”, “estimate”, “forecast” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements expressed or implied by the forward-looking statements to differ materially from those anticipated in such statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; changes in project parameters as plans continue to be refined; changes in labour costs and other costs of materials, equipment or processes to operate as anticipated; accidents, labour disputes and other risks and delays in obtaining governmental approvals or financing or in the completion of research and development activities. Although DelphX has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this Interim MD&A and, unless otherwise required by applicable securities laws, DelphX disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**QUARTERLY HIGHLIGHTS**  
**Three months ended September 30, 2019**

---

**General**

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 18.

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.

The Unaudited 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 Unaudited 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.

The Unaudited Interim Consolidated Financial Statements have also 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”). They 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 was previously owned by the Company's President and CEO and 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). The Unaudited Interim Consolidated Financial Statements include the financial position, results of operations and cash flows of its subsidiaries subsequent to acquisition or formation.

The Unaudited Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on November 28, 2019.

**Financial condition**

As at September 30, 2019, the Company had assets totaling \$566,678 and shareholders' deficiency of \$2,023,831. This compares with assets of \$719,308 and shareholders' deficiency of \$596,449, as at December 31, 2018.

During the quarter ended September 30, 2019, the Company's net assets decreased by \$344,127, the result of a decrease in assets of \$227,835, supplemented by an increase in liabilities of \$116,292. The decrease in assets

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**QUARTERLY HIGHLIGHTS**  
**Three months ended September 30, 2019**

---

was the result of an decreases in cash of \$219,740 (cash used for operating activities of \$216,470, supplemented by cash used for financing activities of \$3,270), recoverable taxes of \$1,582, leasehold improvements of \$9,843 (being the depreciation for the quarter) and intangible assets of \$2,426 (again being the amortization for the quarter). These decreases were offset by increases to deposits and prepaids of \$5,000 and due from related parties of \$757 (see *Related-party transactions and balances* section of this MD&A).

The increase in liabilities of \$116,292, resulted from an increase in accounts payable and accrued liabilities of \$41,050, due to related parties of \$4,698 and \$70,544 for the liability component of the secured convertible debentures (including the \$75,000 funded during the quarter less \$8,666 bifurcated to equity).

### **Corporate activities**

#### **Private placements:**

1. As at September 30, 2019, the Company closed on a further \$75,000 of the non-brokered convertible, secured debentures (the "Convertible Debenture") that closed in Q2, 2019.

The Convertible Debenture carries an interest rate of 12.0%, payable semi-annually, with a maturity date of May 31, 2021. The principal amount of the Convertible Debenture 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 Debenture is 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 Debenture is separated into its liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue of \$66,334, was calculated as the discounted cash flows for the Convertible Debenture 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 Debenture and the fair value of the liability component, being \$8,666. The equity component will be accreted over the life of the Convertible Debenture. Accretion expense for the three and nine months ended September 30, 2019 for all of the Convertible Debentures was \$4,209 (2018 - \$nil) and \$11,589 (2018 - \$nil), respectively.

#### **Options activity:**

1. During the quarter ended September 30, 2019, 2,700,000 options were issued to participants of the Company's stock option plan pursuant to consulting and employment-amending agreements. The options were issued at varying strike prices, all with maturities 5 years after issue and all vesting by September 30, 2019. See *Related-party transactions and balances* section of this MD&A.
2. On September 30, 2019, 210,000 options, with an exercise price of \$0.70, expired.
3. On November 1, 2019, 1,650,000 options were issued pursuant to further consulting and employment-amending agreements. The options were issued with a strike price of \$0.10, all with maturity dates 5 years after issue and with full vesting on December 31, 2019. See *Related-party transactions and balances* section of this MD&A.

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**QUARTERLY HIGHLIGHTS**  
**Three months ended September 30, 2019**

***Related-party transactions and balances***

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 an arm's-length basis, 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 2 remaining C-suite officers.

During the third quarter of 2019, the Company negotiated amendments to employment and consulting agreements with its Chief Executive Officer, Chief Operating Officer, Chief Actuary, Chief Financial Officer, former Chief Information Officer and its Managing Director. The amendments suspended accrual and payment of salary/consulting fees commencing on April 16, 2019 and terminating on the expiry of the amendment, being September 30, 2019. As compensation for the amended agreements, the option-issuance noted in *Options activity*, section 1 above, was made.

On November 1, 2019, further amendments were negotiated with the Company's Chief Executive Officer, Chief Actuary, Chief Financial Officer and its Managing Director, extending the expiry dates to December 31, 2019. In exchange for the agreed extension, the options noted in *Options activity*, section 3 above, was made.

In addition to the above-noted option issuances, related-party compensation paid or payable to key management is detailed below:

<b>3 months ended</b>	<b>September 30, 2019</b>	September 30, 2018
	<b>\$</b>	<b>\$</b>
Compensation to key management	<b>90,785</b>	478,868
Share-based payments	<b>513,619</b>	198,086

***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.

***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 months ended September 30, 2019, \$756 (2018 – \$904) of accrued interest income is included in the

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

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**QUARTERLY HIGHLIGHTS**  
**Three months ended September 30, 2019**

---

consolidated statements of loss and comprehensive loss.

***Outstanding securities***

As at the date of this Interim MD&A, DelphX has the following securities outstanding:

<b>Security</b>	<b>Number outstanding</b>
Common shares	87,229,876
Options (Exercisable – 7,018,000)	8,719,000
Warrants	8,456,500
Broker warrants	1,281,703

---

***Escrowed securities***

As of the date of the MD&A and 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.

<b>Total</b>	<b>Release date</b>		
	<b>April 27, 2020</b>	<b>October 27, 2021</b>	<b>April 27, 2022</b>
24,406,638	8,135,546	8,135,546	8,135,546