



DelphX Capital Markets Inc.

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended September 30, 2020

November 30, 2020

DelphX Capital Markets Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended September 30, 2020

This interim management discussion and analysis – quarterly highlights (“Interim MD&A”) has been prepared based on information available to DelphX Capital Markets Inc., (“DelphX” or the “Company”) as at November 30, 2020. 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, 2020 and 2019 (the “Unaudited Interim Consolidated Financial Statements”) and the Company’s audited consolidated financial statements for the years ended December 31, 2019 and 2018 (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 or on the Company’s website at www.delphx.com.

As the Company is a Venture Issuer (as defined under 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 Internal Controls over Financial Reporting (“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.

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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 Corporation and Seaside completed a Qualifying Transaction (“**QT**”), as 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 (“**RTO**”) of Seaside. Details of the QT are disclosed in note 23 of the Audited Consolidated Financial Statements. Prior to the QT, Seaside had a fiscal year end of January 31st, which has been changed to December 31st to coincide with the reporting year end of the DelphX Corporation (the RTO accounting acquirer).

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 data, research, analytics and valuations of such instruments, as more fully described below.

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 Consolidated Financial Statements were approved for issuance by the Board of Directors of the Company on November 30, 2020.

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Principal Business and Stated Business Objectives

DelphX is a financial technology company that has designed a platform to improve both trading and negotiation in the fixed income market. To-date, this platform had been fully designed, but not yet adopted by industry participants. The Company operates its proprietary system under a wholly-owned special purpose vehicle called "Quantem". The platform is the result of a multi-year collaboration with bond investment and trading companies, who have seen a diminishing ability to protect against risk and default, due to structural changes in their industry.

This problem is significant, because it causes pension funds and insurance companies to tie up additional capital to offset potential liabilities, while also reducing yield within their existing portfolios.

To solve these problems, DelphX (with guidance from the SEC) created two proprietary securities solutions that offer both secure risk protection and yield improvement for currently issued underlying bonds: Covered Put Options ("CPOs") and Covered Reference Notes ("CRNs").

CPOs, which are 144A securities that pay holders the interest and principal payments as due under a referenced credit security that has defaulted. CPOs are structured to indemnify both individual and portfolios of referenced corporate bonds and other credit securities.

CRNs, which are fixed coupon/maturity 144A securities that fund all CPO protection, on a CUSIP-specific basis, and pay materially-enhanced yields.

All CPOs and CRNs on this platform will be issued by Quantem, collateralized by investment-grade assets held in custody by BNY Mellon and managed by a leading independent asset manager. Each will be transparently priced and available for secondary trading within the regulated DelphX ATS.

The DelphX platform enables anonymous negotiation, purchase and trading of new forms of digital smart contract securities that can provide guaranteed risk protection, higher yields and the ability to convert outstanding corporate, municipal, sovereign and other bonds and fixed income securities to credit investments. Newly created securities are negotiated anonymously through Quantum and will be traded in a secondary market. The trading platform/technology will use the existing Nasdaq electronic market and be regulated by the SEC. At no time does DelphX (or Quantem) hold any securities or funds on behalf of third parties. DelphX functions solely as the provider of a technology platform that enables the negotiation and creation of new securities.

The Company's primary business objective has been to develop a sustainable revenue model by using advanced technology to solve major unmet problems in the bond market – with an emphasis on unlocking liquidity, providing default protection, and boosting yield in existing and future bond portfolios.

DelphX is currently in late-stage discussions with private equity funds, banks and others bond market entities to adopt this proprietary solution.

Financial condition

As at September 30, 2020, the Company had assets totaling \$688,910 and shareholders' deficiency of \$3,644,779. This compares with assets of \$624,004 and shareholders' deficiency of \$2,585,374, as at December 31, 2019.

During the quarter ended September 30, 2020, the Company's net assets decreased by \$479,220. Details follow:

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Item	Change Favourable / (Unfavourable)	Explanation of change
	\$	
Cash	(140,903)	Cash used for operating activities of \$256,281 supplemented by cash used for financing activities of \$32,315 offset by cash generated from investing activities of \$27,500. Foreign exchange had a positive impact on cash balances, totalling \$120,196.
HST recoverable	6,327	Increased taxable expenditures made in Q3-2020.
Restricted cash	(27,500)	GIC that collateralized the Company's VISA card as redeemed and card balance repaid.
Deposits and prepaids	24,109	Prepaid consulting and insurance costs.
Due from related party	750.00	Current period's interest on secured loan provided to the Company's CFO. Details disclosed in note 8.1 of the Unaudited Interim Consolidated Financial Statements or in the <i>Transactions with related parties'</i> section of this MD&A.
Right-of-use (ROU) assets	(26,592)	The decrease is attributable to the depreciation for the period. Details provided in note 9 of the Unaudited Interim Consolidated Financial Statements.
Accounts payable and accrued liabilities	10,084	Decreases in this category are the result of lower operating activity during the quarter.
Due to related parties	(328,877)	Comprising salary and consulting charges due to senior officers of the Company for the period. Details disclosed in notes 8.2 and 8.3 of the Unaudited Interim Consolidated Financial Statements or the <i>Transactions with related parties'</i> section of this MD&A.
Lease liabilities	22,779	The decrease results from the addition of accreted interest in the amount of \$9,536 less payments for the period of \$32,315. Details provided in note 11 of the Unaudited Interim Consolidated Financial Statements.
Convertible debentures	(19,397)	The change represents the interest accretion charge for the period. Note 12 of the Unaudited Interim Consolidated Financial Statements details the bifurcation between debt and equity components.
	(479,220)	

Corporate activities

Shares for services:

In August 2020, 133,333 common shares with a fair value of \$10,000, were issued in settlement of management services provided by the Company's CEO. See Related-party transactions and balances section of this Interim MD&A.

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Related-party transactions and balances

Due from related party

At September 30, 2020, amounts due to the Company comprise a secured loan in the amount of \$50,000 plus accrued interest of \$6,910, equal to \$56,910 provided to its Chief Financial Officer (December 31, 2019 - \$54,660). The maturity of the loan has been extended to December 31, 2020, 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.

Due to related parties

At September 30, 2020, amounts due to related parties include \$1,906,196 (December 31, 2019 - \$826,833), comprising salary and consulting charges due to senior officers of the Company.

Key management compensation

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, 2 managing directors and former C-Suite personnel. Related-party compensation paid or payable to key management is detailed below:

3 months ended September 30,	2020	2019
	\$	\$
Compensation to key management	426,830	91,831
Share-based compensation	50,269	513,619

The Consolidated Financial Statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them.

In August 2020, the Company settled outstanding fees for management services provided by the CEO, in the amount of \$10,000, with the issuance of 133,333 common shares.

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Outstanding securities

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

Security	Number outstanding
Common shares	96,606,542
Options (Exercisable – 7,224,000)	7,997,000
Warrants	17,499,833
Broker warrants	876,155

The Company has convertible debentures outstanding that if entirely converted, would increase the outstanding number of common shares by 5,045,333 and the outstanding warrants by 5,045,333.

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:

Total	Release date
	April 27, 2021
8,135,546	8,135,546