



DelphX Capital Markets Inc.

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended September 30, 2021

November 29, 2021

DelphX Capital Markets Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended September 30, 2021

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 29, 2021. 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, 2021 and 2020 (the “Unaudited Interim Consolidated Financial Statements”) and the Company’s audited consolidated financial statements for the years ended December 31, 2020 and 2019 (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.

CAUTIONARY NOTE REGARDING THE NOVEL CORONAVIRUS

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by Novel Coronavirus (“COVID-

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19"). The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

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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 15 Prince Arthur Street, Toronto, Ontario, M5R 1B2. 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), the Company’s Canadian operations entity; Quantem Capital Corporation (incorporated on April 11, 2018, pursuant to the laws of Bermuda) (inactive), Quantem Capital LLC (a limited liability company formed on September 3, 2021, pursuant to the laws of Delaware) and DelphX Corporation (incorporated on February 18, 2016, pursuant to the laws Delaware, USA), the Company’s US operations entity. 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 approved for issuance by the Board of Directors of the Company on November 29, 2021.

Any reference to “note” or “notes” in this Interim MD&A are to the corresponding notes in the Unaudited Interim Consolidated Financial Statements.

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Principal Business and Stated Business Objectives

DelphX is a financial product and technology company that is designing solutions to improve access, liquidity and trading and negotiation in the credit market. The Company operates its proprietary facility under a wholly-owned special purpose vehicle called "**Quantem**".

This facility addresses a significant problem in existing structured products markets of lower liquidity, ease of access, and lack of transparency in risk mitigation tools currently used by institutional investors seeking risk mitigation solutions. It also allows institutional investors to attain higher yields than reference bonds with a pari-passu risk of default.

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

CPOs 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 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 US Treasuries held in custody by BNY Mellon. Each will be transparently priced and available for secondary trading with dealers and within the upcoming regulated DelphX ATS.

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

DelphX is currently in final-stage completions for official launch of its proprietary solution.

Financial condition

As at September 30, 2021, the Company had assets totaling \$2,337,284 and shareholders' deficiency of \$568,058. This compares with assets of \$545,916 and shareholders' deficiency of \$4,096,477, as at December 31, 2020.

During the quarter ended September 30, 2021, the Company's net assets increased by \$2,894,411. Details follow:

Item	Change Favourable / (Unfavourable)	Explanation of change
	\$	
Cash	1,735,004	Cash used for operating activities of \$810,113 offset by cash provided from financing activities of \$2,051,427. Foreign exchange had a negative impact on cash balances, totalling \$156,461.
HST recoverable	18,287	Increased taxable expenditures made in Q3-2021.
Deposits and prepaids	(5,295)	Expensing of prepaid consulting and insurance costs.

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Item	Change Favourable / (Unfavourable)	Explanation of change
	\$	
Due from related party	750	Current period's interest on secured loan provided to the Company's former CFO. Details disclosed in note 7 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	(26,595)	The decrease is attributable to the depreciation for the period. Details provided in note 8 of the Unaudited Interim Consolidated Financial Statements.
Accounts payable and accrued liabilities	156,571	The decrease relates mainly to decreased term to payment.
Due to related parties	988,867	Details disclosed in note 7 of the Unaudited Interim Consolidated Financial Statements or the <i>Transactions with related parties'</i> section of this MD&A. Main reason for decrease was that settlements were made to former senior staff regarding accrued salaries.
Lease liabilities	26,822	The decrease results from the addition of accreted interest in the amount of \$6,530 less payments for the period of \$33,352. Details provided in note 10 of the Unaudited Interim Consolidated Financial Statements.
	2,894,411	

Corporate activities

During the quarter ended September 30, 2021, the following securities were issued:

Common shares:

- (i) In July 2021, the Company completed a private placement (the "**July 21 Private Placement**") raising \$2,310,000 with the issuance of 7,000,000 common shares at \$0.33 each. In connection with the July 21 Private Placement, the Company paid cash finder fees totaling \$266,721 and issued 458,245 finder warrants (the "**July 21 Finder Warrants**"), exercisable at \$0.33 each, for a period of 5 years after issue. The fair value of \$291,444 of the July 21 Finder Warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 0.88%, expected life of 5 years, volatility of 192.56%, a dividend yield of 0% and share price of \$0.65.

Options and warrants:

- (ii) In July 2021, 342,000 options and 415,000 warrants were exercised, raising proceeds of \$41,500. The fair value of the exercised options and warrants of \$26,367 was transferred to common shares from warrants and contributed surplus.

After the reporting date, the following securities transacted:

- (i) In October 2021, 750,000 options were exercised, raising proceeds of \$75,000. In November 2021, 450,000 options with an exercise price of \$0.10 each, expired unexercised.

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- (ii) In November 2021, the Company issued 300,000 options with an exercise price of \$0.50 and expiry dates 2 years after issue.

Related-party transactions and balances

Due from related party

As at September 30, 2021, amounts due to the Company comprise a secured loan in the amount of \$50,000 plus accrued interest of \$9,910 provided to its former Chief Financial Officer (December 31, 2020 - \$57,660). The maturity of the loan has been extended to December 31, 2021, 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

As at September 30, 2021, amounts due to related parties include \$100,000, comprising a settlement amount due to a senior officer of the company. Amounts due at December 31, 2020, of \$2,193,482 comprise salary and consulting charges due to senior officers of the Company.

Related party settlements

In September 2021, the Company settled outstanding amounts due to various shareholders at a discount of \$1,326,148. Pursuant to IFRIC 19.6, the discount is not reflected in the statements of loss and comprehensive loss but to common shares.

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 and the Company's Chief Actuary. 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.

Related-party compensation paid or payable to key management is detailed below:

Three months ended September 30,	2021	2020
	\$	\$
Compensation to key management	52,500	426,830
Share-based compensation	218,430	50,269

Equity participation

During the three months ended September 30, 2021 and 2020, related parties participated in equity financings of the Company as follows:

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Three months ended September 30,	2021	2020
	\$	\$
Equity financings	120,000	64,600

In September 2021, the Company settled outstanding amounts due to various shareholders at a discount of \$1,326,148. Pursuant to IFRIC 19.6, the discount is not reflected in the statements of loss and comprehensive loss but to common shares.

Outstanding securities

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

Security	Number outstanding
Common shares	116,806,543
Options (Exercisable – 8,991,000)	8,991,000
Warrants	26,578,167
Broker warrants	998,412
