



DelphX Capital Markets Inc.

**Consolidated Financial Statements
December 31, 2022 and 2021**

(Expressed in Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying annual consolidated financial statements of DelphX Capital Markets Inc. (the “**Company**”) are the responsibility of management and the Board of Directors (the “**Board**”) of the Company and have been prepared in accordance with International Financial Reporting Standards and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide assurance that the transactions are authorized, assets safeguarded and proper records maintained.

The Audit Committee of the Board has reviewed with the Company's independent auditors the scope and results of the annual audit and the consolidated financial statements and the related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, Davidson & Company LLP, are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

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.

“Patrick Wood”

Patrick Wood
Chief Executive Officer

April 28, 2023

“Simon Selkrig”

Simon Selkrig
Chief Financial Officer

April 28, 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
DelphX Capital Markets Inc.

Opinion

We have audited the accompanying consolidated financial statements of DelphX Capital Markets Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss, comprehensive loss and accumulated other comprehensive income, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which describes matters and conditions that indicate that the Company will require additional funding to continue operations for the next 12 months. The successive operating losses, together with the challenges of securing requisite funding have resulted in material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alyson Neil.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

May 1, 2023

DelphX Capital Markets Inc.
Consolidated Statements of Financial Position
(expressed in Canadian dollars)

<i>As at</i>	December 31, 2022	December 31, 2021
Assets	\$	\$
Current assets		
Cash (note 7)	263,569	1,472,630
Harmonized sales taxes recoverable	157,575	59,849
Deposits and prepaid expenses (note 8)	54,049	132,206
Total current assets	475,193	1,664,685
Right-of-use asset (note 10)	-	141,842
Total assets	475,193	1,806,527
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	3,365,770	2,582,520
Current portion of lease liabilities (note 12)	-	123,814
Due to related parties (note 9)	135	66,666
Total current liabilities	3,365,905	2,773,000
Lease liabilities (note 12)	-	59,697
Total liabilities	3,365,905	2,832,697
Shareholders' deficiency		
Share capital (note 15)	22,703,718	20,594,328
Contributed surplus (note 17)	4,844,144	4,316,424
Warrants (note 16)	1,761,886	1,652,725
Share subscription receivable (note 15)	(100,000)	-
Deficit	(32,587,553)	(27,921,673)
Accumulated other comprehensive income	487,093	332,026
Total shareholders' deficiency	(2,890,712)	(1,026,170)
Total liabilities and shareholders' deficiency	475,193	1,806,527

Going concern (note 1)
Subsequent events (note 24)

Approved for issuance by the Board on April 28, 2023
"Salim Hasham", Independent Director
"Steven Mannik", Independent Director

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

DelphX Capital Markets Inc.

Consolidated Statements of Loss

(expressed in Canadian dollars)

Years ended	December 31, 2022	December 31, 2021
	\$	\$
Expenses		
Administration (note 19)	2,331,060	1,095,918
Depreciation (note 10)	141,842	106,380
Foreign exchange loss	138,228	13,228
Legal and regulatory (note 19)	1,396,994	525,117
Interest and bank charges	11,338	9,233
Investor relations and public reporting	150,624	59,287
Marketing and sales (note 19)	80,470	53,659
Research and development (notes 19 and 20)	-	40,876
Share-based compensation (notes 17.2, 19)	527,950	2,358,614
Total Expenses	4,778,506	4,262,312
Other expenses (income)		
Interest accretion (notes 13 & 14)	-	48,936
Interest expense	6,592	46,053
Settlement and forgiveness of debt (notes 9 & 13)	-	(1,072,290)
Termination of ROU lease (note 12)	(123,814)	-
Write off of prepaid expenses	37,824	60,660
Sub-lease income (note 18)	(33,228)	(93,194)
Total expenses	(4,665,880)	(3,252,477)
Loss	(4,665,880)	(3,252,477)
Basic and fully-diluted loss per share	(0.04)	(0.03)
Weighted average number of common shares outstanding	133,514,823	118,966,543

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

DelphX Capital Markets Inc.
Consolidated Statements of Comprehensive Loss and
Accumulated other Comprehensive Income
(expressed in Canadian dollars)

Years ended	December 31, 2022	December 31, 2021
	\$	\$
Loss	(4,665,880)	(3,252,477)
Items that may be reclassified subsequently to profit and loss:		
Translation gain	155,067	7,286
Comprehensive loss	(4,510,813)	(3,245,191)

	December 31, 2022	December 31, 2021
	\$	\$
Accumulated other comprehensive income (“ AOCI ”), opening	332,026	324,740
Other comprehensive income	155,067	7,286
Accumulated other comprehensive income, ending	487,093	332,026

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

DelphX Capital Markets Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
(expressed in Canadian dollars)

	Share capital		Equity component of convertible debt	Share subscription receivable		Contributed surplus	AOCI	Deficit	Total
	Number of shares	Amount			Warrants				
		\$	\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2020	96,606,542	17,484,453	66,158	-	684,230	2,013,138	324,740	(24,669,196)	(4,096,477)
Shares issued for cash	12,700,000	2,880,000	-	-	-	-	-	-	2,880,000
Shares issued for debt	626,809	401,158	-	-	-	-	-	-	401,158
Shares issued on conversion of debt	4,133,334	620,000	(66,158)	-	-	66,158	-	-	620,000
Shares issued on exercise of options	3,067,625	245,500	-	-	-	-	-	-	245,500
Shares issued on exercise of warrants	615,000	61,500	-	-	-	-	-	-	61,500
Shares issued on exercise of finder warrants	217,233	43,447	-	-	-	-	-	-	43,447
Cost of issuance	-	(280,857)	-	-	(13,864)	-	-	-	(294,721)
Fair value of issued warrants	-	(268,369)	-	-	268,369	-	-	-	-
Fair value of issued finder warrants	-	(326,797)	-	-	326,797	-	-	-	-
Fair value of exercised options	-	133,366	-	-	-	(133,366)	-	-	-
Fair value of exercised warrants	-	20,950	-	-	(20,950)	-	-	-	-
Fair value of exercised finder warrants	-	21,493	-	-	(21,493)	-	-	-	-
Fair value of warrants issued on conversion of debt	-	(289,333)	-	-	289,333	-	-	-	-
Fair value of warrants on maturity extension	-	(152,183)	-	-	152,183	-	-	-	-
Expiry of finder warrants	-	-	-	-	(11,880)	11,880	-	-	-
Share-based compensation	-	-	-	-	-	2,358,614	-	-	2,358,614
Loss and comprehensive loss	-	-	-	-	-	-	7,286	(3,252,477)	(3,245,191)
Balance at December 31, 2021	117,966,543	20,594,328	-	-	1,652,725	4,316,424	332,026	(27,921,673)	(1,026,170)
Shares issued for cash	15,230,663	2,259,800	-	(100,000)	-	-	-	-	2,159,800
Shares issued for debt	47,617	8,572	-	-	-	-	-	-	8,572
Shares issued on exercise of options	250,000	37,500	-	-	-	-	-	-	37,500
Shares issued on exercise of finder warrants	20,000	3,000	-	-	-	-	-	-	3,000
Cost of issuance	-	(90,551)	-	-	-	-	-	-	(90,551)

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

DelphX Capital Markets Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
(expressed in Canadian dollars)

Fair value of issued warrants	-	(72,386)	-	-	72,386	-	-	-	-
Fair value of issued finder warrants	-	(46,577)	-	-	46,577	-	-	-	-
Fair value of exercised finder warrants	-	942	-	-	(942)	-	-	-	-
Fair value of exercised options	-	9,090	-	-	-	(9,090)	-	-	-
Expiry of finder warrants	-	-	-	-	(8,860)	8,860	-	-	-
Share-based compensation	-	-	-	-	-	527,950	-	-	527,950
Loss and comprehensive loss	-	-	-	-	-	-	155,067	(4,665,880)	(4,510,813)
Balance at December 31, 2022	133,514,823	22,703,718	-	(100,000)	1,761,886	4,844,144	487,093	(32,587,553)	(2,890,712)

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

DelphX Capital Markets Inc.
Consolidated Statements of Cash Flows
(expressed in Canadian dollars)

Years ended	December 31, 2022	December 31, 2021
	\$	\$
Operating activities		
Net loss	(4,665,880)	(3,252,477)
Non-cash items:		
Amortization and depreciation	141,842	106,380
Interest income	-	(3,000)
Interest accretion and expense	8,116	48,936
Share-based compensation	527,950	2,358,614
Impairment of related party loan <i>(note 9)</i>	-	60,660
Write-off of ROU lease <i>(note 12)</i>	(123,814)	-
Write off of prepaid expenses	37,824	-
Settlement and forgiveness of debt <i>(notes 9 & 14)</i>	-	(1,072,290)
Net change in non-cash working capital <i>(note 22)</i>	712,882	354,148
Cash used for operating activities	(3,361,080)	(1,399,029)
Financing activities		
Exercise of options	37,500	245,500
Exercise of warrants	3,000	104,947
Issuance of common shares (net of issuance costs)	2,069,249	2,585,279
Repayment of debentures	-	(136,800)
Repayment of lease liability <i>(note 13)</i>	(67,813)	(134,477)
Cash provided from financing activities	2,041,936	2,664,449
Effect of foreign exchange cash	110,083	25,501
Increase (decrease) in cash for the year	(1,209,061)	1,290,921
Cash, beginning of the year	1,472,630	181,709
Cash, end of the year	263,569	1,472,630

Supplemental cash flow information *(note 22)*

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

DelphX Capital Markets Inc.

December 31, 2022 and 2021

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

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 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.

The principal address of the Company is 15 Prince Arthur Street, Toronto, Ontario, M5R 1B2. DelphX’s principal business activity is to develop 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.

These consolidated financial statements (the “**Consolidated Financial Statements**”) have been prepared using International Financial Reporting Standards (“**IFRS**”) applicable to 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. The Company is in the development stage and has not yet realized profitable operations and 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 or equity financing, but it cannot provide assurance that it will be successful in doing so. These material uncertainties cast significant doubt as to the ability of the Company to continue as a going concern. The 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 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-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.

DelphX Capital Markets Inc.

December 31, 2022 and 2021

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

2. Basis of preparation

2.1 Statement of compliance

The Consolidated Financial Statements including comparatives have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (the “IASB”) and the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Consolidated Financial Statements were approved and authorized for issuance by the Board on April 28, 2023.

2.2 Basis of presentation and measurement

The Consolidated Financial Statements have been prepared on a historical cost basis, except for financial instruments that are measured on amortized cost or fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of the 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 Consolidated Financial Statements consolidate the accounts of the Company and all its subsidiaries. The Company has the following directly and indirectly wholly-owned subsidiaries: DelphX Services Corporation (“DSC”) (incorporated on August 4, 2011, pursuant to the laws of Delaware, USA), an SEC-registered securities broker-dealer that has an objective to manage the DelphX Alternative Trading System (“ATS”); 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 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.

3. Adoption of new standards and pending accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. The following IFRS amended standards have been issued but not yet adopted, as they are being evaluated to determine their impact on the Company.

DelphX Capital Markets Inc.

December 31, 2022 and 2021

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

IAS 1 – Presentation of Financial Statements. In January 2020, the classification of liabilities as current or non-current was amended. An entity shall apply the amendments for annual reporting periods on or after January 1, 2023, retrospectively in accordance with IAS 8 – Accounting Policies, changes in accounting estimates and errors. The Company has not yet adopted this amendment and is currently assessing the effects on its consolidated financial statements.

4. Summary of significant accounting policies

4.1 Basic earnings per share

The basic earnings (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

4.2 Convertible debentures

The net proceeds received from the issuance of convertible bonds or debentures are bifurcated into a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue and the fair value assigned to the liability component (representing the embedded derivative to convert the liability into equity) is included in equity and is not re-measured. The liability component is carried at amortized cost.

Cost of issuance are apportioned between the liability and equity components of the convertible debt based on their relative carrying amounts at the date of issue. The portion applicable to equity is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-convertible debt to the liability component of the security. The difference between this amount and the interest paid is added to the carrying amount of the convertible debt.

4.3 Critical accounting estimates and judgements

Application of accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive loss, assets and liabilities recognized and disclosures made in the consolidated financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

The following areas require management's significant accounting estimates and judgments:

DelphX Capital Markets Inc.

December 31, 2022 and 2021

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

Significant accounting estimates

- i. Fair value of options and warrants: Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

Significant accounting judgments

- i. Deferred tax assets: Deferred tax assets including those arising from tax loss carryforwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.
- ii. Going concern: Management has made significant judgements relating to going concern as disclosed in note 1.

4.4 Equity

The common shares, warrants and options are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to common shares that are issued, are deducted from the proceeds of the offering. Share capital issued for other than cash is valued at the price at which the stock trades on the date of issuance. Contributed surplus includes the value of share-based payments and expired warrants. Accumulated deficits include all current and prior period retained losses.

4.5 Financial Instruments

Financial assets and financial liabilities are recognized in the Company's statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

4.5.1 Financial assets

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets. The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets are classified in one of the three categories: (i) amortized cost; (ii) Fair value through other comprehensive income ("FVTOCI"); or (iii) Fair value through profit and loss ("FVTPL").

DelphX Capital Markets Inc.

December 31, 2022 and 2021

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

(i) Amortized cost -

Financial assets that are debt instruments and are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are measured at amortized cost at each subsequent reporting period. The Company classifies due from related parties and deposit as financial assets that are subsequently measured at amortized cost.

(ii) FVTOCI -

Financial assets that are debt instruments and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal outstanding, are measured at FVTOCI. Currently, the company does not have any FVTOCI financial assets. In addition, the Company may, at initial recognition, make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity instrument is held for trading.

(iii) FVTPL -

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured subsequently at FVTPL. Trading financial instruments are mandatorily measured at FVTPL as they are held for trading purposes or are part of a business model with a pattern of short-term profit taking. Non-trading financial assets are also mandatorily measured at FVTPL if their contractual cash flow characteristics do not meet the SPPI test or if they are managed together with other financial instruments on a fair value basis. In addition, the Company may, at initial recognition, make an irrevocable election to designate a financial asset as FVTPL. A financial asset is designated as FVTPL when such classification eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring the financial asset on different basis. Gains and losses realized on disposition and unrealized gains and losses from changes in fair value of the financial assets are recognized in the statement of loss. Currently, the Company classifies cash as FVTPL financial assets.

4.5.1.1 Impairment of financial assets

For financial assets measured at amortized cost or FVTOCI, the Company recognizes a loss allowance for expected credit losses ("ECL") only when there has been a significant increase in credit risk since initial recognition. If the credit risk on such financial instruments has not increased significantly since initial recognition, the Company measures the loss allowance on those financial instruments at an amount equal to 12-months ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial asset at the reporting date with the risk of default occurring at the initial recognition. The Company considers both quantitative and qualitative

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factors that are supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company presumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4.5.1.2 Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has designated on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

4.5.2 Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term or on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative financial liability.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

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Financial liabilities classified or designated at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss. However, for financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the issuer is recognized in other comprehensive loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive loss would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive loss are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

The Company classifies accounts payable and accrued liabilities, due to related parties, convertible debenture and debentures at amortized cost.

4.5.2.1 Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.5.2.2 Impairment of non-financial assets

At each date of the consolidated statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

An impairment loss is recognized immediately in the consolidated statement of loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

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4.6 Foreign currency

The functional currency of the Company and its subsidiaries are as follows:

DelphX Capital Markets Inc.	Canadian dollar
DelphX Data Corporation	Canadian dollar
DelphX Corporation	United States dollar
DelphX Services Corporation	United States dollar
Quantem Capital Corporation	United States dollar
Quantem Capital LLC	United States dollar

The functional currency is the currency of the primary economic environment in which each entity operates. For financial reporting purposes the Company has selected the Canadian dollar as its presentation currency. The assets and liabilities in the 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 loss and are carried to the currency translation reserve account.

Transactions in currencies other than the functional currency of an entity are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Foreign currency translation differences arising on translation into the functional currency of an entity are recognized in the consolidated statement of loss.

4.7 Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled.

The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

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4.8 Leases

On the date that the leased asset becomes available for use, the Company recognizes a ROU asset and a corresponding lease liability. Interest expense associated with the lease liability is charged to profit or loss over the lease period with a corresponding increase to the lease liability. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

ROU assets and lease liabilities are initially measured on a present value basis. Lease liabilities are measured at the net present value of the lease payments which may include: fixed lease payments, variable lease payments that are based on an index or a rate, amounts expected to be payable under residual value guarantees and payments exercised at an extension or a termination option if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is comprised of the amount of the initial measurement of the lease liability, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

Short-term and low value leases are excluded (*note 10*).

4.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4.10 Related party transactions

A party is related to an entity if the party directly or indirectly controls, is controlled by or is under common control with the entity; or if it has an interest in the entity that gives it significant influence over the entity; or if it has joint control over the entity or is an associate or a joint venture of the entity. In addition, members and dependents of the key management personnel of the entity (Board of Directors and Executive Management) are also considered related parties.

4.11 Share-based payments

Equity-settled share-based payments of options and warrants to employees and others providing similar services are measured at the fair value of the equity instruments at the grant-date using the Black-Scholes option pricing model. The fair value is estimated at grant-date and each tranche is recognized on a graded-vesting basis over the period the securities vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to warrant reserve. Equity-settled share-based payment

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transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

4.12 Warrants

When the Company issues units that are comprised of a combination of shares and warrants, the Company allocates the proceeds received on the issuance of units between the common shares and warrants using the residual value method. The Company has adopted a residual value method with respect to the measurement of shares and warrants on the date the units are issued. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. Cash received on exercise of warrants is credited to share capital along with any share warrant reserve amounts previously recorded that are applicable to the warrants exercised.

4.13 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated. Currently, the Company has only one reportable operating segment that constitutes its business.

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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 (deficiency). 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 or debt. The Company's objectives when managing capital is to ensure the Company will continue to have enough liquidity so that it can provide its products and services to its customers and returns to its shareholders. The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. 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.

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 year ended December 31, 2022. The Company is not subject to any capital requirements by lending institution or regulatory body, other than by the continued listing requirements of the TSXV.

6. Financial instruments and risk management

As at December 31, the Company held the following financial instruments:

	2022	2021
	\$	\$
Financial assets		
Cash	263,569	1,472,630
Deposits	-	11,507
	263,569	1,484,137
Financial liabilities		
Accounts payable and accrued liabilities	3,365,770	2,582,520
Due to related parties	135	66,666
	3,365,905	2,649,186

The carrying value of the Company's financial instruments approximate their fair value due to the short-term nature of these instruments.

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6.1 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 (ie. 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).

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 as Level 1 financial assets and does not have any other financial assets or liabilities subsequently measured at fair value. The fair value of the Company's accounts payable and accrued liabilities and due to related party approximate its carrying value due to the short term nature of the instruments.

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.

6.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As at December 31, 2022, the Company had \$3,365,905 (2021 - \$2,773,000) in liabilities with a maturity of one year or less and a working capital deficiency of \$2,890,712 (2021 – \$1,108,315). The Company manages its liquidity risk by reviewing its growth plans on an ongoing basis. Refer to note 1 for further discussion of going concern.

6.3 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).

6.4 Currency risk

The Company's functional currency is the Canadian dollar. The Company also conducts business in US 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 activity during the year ended December 31, 2022, a loss of \$138,228 (2021 – \$13,228).

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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.

As at December 31, 2022, the Company's exposure to foreign currency balances is as follows:

Account	Foreign currency	Exposure (\$Cdn)	
		December 31, 2022	December 31, 2021
Cash	US dollar	85,626	52,794
Accounts payable and accrued liabilities	US dollar	(2,809,649)	(2,122,686)
Due to related parties	US dollar	(135)	-
		(2,724,158)	(2,069,892)

The Company believes that a change of 10% in foreign exchange rates would increase/decrease comprehensive loss for the year by approximately \$272,416 (2021 – \$206,989).

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

7. Cash

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

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 December 31, 2022 and 2021, the deposits and prepaid expenses of the Company are detailed as follows:

	December 31, 2022	December 31, 2021
	\$	\$
Administrative	10,650	3,865
Consulting fees	42,248	85,901
Insurance	-	23,791
Investor relations and public reporting	-	5,622
Legal fees	-	442
Office rent prepaids and deposits	-	11,507
Rent (low value)	1,151	1,078
	54,049	132,206

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9. Related-party transactions and balances

Due from related party

As at December 31, 2022, there is no amount due to the Company.

During the year ended December 31, 2021, the Company wrote off amounts due to the Company for a secured loan ("**Secured Loan**") in the amount of \$50,000 plus accrued interest of \$10,660, equal to \$60,660 which it previously provided to its former Chief Financial Officer.

During the year ended December 31, 2022, the Company forgave the Secured Loan as part of a settlement payment to this Company's former CFO.

As at December 31, 2022, \$nil (2021 – \$3,000) of accrued interest income is included in the consolidated statements of loss.

Due to related parties

As at December 31, 2022, there is an \$135 amount due to a senior officer of the Company.

As at December 31, 2022, amounts accrued to related parties include \$66,666 (2021 - \$66,666), in respect of salary and consulting charges to a former senior officer of the Company, which are included in accounts payable and accrued liabilities.

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, its Chief Investment Officer and its former C-Suite personnel. Compensation paid or accrued to key management is detailed below:

Year ended	December 31, 2022	December 31, 2021
	\$	\$
Compensation to key management	1,010,412	750,123
Finder fees	54,800	115,500
Share-based compensation	231,750	1,442,146

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:

During the year ended December 31, 2021, the Company settled an outstanding debt for services provided in previous periods and recorded a settlement and forgiveness of debt of \$1,326,148.

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During the years ended December 31, 2022 and 2021, related parties exercised options of the Company as follows:

Year ended December 31,	2022	2021	2022	2021
	\$	\$	#	#
Options exercised (note 15.2(iv))	24,000	245,500	160,000	2,702,000
Total	24,000	245,500	160,000	2,702,000

During the years ended December 31, 2022 and 2021, related parties participated in equity financings of the Company as follows:

Year ended December 31,	2022	2021	2022	2021
	\$	\$	#	#
Equity financings	575,000	100,000	3,985,396	1,000,000
Total	575,000	100,000	3,985,396	1,000,000

10. Right of use asset

In accordance with IFRS 16, the Company has recognized a ROU asset for its office premises with a corresponding lease liability (note 12) which is initially measured at the present value of the future lease payments. The Company then recognizes depreciation of ROU asset.

	\$
Balance December 31, 2020	248,222
Depreciation for year	(106,380)
Balance December 31, 2021	141,842
Depreciation for year	(141,842)
Balance December 31, 2022	-

During the year ended December 31, 2022 and 2021, the Company incurred \$nil (2021 - \$nil) in short-term leases and \$22,750 (2021 - \$4,136) in low-value leases.

11. 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.

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

	December 31, 2022	December 31, 2021
	\$	\$
Administration	1,336,398	406,265
Investor relations and public reporting	4,334	35,902
Legal and regulatory	1,823,553	1,257,852
Marketing and sales	119,672	383,921
Research and development	81,813	498,580
Total accounts payable and accrued liabilities	3,365,770	2,582,520

12. Lease liability

In accordance with IFRS 16, the Company has recognized a ROU asset (note 10) for its office premises with a corresponding lease liability which is initially measured at the present value of the future lease payments. The Company then recognizes interest expense on lease liability.

In order to calculate the present value of the future lease payments, the Company has used a discount rate of 12% which represents its incremental borrowing rate.

Changes to the Company's lease liability is as follows:

	\$
Balance, December 31, 2020	290,324
Additions	-
Interest expense	27,664
Lease payments	(134,477)
Balance at December 31, 2021	183,511
Interest expense	8,116
Lease payments	(67,813)
Lease termination	(123,814)
	-
Less: current portion (paid out)	-
Less: non-current portion (paid out)	-
Balance December 31, 2022	-

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During the year ended December 31, 2022, the Company terminated its lease and recorded a lease termination gain of \$123,814.

13. Secured, convertible debentures

During the year ended December 31, 2019, the Company completed a non-brokered financing of \$620,000 (the “**Financing**”), by way of issuance of secured, convertible debentures (the “**Convertible Debentures**”). The Convertible Debentures carried an interest rate of 12.0%, payable semi-annually, with a maturity date of May 31, 2021.

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 \$70,598. The equity component will be accreted over the life of the Convertible Debentures. Accretion expense for the year ended December 31, 2022 was \$nil (2021 - \$21,272).

On May 31, 2021, all of the Convertible Debentures were converted with the issuance of 4,133,334 common shares (note 15.2(ix)) having a fair value of \$620,000. The Company also settled the outstanding accrued interest of \$147,300, with the issuance of 626,809 common shares valued at \$401,158 for a loss on settlement of debt of \$253,858 (note 15.2(vi)).

During the year ended December 31, 2022, the Company incurred \$nil (2021 - \$31,000) of interest expense on the Convertible Debentures.

14. Secured debentures

During the year ended December 31, 2019, the Company completed a non-brokered financing of \$136,800, by way of issuance of secured debentures (“**Debentures**”). The Debentures carried an interest rate of 12.0%, payable semi-annually, with a maturity date of November 15, 2021.

On November 15, 2021, all of the Debentures were repaid on maturity along with accrued interest of \$32,832.

For the year ended December 31, 2022, the Company incurred \$nil (2021 - \$14,364) of interest expense on the Debentures.

15. Share capital

15.1 Authorized

DelphX's authorized share capital consists of an unlimited number of common shares at no par value.

15.2 Issued and outstanding

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2022:

- (i) On November 28, 2022, the Company announced it had closed its previously announced private placement ("**November 2022 Private Placement**") of 5,422,221 units (the "Units") at a subscription price of \$0.09 per Unit, for gross proceeds of \$488,000 (the "Offering"). Each Unit consists of one common share ("Common Share") and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one Common Share at a price of \$0.15, for a period of two years from the date of issuance. The securities issued pursuant to the Offering are subject to a hold period of four months and a day from the date of issuance.

As at December 31, 2022, there was a share subscription receivable amount of \$100,000, which was received from an investor on January 23, 2023.

- (ii) On August 25, 2022, the Company announced the completion and oversubscription of a non-brokered private placement ("August 2022 Private Placement") of 4,825,715 units of the Company (the "Units"), at price of \$0.14 per Unit, for aggregate gross proceeds of \$675,600. Each Unit consisted of one common share and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one common share for \$0.30 for a period of 2 years.

The fair value of the August 2022 Warrants of \$72,386 was estimated using the residual pricing model with the following based on the current share price of \$0.125.

The Company issued 50,050 finder warrants (each, a "Finder Warrant"). Each Finder Warrant is exercisable for one common share at \$0.30 for a period of 2 years.

The fair value of the August 2022 Finder Warrants of \$11,550 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 3.44%, expected life of 2 years, volatility of 192.6%, a dividend yield of 0% and share price of \$0.125.

- (iii) On August 3, 2022, the Company issued 47,617 common shares at a fair value of \$0.18 per share for a total consideration of \$8,572 to a supplier, in lieu of payment of an outstanding invoice for services rendered to the Company.
- (iv) On July 25, 2022, 50,000 options were exercised at an exercise price of \$0.15 for gross proceeds of \$7,500. The fair value of the exercised options of \$850 was transferred from contributed surplus to share capital.
- (v) On July 20, 2022, 100,000 options were exercised at an exercise price of \$0.15 for gross proceeds of \$15,000. The fair value of the exercised options of \$1,900 was transferred from contributed surplus to share capital.
- (vi) On July 9, 2022, 60,000 options were exercised at an exercise price of \$0.15 for gross proceeds of \$9,000. The fair value of the exercised options of \$2,940 was transferred from contributed surplus to share capital.
- (vii) On June 10, 2022, 40,000 options at an exercise price of \$0.15 were exercised raising proceeds of \$6,000. The fair value of the exercised options of \$3,400 was transferred from contributed surplus to share capital.
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- (viii) On May 11, 2022, the Company completed a non-brokered private placement ("May 2022 Private Placement") with the issuance of 4,982,727 units (each a "Unit") at \$0.22 per Unit, raising gross proceeds of \$1,096,200. Each Unit consisted of one common share and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one common share for \$0.35 for a period of 2 years.

The Company issued 130,200 finder warrants (each, a "Finder Warrant"). Each Finder Warrant is exercisable for one common share at \$0.35 for a period of 2 years.

The fair value of the May 2022 Finder Warrants of \$35,027 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 2.55%, expected life of 2 years, volatility of 192.6%, a dividend yield of 0% and share price of \$0.24

- (ix) In January 2022, 20,000 finder warrants were exercised for proceeds of \$3,000. The fair value of the exercised finder warrants of \$942, was transferred from warrants to share capital

2021:

- (i) In December 2021, the Company issued 1,160,000 common shares on the exercise of options, raising \$116,500. The fair value of the exercised options of \$19,270, was transferred from contributed surplus to share capital.
- (ii) In November 2021, the Company issued 300,000 common shares on the exercise of options, raising \$30,000. The fair value of the exercised options of \$29,079, was transferred from contributed surplus to share capital.
- (iii) In October 2021, the Company issued 450,000 common shares on the exercise of options, raising \$45,000. The fair value of the exercised options of \$43,621 was transferred from contributed surplus to share capital.
- (iv) 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 (of which, \$115,000 was to a related party) 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.
- (v) In July 2021, 342,000 options and 415,000 warrants were exercised, raising proceeds of \$nil and \$41,500 respectively. The fair value of the exercised options and warrants of \$12,529 and \$14,137 was transferred to common shares from warrants and contributed surplus.
- (vi) In June 2021, the Company issued 626,809 common shares valued at \$401,158 in settlement of outstanding accrued interest on its convertible debentures in the amount of \$147,300 and recorded a loss of \$253,858.

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- (vii) In June 2021, 815,625 options were exercised raising proceeds of \$54,000. The fair value of the exercised options of \$29,167, was transferred from contributed surplus to share capital.
- (viii) In June 2021, 200,000 warrants were exercised raising proceeds of \$20,000. The fair value of the exercised warrants of \$6,813, was transferred from warrants to share capital.
- (ix) In May 2021, convertible debenture holders converted the entire principle balance of \$620,000 (the "**Conversion**"), resulting in the issuance of 4,133,334 common shares. In connection with the Conversion, the Company issued 4,133,334 warrants (the "**Conversion Warrants**"). Each Conversion Warrant is exercisable for one common share at \$0.24 for a period of two years after issue. The fair value of the Conversion Warrants of \$289,333 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 0.32%, expected life of 2 years, volatility of 222.3%, a dividend yield of 0% and share price of \$0.24.
- (x) In May 2021, 217,233 finder warrants were exercised raising proceeds of \$43,447. The fair value of the exercised finder warrants of \$21,493, was transferred from warrants to share capital.
- (xi) In April 2021, the Company completed at unit financing (the "**April 21 Offering**"). The April 21 Offering comprised 5,700,000 units (the "**Units**") for gross proceeds of \$570,000. Each Unit comprised one common share and one common-share purchase warrant (each, an "**April 21 Warrant**"). Each April 21 Warrant is exercisable for one common share at \$0.15 for a period of five years after issue. The fair value of the April 21 Warrants of \$268,369 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 0.90%, expected life of 5 years, volatility of 192.6%, a dividend yield of 0% and share price of \$0.26.

In connection with the April 21 Offering, the Company paid cash finder fees of \$28,000 and also issued 280,000 finders warrants (each a "**Finder Warrant**") with an exercise price of \$0.10 per finders warrant, exercisable for a period of five years, with a relative fair value of \$35,353. The relative fair value of the Finder Warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 0.90%, expected life of 5 years, volatility of 192.6%, a dividend yield of 0% and share price of \$0.26.

16. Warrants

The outstanding issued warrants balance as at December 31, 2022 is comprised of the following items:

Number of Warrants	Type	Exercise Price	Expiry Date
		\$	
4,133,334	Warrants	0.24	May 31, 2023
8,116,500	Warrants	0.30	May 15, 2024
4,825,715	Warrants	0.30	August 25, 2024

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Number of Warrants	Type	Exercise Price	Expiry Date
5,422,221	Warrants	0.15	November 29, 2024
2,833,334	Warrants	0.08	March 26, 2025
160,000	Warrants	0.08	April 23, 2025
916,667	Warrants	0.08	April 24, 2025
4,718,332	Warrants	0.10	June 12, 2025
5,680,000	Warrants	0.15	April 15, 2026
4,982,727	Warrants	0.35	May 27, 2027
130,200	Finder Warrants	0.35	May 10, 2024
50,050	Finder Warrants	0.30	August 25, 2024
116,667	Finder Warrants	0.06	March 26, 2025
143,500	Finder Warrants	0.075	June 12, 2025
280,000	Finder Warrants	0.10	April 15, 2026
458,245	Finder Warrants	0.33	July 14, 2026
42,967,492		0.19	

A continuity of the warrants to purchase common shares is as follows:

	Average exercise price	Number of warrants
	\$	\$
Outstanding at December 31, 2020	0.19	18,230,388
Issued	0.20	10,571,579
Exercised	0.13	(832,233)
Expired	0.30	(393,155)
Outstanding at December 31, 2021	0.20	27,576,579
Issued	0.20	15,410,913
Exercised	0.15	(20,000)
Outstanding at December 31, 2022	0.19	42,967,492

17. Contributed surplus

17.1 Options

DelphX has a stock option plan (the “**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 with a maximum term of 10 years and variable vesting as determined by the directors of the Company upon

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issuance. The Plan allows for the issuance of options up to 10% of the issued and outstanding common shares. As at December 31, 2022, the Company had 2,005,482 (2021 – 1,790,654) options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	Exercise price	Number of options
	\$	\$
Outstanding at December 31, 2020	0.26	8,997,000
Issued	0.38	6,875,000
Exercised	0.11	(3,067,625)
Expired	0.20	(2,798,375)
Outstanding at December 31, 2021	0.38	10,006,000
Issued	0.31	3,650,000
Exercised	0.15	(250,000)
Expired and forfeited	0.32	(2,060,000)
Outstanding at December 31, 2022	0.38	11,346,000
Exercisable at December 31, 2022	0.38	11,346,000

The table below provides additional information regarding the outstanding options:

Number outstanding	Number exercisable	Exercise price (per option)	Expiry date	Vested Fair value
		\$		\$
1,369,000 ⁽¹⁾	1,369,000	0.15	March 1 to March 30, 2023	121,841
1,331,000	1,331,000	0.35	June 9, 2023	376,673
4,575,000	4,575,000	0.50	July 29, 2023 to April 7, 2024	1,791,424
550,000	550,000	0.55	September 10, 2023	265,100
771,000	771,000	0.70	September 7, 2023	376,248
300,000	300,000	0.20	May 7, 2024	39,875
1,500,000	1,500,000	0.25	September 9, 2024	156,000
950,000	950,000	0.15	December 23, 2024	50,350
11,346,000	11,346,000			

⁽¹⁾ Expired unexercised subsequent to December 31, 2022.

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The grant-date fair value of \$528,550 for the 3,650,000 granted options was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions for 2022:

- April 7, 2022. The fair value of \$321,600 of the 1,200,000 stock options (exercise \$0.50) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 2.36%, expected life of 2 years, volatility of 157.93%, a dividend yield of 0% and share price of \$0.38.
- September 9, 2022. The fair value of \$156,600 of the 1,500,000 stock options (exercise \$0.25) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 3.61%, expected life of 2 years, volatility of 136.00%, a dividend yield of 0% and share price of \$0.17.
- December 23, 2022. The fair value of \$50,350 of the 950,000 stock options (exercise \$0.15) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 3.93%, expected life of 2 years, volatility of 135.22%, a dividend yield of 0% and share price of \$0.09.

The grant-date fair value of \$2,303,114 for the 6,875,000 issued options was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions for 2021: Risk-free rate of 0.58%. Volatility of 209.62%, expected life of 2 years, dividend yield of nil% and an underlying stock price of \$0.37.

17.2 Share-based payments

Vesting of options accounted for share-based compensation of \$527,950 for the year ended December 31, 2022 (2021 - \$2,358,614), has been expensed on the consolidated statements of loss.

18. Sublease income

The Company entered into a sub-lease during the year ended December 31, 2019 (as such is defined pursuant to IFRS 16) for its office premises in Canada. DelphX as the intermediate lessor has classified the sub-lease as an operating lease and during the term of the sublease, has accounted for it by retaining both the ROU asset and lease liability already recognized for the Head Lease and records lease income from the sub-lease.

During the year ended December 31, 2022, the Company's Head Lease was terminated (note 12) and accordingly the sublease was also terminated.

19. Compensation

The expense categories listed below each contain the disclosed amount of all compensation corresponding the category:

Year ended	December 31, 2022	December 31, 2021
	\$	\$
Expense category		

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Administration	1,115,975	57,523
Legal and regulatory	51,568	139,274
Marketing and sales	59,460	53,659
Research and development	69,959	40,876
	1,296,962	291,332

20. Research and development costs

Year ended	December 31, 2022	December 31, 2021
	\$	\$
Compensation	-	40,876
	-	40,876

21. Segmented information

Operating segments

As at December 31, 2022 and 2021, 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 information

The Company operates in both Canada and the United States.

As at	Canada	United States	Total
	\$	\$	\$
December 31, 2022			
Right of use of asset	-	-	-
	\$	\$	\$
December 31, 2021			
Right of use asset	141,842	-	141,842

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22. Changes in non-cash working capital and supplemental cash flow information

Year ended	December 31, 2022	December 31, 2021
	\$	\$
Changes in non-cash working capital		
Harmonized sales taxes	(93,481)	(37,761)
Deposits and prepaid expenses	40,333	(96,672)
Accounts payable and accrued liabilities	832,561	1,322,190
Due to related parties	(66,531)	(833,609)
	712,882	354,148

Year ended	December 31, 2022	December 31, 2021
	\$	\$
Supplemental cash flow information		
Interest paid	38	32,832
Shares issued for debt (services rendered)	8,572	nil
Fair value of options, warrants and finders warrants exercised	9,090	175,809
Fair value of warrants issued	118,963	268,369
Fair value of warrants expired	8,860	nil
Interest settled with issuance of shares	nil	147,300
Interest income on related party loan	nil	3,000
Income taxes paid	nil	nil
Shares issued for accrued convertible debt interest	nil	401,158

23. Income Taxes

23.1 Income taxes

The reconciliation of the combined Canadian federal income tax rate of 26.5% (2020 combined US federal income tax rate – 26.5%) to the effective tax rate is as follows:

	2022	2021
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	\$	\$
Loss before recovery of income taxes	(4,665,880)	(3,252,477)
Expected income tax recovery	(1,236,000)	(885,000)
Tax rate changes and other adjustments	(209,000)	(456,000)
Permanent differences	144,000	631,000
Share issue costs	(24,000)	(5,000)
Adjustment to prior years' provision versus statutory rates	125,000	142,000
Change in tax benefits not recognized	1,200,000	573,000
Income tax (recovery) expense	-	-

23.2 Deferred tax

The following table summarizes the components of deferred tax:

	2022	2021
	\$	\$
Deferred tax assets		
Non-capital losses	5,028,000	3,806,000
Capital assets	48,000	59,000
Share issue costs	66,000	108,000
Allowable capital losses	8,000	-
Unrecognized deferred tax assets	(5,150,000)	(3,973,000)
	-	-

23.3 Tax loss carryforwards

The Company has approximate non-capital tax losses that will expire as follows:

Year	Canada	US
	\$	\$
2036	61,000	-
2037	15,000	1,866,770
2038	2,258,000	-
2039	1,523,000	-
2040	1,219,000	-
2041	805,000	-
2042	1,763,000	-
Indefinite	-	8,588,230
	7,644,000	10,455,000

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24. Subsequent events

- i) On January 18, 2023, the Board of Directors approved the granting of 650,000 stock options (the "Options") to eligible participants under its stock option plan. The options have a two-year maturity and are exercisable for common shares of the Company.
- ii) On February 9, 2023, the Board of Directors approved the granting of 750,000 stock options (the "Options") to an advisor under its stock option plan. The options have a two-year maturity and are exercisable for common shares of the Company.
- iii) On March 3, 2023, the Company announced that it had closed its previously announced private placement, issuing 5,501,666 units (at a subscription price of \$0.12 per Unit, for gross proceeds of \$660,200. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.20, for a period of two years from the date of issuance.

In connection with the Offering, the Company paid cash finder's fees of \$18,000 and issued 150,000 finders' warrants (the "Finders' Warrants") to an eligible finder. The Finders' Warrants are exercisable at CAD\$0.20 each for a period of two years after issuance.

- iv) On March 8, 2023, the Company announced its Board of Directors had approved the grant of 1,250,000 stock options (the "Options") to eligible participants under its stock option plan. The Options have a two-year maturity and are exercisable for common shares of the Company at an exercise price of \$0.20 per common share.
- v) On April 26, 2023, the Company announced it had entered into a business consultant agreement with Cardiff Associates ("Cardiff"), a US-based organization that specializes in financial services development. Cardiff will provide comprehensive advisory services to support the implementation of the DelphX business strategy.

Under the terms of the agreement, Cardiff will receive 1,000,000 options with a two-year maturity and an exercise price of \$0.15 per common share; along with the right to gain additional compensation based upon performance milestones.