



DelphX Capital Markets Inc.

Interim Management's Discussion and Analysis

Quarterly Highlights

Three and Six months ended June 30, 2023

August 18, 2023

DelphX Capital Markets Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three and Six Months Ended June 30, 2023

*This interim management discussion and analysis – quarterly highlights (“Interim 66MD&A”) has been prepared based on information available to DelphX Capital Markets Inc., (“DelphX” or the “Company”) as at **August 18, 2023**. 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 six months ended June 30, 2023 and 2022 (the “**Unaudited Interim Consolidated Financial Statements**”) and the Company’s audited consolidated financial statements for the years ended December 31, 2022 and 2021 (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 Consolidated 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.*

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING (“ICFR”)

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 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 MD&A and, unless otherwise required by applicable securities laws, DelphX disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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General

DelphX Capital Markets Inc. ("**DelphX**" or the "**Company**") was incorporated as Seaside Exploration Partners Corp. ("**Seaside**") on October 21, 2016, pursuant to the *Business Corporations Act* (British Columbia), and was a Capital Pool Company, pursuant to the policies of the TSX Venture Exchange ("**TSXV**"). On April 25, 2018, DelphX Corporation and Seaside completed a Qualifying Transaction ("**QT**"), as is defined pursuant to TSXV Policy 2.4, pursuant to a definitive share-exchange agreement dated December 12, 2017. The QT constituted a reverse take-over ("**RTO**") of Seaside. 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 **August 18, 2023**.

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 innovation company that has designed two new private placement securities to provide protection for investors against losses in the fixed income market. The Company operates the issuance of its proprietary products under a wholly-owned special purpose vehicle called "**Quantem**". The development of these two new securities is the result of a multi-year collaboration with bond investment and trading companies, who have seen a diminishing ability to protect against risks associated with rating changes, in an industry which is receptive to new solutions and novel alternatives.

This problem is significant, because it causes institutional investors, banks, dealers, pension funds and insurance companies to tie up additional capital to offset potential liabilities within their existing portfolios.

To solve these problems, DelphX created two proprietary private placement securities solutions that offer both secure risk protection and enhanced returns for currently issued underlying bonds: Collateralized Put Options ("**CPOs**") and Collateralized Reference Notes ("**CRNs**").

CPOs, which are private placement securities which allow loss protection on spread changes associated with rating changes. CPOs provide investors with default protection, whilst CRNs protect investors from a ratings downgrade of the issued underlying bond.

CRNs, which are private placement securities which collateralize a maximum liability on CPO protection and pay materially-enhanced returns.

All CPOs and CRNs are issued by Quantem, collateralized by US Treasuries and held in custody by BNY Mellon. At no time does DelphX (or Quantem) hold any securities or funds on behalf of third parties.

The Company's primary business objective has been to develop a sustainable revenue model by using novel products and technologies to solve major unmet problems in the bond market – with an emphasis on providing loss protection and boosting returns in portfolios.

DelphX has officially launched its CPOs product to the institutional buy-side and broker-dealer community and anticipates adoption and monetization forthwith, especially as economic and market conditions continue to demonstrate the need for credit downgrade protection. Whilst, it aims to launch the CRNs product to investors soon.

Financial condition

As at June 30, 2023, the Company had assets totaling **\$291,925** and shareholders' deficiency of **\$2,617,671**. This compares with assets of \$475,193 and shareholders' deficiency of \$2,890,712, as at December 31, 2022.

During the quarter ended June 30, 2023, the Company's net assets increased by **\$112,415** (\$423,405 in June 2022 quarter) due primarily to the Company's cash at bank due to the private placement for the quarter, paydown of existing accounts payable and increased accumulated other comprehensive income due to favourable foreign movements.

Details follow:

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Item	Quarterly Change Favourable / (Unfavourable)	Explanation of quarterly change
	\$	
Cash	(98,501)	Lower cash balance due to paydown of accounts payable, which was partly offset by smaller operating loss for the quarter and some HST cash refunds.
HST recoverable	(11,715)	Smaller overall balance in the June 2023 quarter owing to some HST refunds and lower ITC credits due to lower operating expenses for the quarter.
Deposits and prepaids	(1,226)	Accruals for legal, prepaid consulting and operating costs decreased for the quarter.
Accounts payable and accrued liabilities	223,857	Continuing fiscal management to cut costs and pay off existing payables and accruals owed to suppliers, as evidenced by the lower net loss for the quarter.
Due to related parties	-	Pay down of residual owed on this liability to zero.

Corporate activities

During the six months ended June 30, 2023, the following securities were issued:

Common shares:

- (i) On March 3, 2023, the Company announced that it had closed its previously announced private placement ("**February 2023 Private Placement**"), issuing 5,501,666 units (the "Units") at a subscription price of C\$0.12 per Unit, for gross proceeds of \$660,200 (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 \$0.20, for a period of two years from the date of issuance (expiry date, February 27, 2025).

The fair value of the February 2023 Warrants of \$407,123 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 3.99%, expected life of 2 years, volatility of 135.9%, a dividend yield of 0% and share price of \$0.125.

In connection with the Offering, DelphX will pay cash finder's fees of \$18,000 and issue 150,000 finders' warrants (the "Finders' Warrants") to an eligible finder. The Finders' Warrants will be exercisable at CAD\$0.20 each for a period of two years after issuance (expiry date, February 27, 2025).

The fair value of the February 2023 Finders' Warrants of \$11,100 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 3.99%, expected life of 2 years, volatility of 135.9%, a dividend yield of 0% and share price of \$0.125.

- (ii) On June 29, 2023, the Company successfully closed the issuance of 5,425,000 Units at a subscription price of C\$0.08 per Unit for gross proceeds of C\$434,000 ("**June 2023 Private Placement**"). 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 C\$0.15, for a period of two years from the date of issuance. The securities issued will be subject to a hold period of four months plus

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one day from the date of issuance. DelphX intends to use the net proceeds for working capital and general corporate purposes.

The Company originally planned to issue up to 18,750,000 units, but opted for a less dilutive funding level that would be sufficient to complete the launch of its novel Credit Rating Security (CRS) product, which will give bond holders and traders the ability to position against potential rating changes on existing bonds.

The fair value of the June 2023 Warrants of \$206,150 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 4.66%, expected life of 2 years, volatility of 115.3%, a dividend yield of 0% and share price of \$0.08.

In connection with the Offering, DelphX will pay cash finder's fees of \$16,000 and issue 200,000 finders' warrants (the "Finders' Warrants") to an eligible finder. The Finders' Warrants will be exercisable at CAD\$0.15 each for a period of two years after issuance (expiry date, June 29, 2025).

The fair value of the June 2023 Finders' Warrants of \$7,600 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 4.66%, expected life of 2 years, volatility of 115.3%, a dividend yield of 0% and share price of \$0.08.

Options and warrants:

- (iii) 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 "Plan"). The options have a two-year maturity and are exercisable for common shares of DelphX at an exercise price of \$0.15 per common share, all in accordance with the Plan.

The fair value of \$60,450 of the 650,000 stock options (exercise \$0.15) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 3.47%, expected life of 2 years, volatility of 136.43%, a dividend yield of 0% and share price of \$0.14.

- (iv) 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 "Plan"). The options have a two-year maturity and are exercisable for common shares of DelphX at an exercise price of \$0.20 per common share, all in accordance with the Plan.

The fair value of \$86,250 of the 750,000 stock options (exercise \$0.20) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 3.98%, expected life of 2 years, volatility of 136.59%, a dividend yield of 0% and share price of \$0.175.

- (v) 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 "Plan"). The Options have a two-year maturity and are exercisable for common shares of DelphX at an exercise price of \$0.20 per common share, all in accordance with the Plan. The fair value of \$107,500 of the 1,250,000 stock options (exercise \$0.20) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 4.29%, expected life of 2 years, volatility of 135.79%, a dividend yield of 0% and share price of \$0.14.

- (vi) 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

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strategy, specifically relating to proprietary products addressing rating changes, and corporate downgrade and upgrade structures.

Under the terms of the agreement, Cardiff will receive 1MM 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.

The relative fair value of the options was estimated at \$67,000 using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 3.62%, expected life of 2 years, volatility of 124.0%, a dividend yield of 0% and share price of \$0.125.

(vii) On May 17, 2023 the Company was granted permission by the Exchange to extend the May 2023 vintage of warrants (exercise price \$0.24) to May 2024.

(viii) On June 9, 2023, 1,331,000 options with an exercise price of \$0.35 each expired.

After the reporting date, the following securities transacted:

(ix) On July 7, 2023, the Company announced its Board of Directors had approved the grant of 1,975,000 stock options (the "Options") to eligible participants under its stock option plan (the "Plan"). The Options have a two-year maturity and are exercisable for common shares of DelphX at an exercise price of \$0.20 per common share, all in accordance with the Plan.

The relative fair value of the options was estimated at \$86,900 using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 4.74%, expected life of 2 years, volatility of 118.6%, a dividend yield of 0% and share price of \$0.095.

(x) On July 29, 2023, 850,000 options with an exercise price of \$0.50 each expired.

Related-party transactions and balances

Due from related party

As at June 30, 2023, there is no amount due to the Company.

In the previous year, as at December 31, 2022, there were no amounts due to the Company.

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

Due to related parties

As at June 30, 2023, there are no amounts due to related parties by the Company.

In the previous year, as at December 31, 2021, there were a residual amount of \$135 due to related parties by the Company.

Related party settlements

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There were no related party settlements during three months ended June 30, 2023 (June 30, 2022 - \$nil).

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 unaudited 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:

3 months ended	June 30, 2023	June 30, 2022
		\$
Compensation to key management	252,469	214,162
Finder fees	-	-
Share-based compensation	-	-

Equity participation

During the three months ended June 30, 2023 and 2022, related parties participated in equity financings of the Company as follows:

3 months ended	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	#	#
Equity financings	\$404,420	\$330,000	5,055,250	1,500,000

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Outstanding securities

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

Security	Number outstanding
Common shares	144,446,739
Options (Exercisable – 12,246,000)	12,246,000
Warrants	52,715,496
Broker warrants	1,528,662

Subsequent events

- i) On July 10, 2023 the Company announced that, further to its news release of June 29, 2023 announcing the closing of the first tranche of its non-brokered private placement of units, DelphX has now terminated the private placement and therefore will not be closing further tranches of the private placement.
- ii) On July 7, 2023, the Company announced its Board of Directors had approved the grant of 1,975,000 stock options (the "Options") to eligible participants under its stock option plan (the "Plan"). The Options have a two-year maturity and are exercisable for common shares of DelphX at an exercise price of \$0.20 per common share, all in accordance with the Plan.

The relative fair value of the options was estimated at \$86,900 using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 4.74%, expected life of 2 years, volatility of 118.6%, a dividend yield of 0% and share price of \$0.095.

- iii) On July 29, 2023, 850,000 options with an exercise price of \$0.50 each expired.