



DelphX Capital Markets Inc.

Management's Discussion and Analysis

For the Years Ended December 31, 2024 and 2023

April 24, 2025

DelphX Capital Markets Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ended December 31, 2024 and 2023

This Interim Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for DelphX Capital Markets Inc., ("DelphX" or the "Company"), for the years ended December 31, 2024, and 2023.

This document should be read in conjunction with the information contained in the Company's audited annual financial statements and related notes for the years ended December 31, 2024 and 2023 (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise noted.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, April 24, 2025, being the date the Company's board of directors (the "Board") approved this MD&A and the Financial Statements.

Additional information about the Company is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.delphx.com.

Company Overview

DelphX is a technology and financial services company focused on bringing a new and exciting opportunity to the structured product and credit market. Through its special purpose vehicle Quantem and its broker-dealer DelphX Services Corp, it enables fixed income dealers to offer new private placement securities which protect against credit rating change risk and facilitate attractive returns.

The Company's primary business objective is to innovate a new and revenue-generating product in the fixed income and structured product market. Bond investment and insurance companies have seen a lackluster ability to protect against risks associated with rating changes. The problem of rating changes, particularly downgrades, is significant, because they cause institutional investors, banks, dealers, pension funds and insurance companies to tie up additional capital to offset potential liabilities within their existing portfolios. Economic and market conditions frequently demonstrate the need for risk mitigation around rating changes, and trading firms require new sources of revenue in product categories which are new and relevant.

To capitalize on this opportunity and address these unmet needs, DelphX has created two proprietary private placement securities solutions that offer both secure risk protection and enhanced returns for currently issued underlying corporate bonds: Collateralized Put Options ("CPOs") and Collateralized Reference Notes ("CRNs").

CPOs are private placement securities which allow loss protection on spread and capital charge changes associated with rating changes. CRNs are private placement securities which collateralize a maximum liability on CPO protection and pay enhanced returns.

CPOs provide value to qualified investors that want to buy protection against the potential downgrade of a specific bond issued by a reference company while CRNs provide another qualified investor, that is interested in underwriting that protection, with returns from both the option premium and the interest earned on the collateral.

All CPOs and CRNs are issued by Quantem, which captures a fee for its services. Securities are collateralized by US Treasuries and held in custody by a third-party custodian bank. At no time does DelphX (or Quantem) hold any securities or funds on behalf of third parties.

DelphX has officially introduced this product to the institutional buy-side and broker-dealer community, with two leading hedge funds offering protection to buyers of protection. The Company anticipates adoption and monetization shortly.

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Selected Annual Financial Information

	2024	2023	2022
Statements of Comprehensive Loss Data			
Operating expenses	4,772,752	2,590,773	4,778,506
Net loss and comprehensive losses	(4,968,822)	(1,949,728)	(4,510,813)
Weighted average number of shares	168,010,478	142,409,669	133,514,823
Basic and diluted loss per share	(0.03)	(0.01)	(0.03)
Statements of Financial Position Data			
Total assets	160,888	237,078	475,193
Total liabilities	2,748,269	2,604,614	3,365,905

Discussion of Operations

	Three months ended December 31,				Twelve months ended December 31,			
	2024	2023	Change	%	2024	2023	Change	%
Administration	437,526	350,564	86,962	25	1,641,783	1,365,477	276,306	20
Legal and regulatory	174,746	77,441	97,305	126	349,433	231,259	118,174	51
Interest and bank charges	2,001	2,359	(358)	(15)	10,380	13,208	(2,828)	(21)
Investor relations and public reporting	30,211	35,228	(5,017)	(14)	204,324	153,144	51,180	33
Marketing and sales	15,205	6,366	8,839	139	53,321	143,637	(90,316)	(63)
Share-based payments	218,000	232,500	(14,500)	(6)	2,513,511	683,500	1,830,011	268
Other	-	548	(548)	(100)	-	548	(548)	(100)
Total operating expenses	877,689	705,004	172,685	24	4,772,752	2,590,773	2,181,979	84
Other income	-	543,828	(543,828)	(100)	449	547,300	(546,851)	(100)
Loss	(877,689)	(161,176)	(716,513)	445	(4,772,303)	(2,043,473)	(2,728,830)	134
Foreign currency translation	(145,964)	4,928	(150,892)	(3.062)	(196,519)	93,745	(290,264)	(310)
Comprehensive loss	(1,023,653)	(156,248)	(867,405)	555	(4,968,822)	(1,949,728)	(3,019,094)	155

Operating expenses for the year ended December 31, 2024, increased by 84% compared to the prior year, primarily due to higher stock-based compensation related to shares-for-services agreements, as well as increased administrative and legal costs associated with efforts to accelerate the launch of the Company's CPO and CRN products.

Total comprehensive losses reported for the year ended December 31, 2024 increased by 155% from the comparative period due to the increase in operating expenses noted above along with decreased other income as a result of the recovery of accounts payable in 2023 related to changes in accrued liability estimates combined with the statute of limitations on amounts having lapsed.

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Quarterly Highlights

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS.

	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Operating expenses	877,689	844,118	811,277	2,239,668
Net loss and comprehensive loss	(1,023,653)	(818,982)	(835,990)	(2,290,197)
Weighted average number of shares	182,342,885	177,552,004	158,731,795	153,372,485
Basic and diluted loss per share	(0.01)	(0.00)	(0.01)	(0.01)

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Operating expenses	705,004	623,585	436,223	825,961
Net loss and comprehensive losses	(156,248)	(634,080)	(321,894)	(837,506)
Weighted average number of shares	148,786,754	145,398,641	142,618,239	135,470,971
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)

Financial condition

Readers should refer to Note 1 to the Financial Statements regarding the going concern assumption in conjunction with the discussion below.

The following chart highlights significant changes in the Statements of Financial Position from December 31, 2023, to December 31, 2024.

Item	Increase (decrease)	Explanation of change
Cash	(81,910)	Please refer to "Cash Flows by Activity section" for detailed analysis of change in cash.
Harmonized sales taxes recoverable	(8,446)	Decrease was due to higher amounts collected from outstanding returns from prior periods versus ITC's paid in the current period as spending has been more focused on US operations not subject to HST in connection with product launch initiatives.
Deposits and prepaid expenses	14,166	Prepaid costs increased slightly year over year due to the increase in rental rates and corresponding deposit on the Company's office space.
Accounts payable and accrued liabilities	143,655	Accounts payable increased primarily due to increased legal and consulting fees as the Company entered into new agreements in 2024 to accelerate the launch of its CPO and CRN products which was partially offset by payments made to prior period invoices.
Share capital	3,781,723	Increase is due to gross proceeds from private placements, net of issuance costs as well as shares issued in connection with shares for services agreements.
Commitment to issue shares	185,000	Increase was due to shares owing at year end under shares for services agreements which were subsequently issued during the first quarter of 2025.
Contributed surplus	693,511	Increase was due to stock options issued to consultants of the Company which vest immediately upon issuance and were recognized in stock-based compensation expense for the period.
Warrants	88,743	Increase in connection with finders' warrants issued from private placements. Warrants were determined based on their fair values upon issuance.
Deficit	(4,772,303)	Increased due to the net loss recorded for the period
Accumulated other comprehensive income	(196,519)	Changed in connection with foreign currency translation losses recognized during the period driven by fluctuations between the Canadian and U.S. dollar.

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Liquidity and Capital Resources

On December 31, 2024, the Company had cash of \$54,262 (December 31 2023 – \$136,172) and a net working capital deficiency of \$2,587,381 (December 31, 2023 – \$2,367,536). Net working capital is a non-GAAP measure and is defined within as the sum of cash, harmonized sales taxes recoverable, deposits and prepaid expenses and accounts payable and accrued liabilities. For additional details, please refer to the “Non-GAAP Measures” section of this MD&A.

On December 10, 2024, the Company closed the issuance of 2,900,834 Units at a subscription price of \$0.12 per unit for gross proceeds of \$347,700 (the “**December 2024 Offering**”). 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 five years from the date of issuance. In connection with the November 2024 Offering, the Company paid a cash finder's fee and issued finders' warrants to eligible finders. The finder's warrants will be exercisable at \$0.20 each for a period of five years after issuance.

On August 23, 2024, the Company closed the issuance of 4,491,666 Units at a subscription price of \$0.12 per unit for gross proceeds of \$539,000 (the “**August 2024 Offering**”). 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 \$0.25, for a period of five years from the date of issuance. In connection with the August 2024 Offering, the Company paid a cash finder's fee of \$37,730 and issued 314,417 finder's warrants. The finder's warrants will be exercisable at \$0.25 each for a period of five years after issuance.

On July 30, 2024, the Company closed the issuance of 3,972,223 Units at a subscription price of \$0.09 per unit for gross proceeds of \$357,500 (the “**July 2024 Offering**”). 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 \$0.25, for a period of five years from the date of issuance. In connection with the July 2024 Offering, the Company paid a cash finder's fee of \$3,500 and issued 38,889 finder's warrants. The finder's warrants will be exercisable at \$0.25 each for a period of five years after issuance.

On July 3, 2024, the Company issued 10,900,000 common shares pursuant to a shares-for-services agreement with a fair value of \$1,635,000. The fair value was determined based on the market price of the Company's common shares on the date the services were rendered.

On June 20, 2024, the Company closed the issuance of 2,650,000 Units at a subscription price of \$0.08 per unit for gross proceeds of \$212,000 (the “**June 2024 Offering**”). 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 five years from the date of issuance. In connection with the June 2024 Offering, the Company paid a cash finder's fee of \$3,640 and issued 52,000 finder's warrants. The finder's warrants will be exercisable at \$0.20 each for a period of five years after issuance.

On April 23, 2024, the Company closed the issuance of 5,000,000 Units at a subscription price of \$0.08 per unit for gross proceeds of \$400,000 (the “**April 2024 Offering**”). 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 five years from the date of issuance. In connection with the April 2024 Offering, the Company paid a cash finder's fee of \$11,200 and issued 140,000 finder's warrants. The finder's Warrants will be exercisable at \$0.20 each for a period of five years after issuance.

On January 30, 2024, the Company closed the issuance of 3,904,166 Units at a subscription price of \$0.12 per unit for gross proceeds of \$468,500 (the “**January 2024 Offering**”). 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 January 2024 Offering, the Company paid a cash finder's fee of \$8,400 and issued 70,000 finder's warrants. The finder's warrants will be exercisable at \$0.20 each for a period of two years after issuance.

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After the reporting date, the following securities transacted:

On January 24, 2025, the Company closed the issuance of 1,335,000 Units at a subscription price of \$0.12 per unit for gross proceeds of \$160,200 (the "**January 2025 Offering**"). 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 five years from the date of issuance.

On February 21, 2025, the Company closed the issuance of 2,789,333 Units at a subscription price of \$0.09 per unit for gross proceeds of \$251,040 (the "**February 2025 Offering**"). 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 five years from the date of issuance.

On March 24, 2025, the Company closed the issuance of 7,276,428 Units at a subscription price of \$0.07 per unit for gross proceeds of \$509,350 (the "**March 2025 Offering**"). 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 \$0.08, for a period of five years from the date of issuance. In connection with the March 2025 Offering, the Company paid a cash finder's fee of \$4,900 and issued 70,000 finders' warrants. The Finders' Warrants will be exercisable at \$0.08 each for a period of five years after issuance.

The continuing operations of the Company are dependent upon its ability to raise capital to support the launch of the Company's novel CPO and CRN products and to manage repayment on current outstanding liabilities and those arising from normal business operations as they come due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. See Note 1 to the Financial Statements.

Risk Management

DelphX may be exposed to risks of varying degrees of significance which could affect its ability to achieve its business objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As of December 31, 2024, the Company had \$2,748,269 (December 31, 2023 - \$2,604,614) in liabilities with a maturity of one year or less and a net working capital deficiency of \$2,587,381 (December 31, 2023 - \$2,367,536).

The Company manages its liquidity risk by reviewing its growth plans on an ongoing basis and sourcing funding through private placements of equity until such time that the Company is able to generate revenue and profits. Refer to note 1 of the Financial Statements for further discussion of going concern.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions. These risks include market factors that may have an impact on interest rates, foreign exchange rates, commodity prices and/or stock market movements.

The Company operates in an industry regulated by the Trading and Markets division of the U.S. Securities and Exchange Commission which oversees the FINRA which is responsible for changes in regulations for broker-dealer firms. Changes in regulations could have a significant impact on the Company's operations.

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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 that are denominated in foreign currencies.

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 major Canadian and US financial institutions.

The Company's exposure to foreign currency balances is as follows:

Account	Foreign currency	Exposure (\$Cdn)	
		December 31, 2024	December 31, 2023
Cash	US dollar	43,693	88,366
Accounts payable and accrued liabilities	US dollar	(2,054,397)	(2,040,677)
		(2,010,704)	(1,952,311)

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

Cash Flows by Activity

The table below outlines a summary of cash inflows and outflows by activity:

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Cash used for operating activities	(373,821)	(434,702)	(2,120,857)	(2,010,546)
Cash provided from financing activities	339,921	507,169	2,235,466	1,789,404
Effect of foreign currency translation	(145,964)	4,928	(196,519)	93,745
Net change in cash	(179,864)	77,395	(81,910)	(127,397)

Cash used in Operating Activities

The significant factors related to cash used for operating activities for both periods were driven by administration and legal and regulatory cash costs.

Cash provided by Financing Activities

Cash provided by financing activities for both periods primarily resulted from subscription proceeds received in connection with several private placements that occurred throughout the reporting periods presented.

Significant Accounting Policies, Judgements and Estimates

The significant accounting policies adopted and applied by the Company, and the significant judgments and estimates are outlined in the Financial Statements.

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Related-party transactions and balances.

Transactions with related parties are incurred in the normal course of business and initially measured at fair value.

Equity transactions

The private placements disclosed in note 7 of the Financial Statements during the year ended December 31, 2024 included the issuance of 1,854,166 units to related parties for gross proceeds of \$165,000 (December 31, 2023 – 3,455,250 units for gross proceeds of \$284,420) and were subject to the same terms and conditions as those offerings disclosed.

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, the chief executive officer, the current and former chief financial officer and the chief actuary and risk officer. Compensation paid or accrued to key management is detailed below:

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Administration	156,430	90,739	634,272	517,619
Share-based compensation	133,000	172,500	365,425	274,400
Compensation to key management	289,430	263,239	999,697	792,019

Outstanding securities

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

Security	Number outstanding
Common shares	197,659,183
Options (Exercisable – 18,239,667)	18,239,667
Warrants	72,764,230
Finder's warrants	1,821,451

Non-GAAP Measures

Non-cash working capital is a non-GAAP financial measure and is defined by the Company as the sum of cash, harmonized sales taxes recoverable, deposits and prepaid expenses and accounts payable and accrued liabilities. Non-GAAP financial measures do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP") and, therefore, may not be comparable with the calculation of similar measures by other companies. Management uses non-GAAP measures for its own performance measurement and to provide shareholders and investors with additional measurements of the Company's efficiency and its ability to fund operations. Non-GAAP measures should be considered together with other data prepared in accordance with IFRS to enable investors to evaluate the Company's operating results, underlying performance and prospects in a manner similar to the Company's management. Accordingly, this Non-GAAP measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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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. Statements which are not purely historical are forward-looking statements and include any statements regarding beliefs, plans, outlook, expectations or intentions regarding the future, including words or phrases 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.

These forward-looking statements reflect DelphX’s current internal projections, expectations or beliefs and are based on information currently available to DelphX. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which DelphX will operate in the future, including the state of capital markets, the demand for our products, anticipated costs and our ability to achieve goals.

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause actual results, performance or achievements expressed or implied by the forward-looking statements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to, business, economic, capital market, political and social conditions; the ability to manage our operating expenses; regulatory uncertainties; market conditions and the demand for our products; our relationships with our customers and business partners; competition in our industry and our ability to remain competitive; our ability to successfully maintain and enforce our intellectual property rights and defend third-party claims of intellectual property infringement; our ability to manage working capital; and our dependence on key personnel.

Although DelphX has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those described in forward-looking statements, there may be other factors that cause results, performance or achievements to differ from those anticipated, estimated or intended. 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.

Forward-looking statements contained herein are made as of the date of this MD&A and, except as may be required by applicable laws, DelphX undertakes no intent or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or results or otherwise.