DelphX Capital Markets Inc.

Management's Discussion and Analysis

of the Financial Condition and Results of Operations

Year ended December 31, 2020

April 27, 2021

*This management discussion and analysis ("**MD&A**") has been prepared based on information available to DelphX Capital Markets Inc. ("**DelphX**" or the "**Company**") as at April 27, 2021. This MD&A is based on information available to DelphX and updates disclosure previously provided in the Company's quarterly MD&A's, up to the date of this MD&A and should be read in conjunction with the Company's audited consolidated financial statements and the related notes as at and for the years ended December 31, 2020 and 2019 (the "**Consolidated Financial Statements**"). The 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 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 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 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.

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; delays in obtaining governmental approvals or financing; or in the completion of research and development activities. A more fulsome summary of the risk factors is discussed in the ***Financial instruments and risk management and Other risk factors*** sections of this MD&A. 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.

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.

The principal address of the Company is 137 Glasgow St., Unit 445, Kitchener, Ontario, N2G 4X8. DelphX's principal business activity is to develop and operate a global facility for transparent offering, purchase, sale, collection and storage of certain fixed income securities and derivatives, and to manage data, research, analytics and valuations of such instruments.

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 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 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 Consolidated Financial Statements were approved for issuance by the Board of Directors of the Company on April 26, 2021.

DelphX's newly-adopted standards and accounting policies are detailed in notes 3 and 4, respectively, of the Consolidated Financial Statements.

Principal Business and Stated Business Objectives

DelphX is a financial technology company that has created two new 144A securities to improve both risk protection and yield enhancement. The Company will issue these securities under it's wholly-owned special purpose vehicle named "Quantem". By introducing 144A securities to the structured products segment the company believes it will attract great interest from both current and future participants in the segment who want an alternative to current products.

The first of these proprietary securities consists of Covered Put Options (CPOs), which are 144A securities that pay holders the interest and principal payments as due when a referenced credit security that has defaulted. CPOs are structured to indemnify both individual and portfolios of referenced corporate bonds. The second security type consists of Covered Reference Notes (CRNs), which are 144A securities that fund all CPO protection, on a CUSIP-specific basis, and pay materially-enhanced yields.

As of April 2021, DelphX was in advanced discussions with Asset Managers, Investment Dealers and other credit market entities to adopt its proprietary solution.

Management and Board of Director changes

On December 4, 2020, the Company announced that Toby Pierce, one of the original directors of the Company had resigned as a Director of the Company. A replacement has not yet been appointed.

Subsequent to year end, on February 10, 2021, the Company announced that it had accepted the resignation of Larry E. Fondren from its Board of Directors. Mr. Fondren was also terminated from all officer positions held with the Company and any of its subsidiaries.

Private placements

2021 to date:

i) In April 2021, the Company completed a private placement (the "**Financing**"), issuing 5,700,000 units (each a "**Unit**") at $0.10 per unit, thereby raising gross proceeds of $570,000. Each Unit consisted of one common share of the Company and one common share purchase warrant (each a "**Warrant**"). Each Warrant allows the holder to purchase one common share of the Company for $0.15 and expires five years after closing.

   In connection with the Financing, the Company also paid $21,000 in cash finder fees and issued 210,000 finder warrants (each a "**Finder Warrant**"). Each Finder Warrant allows the holder to purchase one common share of the Company for $0.10 and expires five years after closing.

2020:

(i) In August 2020, 133,333 common shares with a fair value of $10,000, were issued in settlement of management services provided by the Company's CEO.

(ii) In June 2020, the Company issued 5,333,332 units at $0.075 per unit, raising $400,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable for 5 years after issue at an exercise price of $0.10 each with an estimated total fair value of $186,697.

   In connection with the private placement, the Company also issued 143,500 finders' warrants with an exercise price of $0.075 per finders' warrant for a period of five years, with a fair value of $10,045, with $5,357 allocated to share capital and $4,688 allocated to warrants on the statement of changes in deficiency.

   The fair value of the warrants and finders warrants, was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 0.37%, expected life of 5 years, volatility of 92.21%, a dividend yield of 0% and share price of $0.10 (for the warrants) and $0.075 (for the finders' warrants).

   The Company paid cash finders fees of $10,763. The cash finder fees were allocated to share capital and warrants on the same basis as the finder warrants.

(iii) In April 2020, the Company issued 1,076,667 units at $0.06 per unit, raising $64,600. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable for 5 years after issue at an exercise price of $0.08 each with an estimated total fair value of $32,401.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 0.32%, expected life of 5 years, volatility of 92.49%, a dividend yield of 0% and share price of $0.08.

(iv) In March 2020, the Company issued 2,833,334 units at $0.06 per unit, raising $170,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable for 5 years after issue at an exercise price of $0.08 each with an estimated total fair value of $72,857.

In connection with the private placement, the Company also issued 116,667 finders' warrants with an exercise price of $0.06 per finders' warrant for a period of five years, with a fair value of $8,610, with $4,920 allocated to share capital and $3,690 allocated to warrants on the statement of changes in deficiency.

The fair value of the warrants and finders' warrants, was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 0.75%, expected life of 5 years, volatility of 91.5%, a dividend yield of 0% and share price of $0.08.

The Company paid cash finder's fees of $7,000. The cash finder fees were allocated to share capital and warrants on the same basis as the finder warrants.

2019:

(v) In September 2019, 100,000 options were exercised raising $10,000. The fair value of the exercised options of $28,700 was transferred from contributed surplus to share capital.

(vi) In May 2019, the Company issued 8,116,500 units at $0.20 per unit with a total value of $1,623,300. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable for 2 years after issue at an exercise price of $0.30 each with a fair value of $377,192. Of the total units issued, 5,000,000 were issued to a shareholder in exchange for the surrender and cancellation of 2,000,000 common shares and 1,000,000 warrants previously issued for proceeds of $1,000,000. The Company recorded stock-based compensation of $600,000 on the transaction, representing additional 3,000,000 common shares issued to the shareholder at a price of $0.20.

In connection with the private placement, the Company also issued 393,155 finders' warrants with an exercise price of $0.30 per finders' warrant for a period of two years, with a fair value of $15,550, with $11,880 allocated to share capital and $3,670 allocated to warrants on the statement of changes in deficiency.

The fair value of the warrants and finders' warrants, were calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 1.59%, expected life of 2 years, volatility of 96.89%, and a dividend yield of 0%.

The Company paid cash finder's fees of $8,085.

(vii) In December 2019, broker warrants with a fair value of $134,133 and warrants with a fair value of $44,308, expired.

(viii) During the year ended December 31, 2019, the vested value of shares previously issued pursuant to buyback agreements entered into during the years ended December 31, 2017 and 2018, amounted to $248,414 (2018 - $nil). During 2019, all shares originally subject to buyback agreements were vested in their entirety as the Company and the recipients amended the agreements to waive the buyback provisions.

Financial condition

As at December 31, 2020, the Company had assets totaling $545,916 and shareholders' deficiency of $4,096,478. This compares with assets of $624,004 and shareholders' deficiency of $2,585,374, as at December 31, 2019.

During the year ended December 31, 2020, the Company's net assets decreased by $1,511,105, the result of a decrease in assets of $78,088, supplemented by an increase in liabilities of $1,433,017.

The change in the Company's net assets is detailed as follows:

Item	Change	Explanation of change
	$	
Cash	46,070	Cash used for operating activities of $640,937 add cash provided from financing activities of $486,656 and cash provided from investing activities of $27,500.
HST recoverable	(5,448)	Reduced taxable expenditures made in 2019 versus 2018.
Restricted cash	(27,500)	Redemption of guaranteed investment certificate.
Deposits and prepaid expenses	12,158	Changes due to increase in prepaid consulting fees of $14,000; insurance of $10,000, offset by reduction in deposits owed to subtenant of $12,000.
Due from related party	3,000	Current year's interest on secured loan provided to the Company's CFO. Details disclosed in note 9 of the Consolidated Financial Statements or in the *Transactions with related parties* section of this MD&A.
Right-of-use (ROU) assets	(106,368)	Rental payments (net of HST) made on the Company's office space in Kitchener, Ontario.
Accounts payable and accrued liabilities	(103,067)	Increases in this category are the result of longer payment terms taken on trade payables.
Due to related parties	(1,366,649)	Comprising salary and consulting charges due to senior officers of the Company. Details disclosed in note 9 of the Consolidated Financial Statements or the *Transactions with related parties* section of this MD&A.
Lease liabilities	90,025	Details provided in note 14 of the Consolidated Financial Statements.
Convertible debentures	(53,324)	The change represents the liability component of the convertible debentures. Note 15 of the Consolidated Financial Statements details the bifurcation between debt and equity components.
	(1,511,103)	

Selected annual financial information

	December 31, 2020	December 31, 2019	December 31, 2018
	$	$	$
Consolidated statements of loss			
Total operating expenses	**(2,516,888)**	(4,496,063)	(8,498,954)
Net loss	**(2,618,130)**	(4,258,204)	(8,505,131)
Comprehensive loss	**(2,470,913)**	(4,034,481)	(8,713,861)
Basic and diluted loss per common share	**(0.03)**	(0.06)	(0.12)
Consolidated statements of cash flow			
Cash used for operations	**(645,138)**	(1,428,944)	(1,807,397)
Cash provided from financing activities	**486,656**	1,234,232	1,603,979
Cash provided from (used for) investing activities	**27,500**	-	(42,729)
Increase/(decrease) in cash	**46,070**	(51,995)	(246,147)
Consolidated statements of financial position			
Cash	**181,709**	135,639	187,634
Restricted cash	**-**	27,500	27,500
Cash held with escrow agent	**-**	-	-
Total assets	**545,916**	624,004	719,308
Shareholders' deficiency	**(4,096,477)**	(2,585,374)	(596,449)
Average number of common shares outstanding	**93,154,521**	85,436,650	73,375,156

Summary of quarterly results

	4th Quarter 2020	**3rd Quarter 2020**	**2nd Quarter 2020**	**1st Quarter 2020**
Total revenues	-	-	-	-
Loss	(839,067)	(691,135)	(875,415)	(212,514)
Net loss per share – basic and fully-diluted[1]	(0.01)	(0.01)	(0.01)	(0.00)
Total assets	545,916	688,919	852,728	651,649
Long-term debt	-	(136,800)	(703,101)	(692,329)
Deficiency	(4,096,478)	(3,644,779)	(3,165,559)	(3,042,294)
Cash dividends declared per common share	-	-	-	-

	4th Quarter 2019	3rd Quarter 2019	2nd Quarter 2019	1st Quarter 2019
Total revenues	-	-	-	-
Loss	(1,401,739)	(797,191)	(1,306,896)	(1,352,378)
Net loss per share – basic and fully-diluted[2]	(0.01)	(0.01)	(0.02)	(0.02)
Total assets	624,004	566,678	794,513	701,728
Long-term debt	(972,735)	(569,955)	(499,411)	-
Equity (deficiency)	(2,585,066)	(2,023,831)	(1,679,705)	(1,649,665)
Cash dividends declared per common share	-	-	-	-

[1]Inclusion of outstanding warrants and options is anti-dilutive.

Results of operations

The Company has not generated operating revenue and therefore losses have been incurred throughout the years ended December 31, 2020 and 2019. During 2020, the Company reduced operating costs by $1,979,175 (or 44%) from 2019. Loss for the year was $2,618,130 (2019 – $4,858,204) or $0.03 (2019 – $0.15) loss per share.

Significant changes are detailed below:

Administrative expenses of $662,148 (2019 - $825,954)

The decrease of approximately $163,000 was attributable to decreased operations due to the Company's imposed austerity program. Details as follows: Decreases of $150,000 in data subscriptions and conference attendance; $75,000 in D&O insurance; $79,000 for general office and admin; and $23,000 in travel-related costs. The decreases were offset by increases of $83,000 in consulting fees and $81,000 for administrative salary allocations.

Amortization and depreciation of $106,368 (2019 – $143,209)

The decrease of approximately $36,000, was the result of depreciation on ROU asset only for 2020 versus both ROU assets and leasehold improvements during 2019.

Foreign exchange losses of $75,557 (2019 – $170,313)

The decrease in losses of approximately $95,000, is a direct result of the downward trending of the US dollar versus the Canadian dollar during 2020.

Legal and regulatory of $619,010 (2019 – $375,146)

The increases of approximately $244,000, reflects a reduction in legal fees of $50,000 (the result of decreased operations) offset by allocated payroll accruals of $293,000.

Impairment of intangible assets $nil (2019 - $110,051)

The decrease of approximately $110,000 was attributable entirely to impairments made during 2019 versus nil in 2020.

Interest expense of $91,855 (2019 – $45,492)

The increase of approximately $46,000 was attributable entirely to additional interest on the May 2019 convertible debentures and November 2019 debentures during 2020.

Investor relations and public reporting costs of $34,194 (2019 – $123,282)

The Company's financial position during 2020 forced reduced operations and therefor reduced investor relations and public reporting expenditures.

Marketing and advertising of $319,673 (2019 – $179,038)

The increase of approximately $141,000 was mainly the result of payroll allocations due to resumption of payroll accruals.

Research and development of $356,081 (2019 – $795,916)

The decrease of approximately $440,000 was comprised mainly of decreased payroll allocations and direct development payroll.

Share-based compensation of $332,973 (2019 - $1,872,690)

The decrease of approximately $1,540,000 mainly results from fewer options issued in 2020 as the Company resumed payroll accruals and did not offset same by issuing options in lieu of payroll.

Sub-lease revenue of $84,093 (2019 - $14,568)

The increase of approximately $70,000 was attributable entirely sub-rent receipt for the entire year, versus only 3 months at a reduced rate during 2019.

Write-off of leasehold improvements $nil (2019 - $140,938)

The decrease of approximately $141,000 was attributable entirely to write-offs made during 2019 versus nil in 2020.

Transactions with related parties

Year ended December 31, 2020 and December 31, 2019

Due from related party

As at December 31, 2020, amounts due to the Company comprise a secured loan in the amount of $50,000 plus accrued interest of $7,660, equal to $57,660 provided to its Chief Financial Officer (2019 - $54,660). The maturity of the loan has been extended to December 31, 2021, and interest accrues at the rate of 6% per annum. Both principal and accrued interest are payable on or before the maturity date and the loan is secured by a promissory note from the borrower. As further security to the Company, the borrower agreed not to sell, pledge or otherwise encumber, 62,000 of the Company's common shares owned by him, until the full amount of the loan was repaid (including applicable interest). The borrower has also agreed to surrender the shares to the Company upon its request to do so.

As at December 31, 2020, $3,000 (2019 – $3,000) of accrued interest income is included in the consolidated statements of loss.

Due to related parties

As at December 31, 2020, amounts accrued to related parties include $2,193,482 (2019 - $826,833), in respect of salary and consulting charges to senior officers of the Company.

Key management compensation

Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management includes the directors, named executive officers, being the chief executive officer and the chief financial officer, each of the Company's 3 remaining C-suite officers, 2 managing directors and former C-Suite personnel. Related-party compensation paid or payable to key management is detailed below:

Year ended	**December 31, 2020**	December 31, 2019
	$	$
Compensation to key management	**1,629,472**	857,526
Share-based compensation	**334,885**	1,231,377

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, 2020 and 2019, the Company settled an outstanding debt for services provided during the year ended December 31, 2020 and 2019, with the issuance of 133,333 (2019 - 300,000) common shares with a fair value of $10,000 (2019 - $60,000).

During the years ended December 31, 2020 and 2019, related parties participated in debt and equity financings of the Company as follows:

Year ended	**December 31, 2020**	December 31, 2019
	$	$
Equity financings	**189,725**	373,300
Convertible debentures	**-**	270,000
Debentures	**-**	65,300
Total	**189,725**	708,600

Financial instruments and risk management

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

	2020	2019
	$	$
Financial assets		
Cash	**181,709**	135,639
Restricted cash	**-**	27,500
Deposits	**-**	11,507
Due from related parties	**57,660**	54,660
	239,369	229,306
Financial liabilities		
Accounts payable and accrued liabilities	**1,423,060**	1,319,993
Due to related parties	**2,193,482**	826,833
Convertible debentures	**598,727**	545,403
Debentures	**136,800**	136,800
	4,352,069	2,829,029

The carrying value of the Company's cash, deposits, due from related parties, accounts payable and accrued liabilities and due to related parties, convertible debentures, and debentures approximate their fair value due to the short-term nature of these instruments.

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 and restricted cash as Level 1 financial assets and does not have any other financial assets or liabilities subsequently measured at fair value.

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.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As at December 31, 2020, the Company had $4,457,824 (2019 - $2,236,643) of liabilities with a maturity of one year or less and a working capital deficiency of $4,160,130 (2019 – $1,967,229). The Company manages its liquidity risk by reviewing its growth plans on an ongoing basis.

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).

Currency risk

The Company's functional currency is the US dollar. The Company also conducts business in Canadian 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, 2020, a loss of $75,557 (2019 – $170,313).

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, 2020, the Company's exposure to foreign currency balances is as follows:

		Exposure ($Cdn)	
Account	**Foreign currency**	**December 31, 2020**	December 31, 2019
Cash	US dollar	**13,305**	15,355
Accounts payable and accrued liabilities	US dollar	**(1,053,099)**	(975,577)
Due to related parties	US dollar	**(1,285,808)**	(564,852)
		(2,325,602)	(1,525,074)

The Company believes that a change of 10% in foreign exchange rates would increase/decrease comprehensive loss for the year by approximately $233,000 (2019 – $152,000).

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

Other risk factors

The following are certain other risk factors relating to the Company. The information is only a summary of certain other risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deem immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition and/or liquidity and results of operations of the Company could be materially adversely affected.

Novel Coronavirus ("COVID-19")

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 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.

Dependence on management and key personnel

The success of DelphX for the foreseeable future will depend largely upon the ability of its management team and other key personnel. The loss of any one of these individuals could have a material adverse effect on its business, and DelphX would need to devote substantial resources to finding replacements. The Company currently does not carry "key-man" life insurance policies covering any of these officers.

Competition for qualified and experienced personnel in the technology field is generally intense, and DelphX will rely heavily on its ability to attract and retain qualified personnel in order to successfully implement its business objectives. The failure to attract or retain key executives and personnel could impact the DelphX's operations.

Additional funding requirements

DelphX will require additional financing to implement its business plan. The Company may raise additional funds through gap financing, debt financing and/or subsequent equity financing. DelphX may also borrow funds from a financial institution(s) using the assets of the Company as security for said loan(s). DelphX may also obtain additional financing through certain government subsidies or tax incentives available in certain geographic areas, if available, at the Company's discretion**.** Failure to obtain such additional capital on terms acceptable to the DelphX could restrict its ability to implement its growth plans. Further, a shortage of funds may prevent or delay DelphX from launching its platform, achieving profitability or enabling it to pay distributions to its shareholders. There is no assurance that the DelphX will have adequate capital to conduct its business or satisfy its financial obligations.

The ability of DelphX to arrange financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of DelphX. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, or that such financing will be available on terms satisfactory to it. Additional financing raised by the issuance of shares from the treasury of DelphX may be dilutive to existing shareholders. There can be no assurance that DelphX will generate cash flow from operations necessary to support its continuing operations.

Conflicts of interest

Certain of the directors and officers of DelphX are be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including technology companies) and, as a result of these and other activities, such directors and officers of DelphX may become subject to conflicts of interest. The OBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the OBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the OBCA. To management of DelphX's knowledge, as at the date hereof there are no existing or potential material conflicts of interest between the Company and a director or officer of DelphX, except as otherwise disclosed herein.

Market for securities and volatility of share price

There can be no assurance that an active trading market for DelphX's securities will be sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of DelphX. The stock market has from time-to-time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Adverse general economic conditions

Events in the global financial markets in the past several years have had a profound and lasting impact on the global economy. Some of the key impacts of the financial market turmoil included contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A similar slowdown in the financial markets or other economic conditions, including but not limited to, inflation, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's operations. Specifically, a global credit/liquidity crisis could impact the cost and availability of financing and overall liquidity, volatile energy, commodity and consumables prices and currency exchange rates could impact costs and the devaluation and volatility of global stock markets could impact the valuation of DelphX's equity and other securities. These factors could have a material adverse effect on DelphX's financial condition and results of operations.

Cybersecurity and hacking risks

Computer viruses, hackers or other security problems could interfere with DelphX's network software or the availability of it, and lead to misappropriate of proprietary and sensitive information and interruptions, delays or cessation in service to the Company's users. DelphX may be required to expend significant capital and other resources to protect against security breaches or losses or to alleviate problems caused by these breaches or losses. If third parties gain improper access to its systems or databases or those of the DelphX's partners or contractors, they may be able to steal, publish, delete or modify confidential information. A security breach could expose the DelphX to monetary liability, lead to inquiries and fines or penalties from regulatory or governmental authorities, lead to reputational harm and make users less confident in DelphX's services, which could harm its business, financial condition and results of operations.

Regulatory risks

The regulation of blockchain technologies is developing and companies may be subject to fragmented and potentially complex regimes, adopted in different technological eras that create uncertainty for businesses such as DelphX, which is utilizing blockchain technologies.

Regulatory changes or actions may alter the nature of an investment in the DelphX or restrict the use of blockchain technologies in a manner that adversely affects its operations. Regulatory agencies could shut down or restrict the use of platforms or exchanges using blockchain based technologies. This could lead to a loss of any investment made in DelphX and may trigger regulatory action by the SEC, the Ontario Columbia Securities Commission or other securities regulators. Changes in the regulatory environment imposed upon DelphX could adversely affect the ability of it to attain its corporate objectives and could have a material adverse effect on its financial results and business.

DelphX Services Corporation, which operates the DelphX ATS, is subject to regulation, examination and disciplinary action by the SEC and the Financial Industry Regulatory Authority ("FINRA") with which it is registered. DelphX Services Corporation is also subject to rules and regulations relating to the prevention and detection of money laundering, privacy and data protection laws and regulations, and substantial other regulatory requirements. Any failure to comply with all applicable regulations, and any regulatory proceeding or civil or criminal action against DelphX Services Corporation could have a material adverse effect on DelphX's financial results and business.

Market acceptance

The marketplace may be slow to accept or understand the significance of the DelphX's products and services due to their unique nature and the competitive landscape. Market confusion may slow sales and acceptance of its products and services. If the Company is unable to promote, market and sell its products and services and gain market acceptance, DelphX's business and financial condition would be adversely affected.

Dependence on technological infrastructure and advancements

The blockchain industry is subject to significant technological advancements, changing industry standards, market trends, customer preferences and competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of DelphX will depend on its ability to secure technological superiority in its services and maintain such superiority in the face of new technologies. No assurance can be given that further modification of product offerings of the DelphX will not be required in order to meet demands or to remain competitive.

In addition, the DelphX ATS and its smart contracts are novel and are subject to risks associated with the fact they are new and untested, including:

- a rapidly-evolving regulatory landscape, which might include security, privacy or other regulatory concerns that could require the DelphX ATS to implement changes to its system that could disrupt operations;

- the possibility of undiscovered technical flaws in the DelphX technology, including in the process by which transactions are recorded by the DelphX ATS to the proprietary ledger or by which the validity of a copy of the proprietary ledger can be mathematically proven utilizing cryptographically-secured distributed ledger network technology; and

- the possibility that cryptographic security measures that authenticate transactions and the blockchain for the applicable distributed ledger could be compromised, which could allow an attacker to alter the distributed ledger and thereby disrupt the ability to corroborate definitive transactions recorded on the proprietary ledger.

Risks associated with DelphX's Business

Segregation of duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. At the present time, due to the Company's size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its Consolidated Financial Statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

Competition

DelphX faces competition from competitors beginning to integrate blockchain technology within their existing business models, as there are few barriers for the entry to into the market for blockchain technology businesses. Failure to compete successfully against other similar companies could have a material adverse effect on the Company and its prospects. DelphX may be unable to contend successfully with current or future competitors which include major technology companies, many of which are large, well-established companies with access to financial, technical and marketing resources significantly greater than the DelphX. The Company's competitors may develop or acquire new or improved products that are similar to those offered by it, while not necessarily being direct competitors currently, or may make technological advances that reduce their cost of production so that they may engage in price competition.

Product development risk and no assurance of commercialization

Substantial corporate resources have been and will be expended on the development of the DelphX ATS Platform. The DelphX ATS Platform remains in the research and development stage and has not yet been commercialized. There can be no guarantee that the DelphX ATS Platform will achieve the objectives which it believes are necessary for it to result in a successful product in the market. There are significant risks, expenses, delays and difficulties frequently encountered in establishing new products in the technology products industry, which is characterized by an increasing number of market entrants, intense competition and high failure rate. Further, there is always the risk in product development that the products will fail to function as intended or that the market for such products will not develop as anticipated or when anticipated. There is often a lengthy time-period between the time of product conceptualization to product commercialization, and there can be no assurances that development of new products will be completed at all, on time or within budget. Failure to successfully commercialize the DelphX ATS Platform may materially and adversely affect DelphX's financial condition and results of operations.

Infrastructure risk

DelphX's ability to attract, retain, and serve customers is dependent upon the reliable performance of the blockchain software platform and the underlying technical infrastructure. It is possible that it may fail to effectively scale and grow its technical infrastructure to accommodate these increased demands. Additionally, any disruption or failure in the services the Company receives from third party partners used to facilitate its business could harm the DelphX's business. Any financial or other difficulties these partners face may adversely affect the Company's business, and it exercises little control over these partners, which increases vulnerability to problems with the services they provide.

Limited protection of patents and proprietary rights

DelphX's success will depend in part on its ability to protect its proprietary rights and technologies, including, but not limited to the DelphX ATS Platform. DelphX will rely on a combination of contractual arrangements, patents, trade secrets and know-how to protect its proprietary technology and rights and the Company's failure to protect its intellectual property rights may result in the loss of valuable technologies and undermine its competitive position. However, not all of these measures may apply or may afford only limited protection. In addition, the laws of some foreign countries do not protect proprietary technology rights to the same extent as do the laws of Canada and the United States. A failure of DelphX to adequately protect its proprietary rights may adversely affect its business.

Unpatented trade secrets, improvements, confidential know-how and continuing technological innovation may be important to DelphX's commercial success. Although it will attempt to, and will continue to attempt to, protect proprietary information through reliance on trade secret laws and the use of confidentiality agreements with collaborators, licensees, employees and consultants and other appropriate means, these measures may not effectively prevent disclosure of or access to proprietary information, and, in any event, others may develop independently, or obtain access to, the same or similar information.

Despite its efforts to protect its proprietary rights, there can be no assurance that DelphX's intellectual property will not be infringed upon, that it would have adequate remedies for any such infringement or adequate funds to take action against those infringing such intellectual property, or that its trade secrets will not otherwise become known or independently developed by its competitors. There can also be no assurance that any patents now or hereafter issued to, licensed by or applied for by the Company will be upheld, if challenged, or that the protections afforded thereby will not be circumvented by others. There can be no assurance that the DelphX's competitors will not independently develop technologies that are substantially equivalent or superior to the technologies of DelphX.

Infringement of intellectual property rights

While DelphX believes that its intellectual property does not infringe upon the proprietary rights of third parties, its commercial success depends, in part, upon the Company not infringing intellectual property rights of others. A number of DelphX's competitors and other third parties have been issued or may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those utilized by it. Some of these patents may grant very broad protection to the owners of the patents.

DelphX may become subject to claims by third parties that its technology infringes their intellectual property rights.

Litigation may be necessary to determine the scope, enforceability and validity of third-party proprietary rights or to establish the DelphX's proprietary rights. Some of its competitors have, or are affiliated with companies having, substantially greater resources than the Company and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than DelphX.

Regardless of their merit, any such claims could be time consuming to evaluate and defend, result in costly litigation, divert management's attention and focus away from the business, subject DelphX to significant liabilities and equitable remedies, including injunctions, require it to enter into costly royalty or licensing agreements and require the Company to modify or stop using infringing technology.

Privacy

DelphX may receive, store and process personal information and other customer data and information relating to financial transactions. As a result, the Company must comply with the numerous federal, provincial and local laws in the United States, Canada and abroad relating to the collection, use, disclosure, storage and safeguarding of personal information. Any failure or perceived failure by it to comply with its privacy policies, privacy-related obligations to customers or other third parties, or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, may result in governmental enforcement actions, fines or litigation.

Risk of obsolescence

New developments in technology may negatively affect the development or sale of some or all of the DelphX's product or service offerings or make them obsolete. The inability of DelphX to enhance existing products and services in a timely manner or to develop and introduce new products and services that incorporate new technologies, conform to increasingly regulatory requirements, and achieve market acceptance in a timely manner could negatively impact the Company's competitive position. New product and service development or modification is costly, involves significant research, development, time and expense, and may not necessarily result in the successful commercialization of any new products or services.

Expansion Risk

Any expansion of the DelphX's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that DelphX will be able to manage growth successfully. Any inability of DelphX to manage growth successfully could have a material adverse effect on its business, financial condition and results of operations.

Limited operating history

DelphX has incurred losses since its exception and it is expected to continue to incur losses during its development of the DelphX ATS Platform. As such, it will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. DelphX's ability to reach and then sustain profitability depends on a number of factors, including the growth rate of the blockchain industry, the market acceptance of the DelphX ATS Platform and the competitiveness of the Company. There is no assurance that DelphX will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

Lack of operating cash flow

DelphX currently has no source of operating cash flow. No assurance can be given that it will ever attain positive cash flow or profitability or that additional funding will be available for operations. DelphX's failure to achieve profitability and positive operating cash flows could have the following consequences: (a) increasing its vulnerability to general adverse economic and industry conditions; (b) limiting its ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and (c) limiting its flexibility in planning for, or reacting to, changes in its business and industry.

Uninsured risks

DelphX may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or for other reasons. Furthermore, it may incur liability to third parties in excess of any insurance coverage or for which the Company is not insured arising from any damage or injury caused by DelphX's operations, which may have a material adverse effect on its financial position

Research and development costs

The research and development costs for the Company are detailed as follows:

Year ended	**December 31, 2020**	December 31, 2019
	$	$
ATS development	**1,699**	53,809
Compensation	**354,382**	742,107
	356,081	795,916

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at the date of this MD&A:

	Number
Common shares	102,306,542
Options	9,660,000
Warrants	23,059,833
Finder warrants	1,150,555
Convertible debentures (maximum common shares, including warrant conversion)	8,266,668

DelphX Capital Markets Inc.

Consolidated Financial Statements
December 31, 2020 and 2019

(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 safe-guarded 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 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"	*"Stephen M. Gledhill"*
Patrick Wood Chief Executive Officer	Stephen M. Gledhill Chief Financial Officer
April 26, 2021	April 26, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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 audits 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 audits 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 the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 26, 2021

DelphX Capital Markets Inc.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

As at	**December 31, 2020**	December 31, 2019
Assets	**$**	$
Current assets		
Cash *(note 7)*	**181,709**	135,639
Restricted cash	**-**	27,500
Harmonized sales taxes recoverable	**22,088**	27,536
Due from related party *(note 9)*	**57,660**	54,660
Deposits and prepaid expenses *(note 8)*	**36,237**	24,079
Total current assets	**297,694**	269,414
Right-of-use asset *(note 12)*	**248,222**	354,590
Total assets	**545,916**	624,004
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 13)*	**1,423,060**	1,319,993
Current portion of lease liabilities *(note 14)*	**105,755**	89,817
Current portion of convertible debentures *(note 15)*	**598,727**	-
Current portion of debentures *(note 16)*	**136,800**	-
Due to related parties *(note 9)*	**2,193,482**	826,833
Total current liabilities	**4,457,824**	2,236,643
Convertible debentures *(note 15)*	**-**	545,403
Debentures *(note 16)*	**-**	136,800
Lease liabilities *(note 14)*	**184,569**	290,532
Total liabilities	**4,642,393**	3,209,378
Shareholders' deficiency		
Share capital *(note 17)*	**17,484,453**	17,137,568
Equity component of convertible debentures *(note 15)*	**66,158**	66,158
Contributed surplus *(note 19)*	**2,013,138**	1,648,871
Warrants *(note 18)*	**684,230**	435,572
Deficit	**(24,669,196)**	(22,051,066)
Accumulated other comprehensive income	**324,740**	177,523
Total shareholders' deficiency	**(4,096,477)**	(2,585,374)
Total liabilities and shareholders' deficiency	**545,916**	624,004

Going concern (note 1)
Subsequent events (note 26)

Approved for issuance by the Board on April 26, 2021
"Keith Ainsworth", Director
"Steven Mannik", 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)

Year ended	December 31, 2020	December 31, 2019
	$	$
Operating expenses		
Administration *(note 21)*	**662,148**	825,955
Amortization of intangible asset *(note 11)*	**-**	7,310
Depreciation *(note 10 & 12)*	**106,368**	135,898
Foreign exchange gains (losses)	**75,557**	170,313
Legal and regulatory *(note 21)*	**619,010**	375,146
Interest and bank charges	**10,164**	10,515
Investor relations and public reporting	**34,194**	123,282
Marketing and sales *(note 21)*	**319,673**	179,038
Research and development *(notes 21 and 22)*	**356,081**	795,916
Share-based compensation *(notes 19.2)*	**332,973**	1,872,690
	2,516,888	4,496,063
Other expenses (income)		
Impairment of intangible asset *(note 11)*	**-**	110,051
Interest accretion *(notes 12 & 15)*	**93,480**	80,228
Interest expense	**91,855**	45,491
Write-off of leasehold improvements *(note 10)*	**-**	140,939
Sub-lease income *(note 20)*	**(84,093)**	(14,568)
Total expenses	**(2,618,130)**	(4,858,204)
Loss	**(2,618,130)**	(4,858,204)
Basic and fully-diluted loss per share	**(0.03)**	(0.06)
Weighted average number of common shares outstanding	**93,154,521**	85,436,650

DelphX Capital Markets Inc.

Consolidated Statements of Comprehensive Loss and Accumulated other Comprehensive Income

(expressed in Canadian dollars-except weighted average number of common shares outstanding)

Year ended	**December 31, 2020**	December 31, 2019
	$	$
Loss	**(2,618,130)**	(4,858,204)
Items that may be reclassified subsequently to profit and loss:		
Translation gain (loss)	**147,217**	223,723
Comprehensive loss	**(2,470,913)**	(4,634,481)

	December 31, 2020	December 31, 2019
	$	$
Accumulated other comprehensive income ("**AOCI**"), opening	**177,523**	(46,200)
Other comprehensive income (loss)	**147,217**	223,723
Accumulated other comprehensive income, ending	**324,740**	177,523

DelphX Capital Markets Inc.

Consolidated Statements of Changes in Shareholders' Deficiency

(expressed in Canadian dollars)

	Share capital		Equity component of convertible debt	Warrants	Contributed surplus	AOCI	Deficit	Total
	Number of shares	Amount						
		$	$	$	$	$	$	$
Balance at December 31, 2018	80,713,376	15,830,178	-	421,959	390,476	(46,200)	(17,192,862)	(596,449)
Shares issued for cash	8,116,500	1,623,300	-	-	-	-	-	1,623,300
Cost of issuance	-	(8,085)	-	-	-	-	-	(8,085)
Fair value of issued warrants	-	(377,192)	-	377,192	-	-	-	-
Fair value of issued finder warrants	-	(11,880)	-	33,373	-	-	-	21,493
Shares issued for services	300,000	60,000	-	-	-	-	-	60,000
Shares issued on exercise of options	100,000	10,000	-	-	-	-	-	10,000
Fair value of exercised options	-	28,700	-	-	(28,700)	-	-	-
Common shares purchased for cancellation	(2,000,000)	(400,000)	-	-	-	-	-	(400,000)
Warrants and finder warrants cancelled	-	-	-	(218,510)	218,510	-	-	-
Equity component of convertible debentures	-	-	66,158	-	-	-	-	66,158
Expiry of warrants	-	-	-	(44,309)	44,309	-	-	-
Expiry of finder warrants	-	134,133	-	(134,133)	-	-	-	-
Share-based compensation	-	248,414	-	-	1,024,276	-	-	1,272,690
Loss and comprehensive loss	-	-	-	-	-	223,723	(4,858,204)	(4,634,481)
Balance at December 31, 2019	87,229,876	17,137,568	66,158	435,572	1,648,871	177,523	(22,051,066)	(2,585,374)

DelphX Capital Markets Inc.

Consolidated Statements of Changes in Shareholders' Deficiency

(expressed in Canadian dollars)

	Share capital		Equity component of convertible debt	Warrants	Contributed surplus	AOCI	Deficit	Total
	Number of shares	Amount						
		$	$	$	$	$	$	$
Balance at December 31, 2019	87,229,876	17,137,568	66,158	435,572	1,648,871	177,523	(22,051,066)	(2,585,374)
Shares issued for cash	**9,243,333**	**634,600**	**-**	**-**	**-**	**-**	**-**	**634,600**
Cost of issuance	**-**	**(9,739)**	**-**	**(8,024)**	**-**	**-**	**-**	**(17,763)**
Fair value of issued warrants	**-**	**(283,934)**	**-**	**283,934**	**-**	**-**	**-**	**-**
Fair value of issued finder warrants	**-**	**(8,378)**	**-**	**8,378**	**-**	**-**	**-**	**-**
Shares issued for services	**133,333**	**10,000**	**-**	**-**	**-**	**-**	**-**	**10,000**
Expiry of warrants	**-**	**-**	**-**	**(31,294)**	**31,294**	**-**	**-**	**-**
Expiry of finder warrants	**-**	**4,336**	**-**	**(4,336)**	**-**	**-**	**-**	**-**
Share-based compensation	**-**	**-**	**-**	**-**	**332,973**	**-**	**-**	**322,973**
Loss and comprehensive loss	**-**	**-**	**-**	**-**	**-**	**147,217**	**(2,618,130)**	**(2,470,913)**
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)**

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)

Year ended	December 31, 2020	December 31, 2019
	$	$
Operating activities		
Net loss	**(2,618,130)**	(4,858,204)
Non-cash items:		
Amortization and depreciation	**106,368**	143,208
Impairment of intangible asset	**-**	110,051
Interest income	**(3,000)**	(3,000)
Interest accretion	**93,480**	80,228
Loss on disposal of equipment	**-**	-
Write-off of leasehold improvements	**-**	140,939
Share-based compensation	**332,973**	1,872,690
Shares issued for services	**10,000**	60,000
Net change in non-cash working capital *(note 24)*	**1,433,171**	1,025,144
Cash used for operating activities	**(645,138)**	(1,428,944)
Investing activities		
Proceeds from redemption of GIC	**27,500**	-
Cash provided from investing activities	**27,500**	-
Financing activities		
Exercise of options	**-**	10,000
Issuance of common shares (net of issuance costs)	**616,837**	615,215
Issuance of convertible debentures (net of issuance costs)	**-**	602,500
Issuance of debentures	**-**	136,800
Repayment of lease liability *(note 14)*	**(130,181)**	(130,283)
Cash provided from financing activities	**486,656**	1,234,232
Effect of foreign exchange cash	**177,052**	142,717
Increase (decrease) in cash for the year	**46,070**	(51,995)
Cash, beginning of the year	**135,639**	187,634
Cash, end of the year	**181,709**	135,639

Supplemental cash flow information ***(note 24)***

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. Prior to the QT, Seaside had a fiscal year end of January 31st, which has been changed to December 31st to coincide with the reporting year end of the DelphX Corporation (the RTO accounting acquirer).

The principal address of the Company is 137 Glasgow St., Unit 445, Kitchener, Ontario, N2G 4X8. DelphX's principal business activity is to develop and operate a global facility for transparent offering, purchase, sale, collection and storage of certain fixed income securities and derivatives, and to manage data, research, analytics and valuations of such instruments.

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.

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 26, 2021.

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.

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), 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, 2021. The following IFRS amended standards have been issued but not yet adopted, as they are being evaluated to determine their impact on the Company.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("**IAS 28**") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of the amendments to IFRS 10, is yet to be determined, however early adoption is permitted. The Company does not expect the amendments of this standard to have a significant impact on the Company's consolidated financial statements.

IFRS 17 – Insurance Contracts ("**IFRS 17**") was new in 2017 and will replace IFRS 4 – Insurance Contracts. The amended Standard provides updated guidance for entities in dealing with insurance contracts (including reinsurance contracts) it issues or holds and goes into effect for annual periods commencing after January 1, 2021. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial statements.

IAS 1 – Presentation of Financial Statements ("**IAS 1**"). 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:

Significant accounting estimates

i. Impairment of intangible assets: Management determined that intangible asset costs which were capitalized to be impaired during the year ended December 31, 2019. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life (note 11).
ii. 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.
iii. Convertible debentures: The Company measures the fair value of the liability component of debt using a valuation technique significantly dependent on the assumption of a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert to equity. Similarly, when debt is issued to non-arm's length individuals to the Company, a market rate of interest is required to determine the fair value of the instrument on initial recognition. The derived fair value estimate cannot always be substantiated by comparison with independent markets.

Significant accounting judgments

i. Valuation of right-of-use asset and lease liabilities: The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of use assets and the valuation of lease liabilities. These include the following, determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows. The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The present value of the lease payment is determined using a discount rate representing the Company's incremental borrowing rate.
ii. 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.

iii. 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**").

(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 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 Write-off policy

The Company writes off and derecognizes a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

4.5.1.3 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.

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.

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

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.

4.8 Intangible assets

Intangible assets are comprised of patents which are amortized on a straight-line basis over 17 years and are reviewed for impairment whenever facts and circumstances indicate that their carrying values may not be fully recoverable. The Company evaluates the recoverability of the infinite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable.

4.9 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.

4.10 Equipment, and leasehold improvements

Equipment is recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring the assets to the location and condition necessary for them to be operated in the manner intended by management.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Property and equipment are depreciated at the following rates and methods:

Leasehold improvements	Straight-line over 5 years

4.11 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.

4.12 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.

4.13 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 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.

4.14 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 relative fair value method. The fair value of the warrants is determined using the Black Scholes Option Pricing Model on the date the units are issued. 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.

4.15 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. It has two geographic segments being the USA and Canada (note 24).

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. Secondarily, 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.

(expressed in Canadian dollars)

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, 2020. 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:

	2020	2019
	$	$
Financial assets		
Cash	**181,709**	135,639
Restricted cash	**-**	27,500
Deposits	**11,507**	11,507
Due from related parties	**57,660**	54,660
	250,876	229,306
Financial liabilities		
Accounts payable and accrued liabilities	**1,423,060**	1,319,993
Due to related parties	**2,193,482**	826,833
Convertible debentures	**598,727**	545,403
Debentures	**136,800**	136,800
	4,352,007	2,829,029

The carrying value of the Company's cash, deposits, due from related parties, accounts payable and accrued liabilities, due to related parties, convertible debentures and debentures approximate their fair value due to the short-term nature of these instruments.

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 and restricted cash as Level 1 financial assets and does not have any other financial assets or liabilities subsequently measured at fair value.

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, 2020, the Company had $4,457,824 (2019 - $2,236,643) of liabilities with a maturity of one year or less and a working capital deficiency of $4,160,130 (2019 – $1,967,229). 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).

Currency risk

The Company's functional currency is the US dollar. The Company also conducts business in Canadian 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, 2020, a loss of $75,557 (2019 – $170,313).

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, 2020, the Company's exposure to foreign currency balances is as follows:

		Exposure ($Cdn)	
Account	**Foreign currency**	**December 31, 2020**	December 31, 2019
Cash	US dollar	**13,305**	15,355
Accounts payable and accrued liabilities	US dollar	**(1,053,099)**	(975,577)
Due to related parties	US dollar	**(1,285,808)**	(564,852)

(expressed in Canadian dollars)

	(2,325,602)	(1,525,074)

The Company believes that a change of 10% in foreign exchange rates would increase/decrease comprehensive loss for the year by approximately $233,000 (2019 – $152,000).

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 and US 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, 2020 and 2019, the deposits and prepaid expenses of the Company are detailed as follows:

	December 31, 2020	December 31, 2019
	$	$
Consulting fees	**14,125**	-
Insurance	**9,806**	-
Investor relations and public reporting	**358**	-
Legal fees	**441**	441
Office rent prepaids and deposits	**11,507**	23,638
	36,237	24,079

9. Related-party transactions and balances

Due from related party

As at December 31, 2020, amounts due to the Company comprise a secured loan in the amount of $50,000 plus accrued interest of $7,660, equal to $57,660 provided to its Chief Financial Officer (2019 - $54,660). The maturity of the loan has been extended to December 31, 2021, and interest accrues at the rate of 6% per annum. Both principal and accrued interest are payable on or before the maturity date and the loan is secured by a promissory note from the borrower. As further security to the Company, the borrower agreed not to sell, pledge or otherwise encumber, 62,000 of the Company's common shares owned by him, until the full amount of the loan was repaid (including applicable interest). The borrower has also agreed to surrender the shares to the Company upon its request to do so.

As at December 31, 2020, $3,000 (2019 – $3,000) of accrued interest income is included in the consolidated statements of loss.

(expressed in Canadian dollars)

Due to related parties

As at December 31, 2020, amounts accrued to related parties include $2,193,482 (2019 - $826,833), in respect of salary and consulting charges to senior officers of the Company.

Key management compensation

Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management includes the directors, named executive officers, being the chief executive officer and the chief financial officer, each of the Company's 3 C-suite officers and former C-Suite personnel. Related-party compensation paid or accrued to key management is detailed below:

Year ended	**December 31, 2020**	December 31, 2019
	$	$
Compensation to key management	**1,629,472**	857,526
Share-based compensation	**334,885**	1,231,377

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, 2020 and 2019, the Company settled an outstanding debt for services provided during the year ended December 31, 2020 and 2019, with the issuance of 133,333 (2019 - 300,000) common shares with a fair value of $10,000 (2019 - $60,000).

During the years ended December 31, 2020 and 2019, related parties participated in debt and equity financings of the Company as follows:

Year ended	**December 31, 2020**	December 31, 2019
	$	$
Equity financings	**189,725**	373,300
Convertible debentures	**-**	270,000
Debentures	**-**	65,300
Total	**189,725**	708,600

(expressed in Canadian dollars)

10. Property and equipment

	Computer equipment	Leasehold improvements	Total
	$	$	$
Cost			
Balance, January 1, 2019	-	196,869	196,869
Written-off during the year	-	(196,869)	(196,869)
Balance, December 31, 2019 and 2020	**-**	**-**	**-**
Accumulated deprecation			
Balance, January 1, 2019	-	(26,400)	(26,400)
Depreciation for year	-	(29,530)	(29,530)
Written-off during the year	-	55,930	55,930
Balance, December 31, 2019 and 2020	**-**	**-**	**-**
Net book value, December 31, 2019	-	-	-
Net book value, December 31, 2020	**-**	**-**	**-**

During 2019, the Company wrote-off its leasehold improvements balance as it had vacated its office premises and entered into the Sub-lease (note 20).

11. Intangible asset

	2020	2019
	$	$
Patents - cost	**157,058**	157,058
Accumulated amortization		
Balance at beginning of year	**(47,007)**	(39,697)
Amortization for the year	**-**	(7,310)
Impairment (note 4.3)	**(110,051)**	(110,051)
	(157,058)	(157,058)
Net book value	**-**	-

The Company has assessed the recovery of its capitalized patents and determined them to be impaired due to its financial position, volatility of the capital markets resulting in its ability to raise further funds to support continued patent applications and maintenance, thereby affecting the future economic benefits and recovery of the balance from future cash flows.

(expressed in Canadian dollars)

12. 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 14) which is initially measured at the present value of the future lease payments. The Company then recognizes depreciation of ROU asset.

	$
Balance, January 1, 2019	-
Additions	460,958
Amortization for year	(106,368)
Balance December 31, 2019	354,590
Amortization for year	**(106,368)**
Balance December 31, 2020	**248,222**

During the year ended December 31, 2020 and 2019, the Company incurred $nil (2019 - $nil) in short-term leases and $16,777 (2019 - $nil) in low-value leases.

13. 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.

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

	December 31, 2020	December 31, 2019
	$	$
Administration	**149,014**	227,292
Interest	**134,768**	43,952
Investor relations and public reporting	**37,883**	75,177
Legal and regulatory	**858,012**	866,026
Marketing and sales	**141,429**	10,823
Research and development	**101,954**	96,723
Total accounts payable and accrued liabilities	**1,423,060**	1,319,993

14. Lease liability

In accordance with IFRS 16, the Company has recognized a ROU asset (note 12) 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. Prior to the adoption of IFRS 16, this lease was accounted for as an operating lease.

(expressed in Canadian dollars)

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

	$
Balance, January 1, 2019	-
Additions	460,958
Interest expense	49,674
Lease payments	(130,283)
Balance at December 31, 2010	380,349
Interest expense	**40,156**
Lease payments	**(130,181)**
	290,324
Less: current portion	**(105,755)**
Balance December 31, 2020	**184,569**

Future minimum lease payments (principal and interest) on the lease are as follows:

	December 31, 2020
	$
2021	134,476
2022	138,872
2023	58,634
Total minimum lease payments	331,982
Effect of discounting	(41,658)
Present value of minimum lease payments	290,324
Less: current portion	(105,755)
Balance December 31, 2020	**184,569**

15. 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 carry an interest rate of 12.0%, payable semi-annually, with a maturity date of May 31, 2021. The principal amount of the Convertible Debentures is convertible at any time at the election of the holder. The Convertible Debentures are convertible into units ("**Convertible Units**"), whereby each Convertible Unit consists of one common share of the Company and one share purchase warrant of the Company. The conversion price of the Convertible Debentures is $0.15 per Convertible Unit. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.20 per common share, expiring May 31, 2021. The Convertible Debentures are secured with a fixed

and floating charge against the current and future assets of the Company through a general security agreement.
In connection with the Financing, the Company incurred $17,500 of cash costs and issued 217,233 finder's warrants (together, the "**Debenture Fees**"), exercisable for $0.20 each for a period of 2 years. The fair value of $21,493 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate of 1.43%, expected life of 2 years, exercise price of $0.20, volatility of 94.85%, dividend yield of 0% and share price of $0.13. Both the cash costs and the fair value of the finder's warrants were allocated to the liability and equity components on the same basis as the bifurcation (below). The liability component of the Debenture Fees will be accreted over the life of the Convertible Debentures.

For accounting purposes, the Convertible Debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue of $549,402, was calculated as the discounted cash flows for the Convertible Debentures assuming an 18% discount rate, which was the estimated rate for a similar debenture without a conversion feature. 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, 2020 was $53,324 (2019 - $30,554).

During the year ended December 31, 2020, the Company incurred $74,400 (2019 - $41,900) of interest expense on the Convertible Debentures.

16. 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 carry an interest rate of 12.0%, payable semi-annually, with a maturity date of November 15, 2021. The Debentures are secured with a fixed and floating charge against the current and future assets of the Company through a general security agreement. For the year ended December 31, 2020, the Company incurred $16,416 (2019 - $2,052) of interest expense on the Debentures.

17. Share capital

17.1 Authorized

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

17.2 Issued and outstanding

2020:

(i) In August 2020, 133,333 common shares with a fair value of $10,000, were issued in settlement of management services provided by the Company's CEO (see note 9).

(ii) In June 2020, the Company issued 5,333,332 units at $0.075 per unit, raising $400,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable for 5 years after issue at an exercise price of $0.10 each with an estimated total fair value of $186,697.

In connection with the private placement, the Company also issued 143,500 finders' warrants with an exercise price of $0.075 per finders' warrant for a period of five years, with a fair value of $10,045, with $5,357 allocated to share capital and $4,688 allocated to warrants on the statement of changes in deficiency.

The fair value of the warrants and finders' warrants, was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 0.37%, expected life of 5 years, volatility of 92.21%, a dividend yield of 0% and share price of $0.10 (for the warrants) and $0.075 (for the finders' warrants).

The Company paid cash finders fees of $10,763. The cash finder fees were allocated to share capital and warrants on the same basis as the finder warrants.

(iii) In April 2020, the Company issued 1,076,667 units at $0.06 per unit, raising $64,600. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable for 5 years after issue at an exercise price of $0.08 each with an estimated total fair value of $32,401.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 0.32%, expected life of 5 years, volatility of 92.49%, a dividend yield of 0% and share price of $0.08.

(iv) In March 2020, the Company issued 2,833,334 units at $0.06 per unit, raising $170,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable for 5 years after issue at an exercise price of $0.08 each with an estimated total fair value of $72,857.

In connection with the private placement, the Company also issued 116,667 finders' warrants with an exercise price of $0.06 per finders' warrant for a period of five years, with a fair value of $8,610, with $4,920 allocated to share capital and $3,690 allocated to warrants on the statement of changes in deficiency.

The fair value of the warrants and finders' warrants, was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 0.75%, expected life of 5 years, volatility of 91.5%, a dividend yield of 0% and share price of $0.08.

The Company paid cash finder's fees of $7,000. The cash finder fees were allocated to share capital and warrants on the same basis as the finder warrants.

2019:

(v) In September 2019, 100,000 options were exercised raising $10,000. The fair value of the exercised options of $28,700 was transferred from contributed surplus to share capital.

(vi) In May 2019, the Company issued 8,116,500 units at $0.20 per unit with a total value of $1,623,300. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable for 2 years after issue at an exercise price of $0.30 each with a fair value of $377,192. Of the total units issued, 5,000,000 were issued to a shareholder in exchange for the surrender and cancellation of 2,000,000 common shares and 1,000,000 warrants previously issued for proceeds of $1,000,000. The Company recorded stock-based compensation of $600,000 on the transaction, representing additional 3,000,000 common shares issued to the shareholder at a price of $0.20.

In connection with the private placement, the Company also issued 393,155 finders' warrants with an exercise price of $0.30 per finders' warrant for a period of two years, with a fair value of $15,550, with $11,880 allocated to share capital and $3,670 allocated to warrants on the statement of changes in deficiency.

The fair value of the warrants and finders' warrants, were calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate of 1.59%, expected life of 2 years, volatility of 96.89%, and a dividend yield of 0%.

The Company paid cash finder's fees of $8,085.

(vii) In December 2019, broker warrants with a fair value of $134,133 and warrants with a fair value of $44,308, expired.

(viii) During the year ended December 31, 2019, the vested value of shares previously issued pursuant to buyback agreements entered into during the years ended December 31, 2017 and 2018, amounted to $248,414 (2018 - $nil). During 2019, all shares originally subject to buyback agreements were vested in their entirety as the Company and the recipients amended the agreements to waive the buyback provisions.

17.3 Escrowed securities

Subject to the policies of the TSXV, the following table summarizes the remaining common shares of the Company that are subject to escrow provisions together with the date of general release.

Release date
April 27, 2021
8,135,555

(expressed in Canadian dollars)

18. Warrants

The outstanding issued warrants balance as at December 31, 2020 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price
			$
June 12, 2025	Warrants	5,333,332	0.10
April 23, 2025	Warrants	1,076,667	0.08
March 26, 2025	Warrants	2,833,334	0.08
May 23, 2021	Warrants	1,250,000	0.30
May 15, 2021	Warrants	6,866,500	0.30
June 12, 2025	Finder warrants	143,500	0.075
March 16, 2025	Finder warrants	116,667	0.06
May 31, 2021	Finder warrants	217,233	0.20
May 16, 2021	Finder warrants	393,155	0.30
		18,230,388	0.19

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

	Average exercise price	Number of warrants
	$	$
Balance at January 1, 2019	0.56	2,165,315
Issued	0.30	8,726,888
Cancelled	0.70	(1,154,000)
Expired	0.62	(849,275)
Outstanding at December 31, 2019	0.56	8,888,928
Issued	**0.09**	**9,503,500**
Expired	**0.64**	**(162,040)**
Outstanding at December 31, 2020	**0.19**	**18,230,388**

19. Contributed surplus

19.1 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 issuance. The Plan allows for the issuance of options up to 10% of the issued and outstanding common shares. As at December 31, 2020, the Company had 663,654 (2019 – 3,987) options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

(expressed in Canadian dollars)

	Exercise price	Number of options
	$	$
Balance at January 1, 2019	0.67	2,729,000
Issued	0.14	7,450,000
Forfeit	0.40	(1,360,000)
Exercised	0.10	(100,000)
Outstanding at December 31, 2019	0.27	8,719,000
Issued	**0.15**	**1,928,000**
Forfeit	**0.19**	**(1,650,000)**
Outstanding at December 31, 2020	**0.26**	**8,997,000**
Exercisable at December 31, 2020	**0.22**	**8,324,000**

The table below provides additional information regarding the outstanding options:

Number outstanding	Number exercisable	Exercise price (per option)	Expiry date	Vested Fair value
		$		$
2,350,000	2,350,000	0.10	November 1, 2021 to December 6, 2021	135,066
1,800,000	1,800,000	0.12	July 8, 2024	64,368
1,928,000	1,928,000	0.15	June 15, 2022 to July 27, 2022	134,899
900,000	900,000	0.20	May 7 , 2024	119,856
2,019,000	1,352,000	0.70	September 7, 2023	880,633
			Fair value of expired options	384,203
			Fair value of expired warrants	294,113
8,997,000	8,324,000			2,013,138

The grant-date fair value of $169,348 (2019 - $599,684) for the 1,928,000 (2019 – 7,450,000) issued options was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions for 2020: Risk-free rate of 0.27%. Volatility of 201.78%, expected life of 2 years, dividend yield of nil% and an underlying stock price of $0.15. The assumptions for 2019: Risk-free interest rate of 1.57%, volatility of 96.07%, expected life of 3.9 years; dividend yield of nil% and an underlying stock price of $0.12.

(expressed in Canadian dollars)

19.2 Share-based payments

The fair value vested of the common shares that were under buyback option for the year ended December 31, 2020 is $nil (2019 – $248,414) with such amounts having been expensed in the consolidated statements of loss and off-set to share capital.

Vesting of options accounted for share-based compensation of $332,973 for the year ended December 31, 2020 (2019 - $1,024,276), has been expensed on the consolidated statements of loss.

20. Sublease income

During 2019, the Company adopted IFRS 16 for its Canadian office premises lease ("**Head Lease**"). Also, the Company entered into a sub-lease (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.

21. Compensation

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

Year ended	**December 31, 2020**	December 31, 2019
	$	$
Expense category		
Administration	**250,451**	168,983
Legal and regulatory	**563,879**	270,702
Marketing and sales	**318,023**	179,037
Research and development	**354,382**	742,107
	1,486,735	1,360,829

22. Research and development costs

Year ended	**December 31, 2020**	December 31, 2019
	$	$
ATS development	**1,699**	53,809
Compensation	**354,382**	742,107
	356,081	795,916

(expressed in Canadian dollars)

23. Segmented information

Operating segments

As at December 31, 2020 and 2019, 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 segments

The Company operates in both Canada and the United States.

As at	Canada	United States	**Total**
	$	$	**$**
December 31, 2020			
Right of use of asset	248,222	-	**248,222**
December 31, 2019			
Right of use asset	354,590	-	**354,590**

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

Year ended	**December 31, 2020**	December 31, 2019
	$	$
Changes in non-cash working capital		
Harmonized sales taxes	**5,448**	63,553
Deposits and prepaid expenses	**(12,158)**	49,256
Accounts payable and accrued liabilities	**117,929**	304,477
Due to related parties	**1,321,952**	607,858
	1,433,171	1,025,144

Year ended	**December 31, 2019**	December 31, 2019
	$	$
Supplemental cash flow information		
Interest paid	**nil**	nil
Interest income on related party loan	**3,000**	3,000

(expressed in Canadian dollars)

Income taxes paid	**nil**	nil
Purchase of shares for cancellation	**nil**	400,000

25. Income Taxes

25.1 Income taxes

The reconciliation of the combined Canadian federal income tax rate of 26.5% (2019 combined US federal income tax rate – 26.5%) to the effective tax rate is as follows:

	2020	2019
	$	$
Loss before recovery of income taxes	**(2,618,130)**	(4,858,204)
Expected income tax recovery	**(694,000)**	(1,287,000)
Tax rate changes and other adjustments	**8,000**	(2,548,000)
Permanent differences	**102,000**	356,000
Share issue costs	**(5,000)**	-
Adjustment to prior years' provision versus statutory rates	**156,000**	-
Change in tax benefits not recognized	**433,000**	3,479,000
Income tax (recovery) expense	**-**	-

25.2 Deferred tax

The following table summarizes the components of deferred tax:

	2020	2019
	$	$
Deferred tax assets		
Non-capital losses	**3,357,000**	2,962,000
Capital assets	**59,000**	66,000
Share issue costs	**48,000**	3,000
Unrecognized deferred tax assets	**(3,464,000)**	(3,031,000)
Income tax (recovery) expense	**-**	-

(expressed in Canadian dollars)

25.3 Tax loss carryforwards

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

Year	Canada	US
	$	**$**
2036	61,000	86,000
2037	15,000	1,874,000
2038	2,913,000	3,231,000
2039	1,496,000	1,255,000
2040	1,890,000	83,000
	6,735,000	**6,529,000**

26. Subsequent events

i) During Q1 2021, 706,000 options with various maturity dates and exercise prices, were forfeit and returned to the Company's option pool.

ii) During Q1 2021, 1,369,000 options with 2-year maturity dates and $0.15 exercise price each, were issued.

iii) In April 2021, the Company completed a private placement (the "**Financing**"), issuing 5,700,000 units (each a "**Unit**") at $0.10 per unit, thereby raising gross proceeds of $570,000. Each Unit consisted of one common share of the Company and one common share purchase warrant (each a "**Warrant**"). Each Warrant allows the holder to purchase one common share of the Company for $0.15 and expires five years after closing.

In connection with the Financing, the Company also paid $28,000 in cash finder fees and issued 280,000 finder warrants (each a "**Finder Warrant**"). Each Finder Warrant allows the holder to purchase one common share of the Company for $0.10 and expires five years after closing.