



DelphX Capital Markets Inc.

**Unaudited Interim
Consolidated Financial Statements**

(Expressed in Canadian dollars)

**As at and for the three months ended
March 31, 2020 and 2019**

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of DelphX Capital Markets Inc. have been prepared by and are the responsibility of management. These unaudited interim consolidated financial statements as at and for the months ended March 31, 2020 and 2019 have not been reviewed by the Company's auditors.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of DelphX Capital Markets Inc., are the responsibility of the management and the Board of Directors (the "Board") of the Company and have been prepared in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim unaudited consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

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

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting.

As the Company is a Venture Issuer (as defined under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("DC&P") and/or ICFR, as defined in NI 52-109, **nor has it completed such an evaluation**. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

"Patrick Wood"

Patrick Wood
Chief Executive Officer

July 14, 2020

"Stephen M. Gledhill"

Stephen M. Gledhill
Chief Financial Officer

July 14, 2020

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

As at	March 31, 2020	December 31, 2019
Assets	\$	\$
Current assets		
Cash (note 6)	217,429	135,639
Restricted cash (note 6)	27,500	27,500
Harmonized sales taxes recoverable	22,870	27,536
Due from related party (note 8)	55,410	54,660
Deposits and prepaid expenses (note 7)	442	24,079
Total current assets	323,651	269,414
Right-of-use asset (note 9)	327,998	354,590
Total assets	651,649	624,004
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	1,393,528	1,319,993
Current portion of lease liabilities (note 11)	93,625	89,817
Due to related parties (note 9)	1,250,094	826,833
Total current liabilities	2,737,247	2,236,643
Convertible debentures (note 12)	555,529	545,403
Debentures (note 13)	264,367	136,800
Lease liabilities (note 11)	136,800	290,532
Total liabilities	3,693,943	3,209,378
Shareholders' deficiency		
Share capital (note 14)	17,237,401	17,137,568
Equity component of convertible debentures (note 12)	66,158	66,158
Contributed surplus (note 16)	1,711,502	1,648,871
Warrants (note 15)	498,739	435,572
Deficit	(22,263,583)	(22,051,066)
Currency translation reserve	(292,511)	177,523
Total shareholders' deficiency	(3,042,294)	(2,585,374)
Total liabilities and shareholders' deficiency	651,649	624,004

Going concern (note 1)
Subsequent events (note 23)

Approved for issuance by the Board on July 14, 2020
"Keith Ainsworth", Director
"Steven Mannik", Director

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

DelphX Capital Markets Inc.

Unaudited Interim Consolidated Statements of Loss

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

3 months ended	March 31, 2020	March 31, 2019
	\$	\$
Operating expenses		
Administration (note 18)	101,540	375,685
Amortization of intangible asset (note 11)	-	2,443
Depreciation (note 10 & 12)	26,592	9,843
Foreign exchange (gains) losses	(319,781)	68,452
Legal and regulatory (note 18)	143,573	140,349
Listing fees (note 23)	-	1,663
Interest and bank charges	3,364	22,093
Investor relations and public reporting	9,086	81,190
Marketing and sales (note 18)	63,845	435,860
Research and development (notes 18 and 19)	93,530	214,800
Share-based compensation (notes 16.2)	62,631	375,685
	184,380	1,352,378
Other expenses (income)		
Interest accretion	20,996	-
Interest expense	22,704	-
Sub-lease income (note 17)	(15,566)	-
Total expenses	(212,514)	1,352,378
Loss	(212,514)	(1,352,378)
Basic and fully-diluted loss per share	(0.00)	(0.02)
Weighted average number of common shares outstanding	81,329,849	80,713,376

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

DelphX Capital Markets Inc.
Unaudited Interim Consolidated Statements of Comprehensive Loss and
Currency Translation Reserve
(expressed in Canadian dollars-except weighted average number of common shares outstanding)

3 months ended	March 31, 2020	March 31, 2019
	\$	\$
Loss	(212,514)	(1,352,378)
Translation gain (loss)	(470,033)	84,362
Comprehensive loss	(682,547)	(1,268,016)

As at	March 31, 2020	December 31, 2019
	\$	\$
Currency translation reserve, opening	177,522	(46,200)
Other comprehensive income (loss)	(470,033)	84,362
Currency translation reserve, ending	(292,511)	38,162

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

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

	Share capital		Equity component of convertible debt	Warrants	Contributed surplus	Currency translation reserve	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)
Share-based compensation	-	41,672	-	-	214,800	-	-	256,472
Loss and comprehensive loss	-	-	-	-	-	84,362	(1,352,378)	(1,268,016)
Balance at March 31, 2019	80,713,376	15,871,850	-	421,959	605,276	38,162	(18,545,240)	(1,607,993)
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	-	206,742	-	-	809,476	-	-	1,016,218
Loss and comprehensive loss	-	-	-	-	-	139,361	(3,505,826)	(3,366,465)
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)

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

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

	Share capital		Equity component of convertible debt	Warrants	Contributed surplus	Currency translation reserve	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	2,833,334	170,000	-	-	-	-	-	170,000
Cost of issuance	-	(4,000)	-	(3,000)	-	-	-	(7,000)
Fair value of issued warrants	-	(69,858)	-	69,858	-	-	-	-
Fair value of issued finder warrants	-	3,690	-	(3,691)	-	-	-	-
Share-based compensation	-	-	-	-	62,631	-	-	62,631
Loss and comprehensive loss	-	-	-	-	-	(470,033)	(212,514)	(682,547)
Balance at March 31, 2020	90,063,210	17,237,401	66,158	498,739	1,711,502	(292,511)	(22,263,583)	(3,042,294)

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

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

	March 31, 2020	March 31, 2019 (restated- note 24)
3 months ended	\$	\$
Operating activities		
Net loss	(212,514)	(1,352,378)
Non-cash items:		
Amortization and depreciation	26,592	9,843
Interest income	(750)	(756)
Interest accretion	20,996	-
Share-based compensation	62,631	214,800
Net change in non-cash working capital <i>(note 26)</i>	489,927	459,257
Cash provided from (used for) operating activities	386,882	(666,791)
Financing activities		
Shareholder loans	-	615,500
Issuance of common shares (net of issuance costs)	163,000	-
Repayment of lease liability <i>(note 14)</i>	(33,227)	-
Cash provided from financing activities	129,773	615,500
Effect of foreign exchange cash	(484,865)	84,362
Decrease in cash for the period	81,790	33,071
Cash, beginning of the year	135,639	187,634
Cash, end of the period	217,429	220,705

Supplemental cash flow information *(note 25)*

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

DelphX Capital Markets Inc.
As at and for the 3 months ended March 31, 2020 and 2019
Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

1. General information and going concern

DelphX Capital Markets Inc. (“**DelphX**” or the “**Company**”) was incorporated as Seaside Exploration Partners Corp. (“**Seaside**”) on October 21, 2016, pursuant to the *Business Corporations Act* (British Columbia), and was a Capital Pool Company, pursuant to the policies of the TSX Venture Exchange (“**TSXV**”). On April 25, 2018, DelphX Corporation and Seaside completed a Qualifying Transaction (“**QT**”), as is defined pursuant to TSXV Policy 2.4, pursuant to a definitive share-exchange agreement dated December 12, 2017. The QT constituted a reverse take-over (“**RTO**”) of Seaside. Details of the QT are disclosed in note 23. 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 unaudited interim consolidated financial statements (the “**Consolidated Financial Statements**”) have been prepared using International Financial Reporting Standards (“**IFRS**”) applicable to going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. The Company is in the development stage and has not yet realized profitable operations and has relied on non-operational sources of financing to fund operations. DelphX’s ability to continue as a going concern is dependent on successfully executing its business plan, which includes the raising of additional funds. The Company will continue to seek additional forms of debt or equity financing, but it cannot provide assurance that it will be successful in doing so. These material uncertainties cast significant doubt as to the ability of the Company to continue as a going concern. The Consolidated Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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

DelphX Capital Markets Inc.
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2. Basis of preparation

2.1 Statement of compliance

These unaudited interim consolidated financial statements (the “Interim Consolidated Financial Statements”), including comparatives, have been prepared in accordance with *International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’* using accounting policies consistent with the IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Interim Consolidated Financial Statements were approved and authorized for issuance by the Board on July 14, 2019.

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 unaudited interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of the Interim Consolidated Financial Statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies.

2.3 Basis of consolidation

The Consolidated Financial Statements consolidate the accounts of the Company and all its subsidiaries. The Company has the following directly and indirectly wholly-owned subsidiaries: DelphX Services Corporation (“DSC”) (incorporated on August 4, 2011, pursuant to the laws of Delaware, USA), an SEC-registered securities broker-dealer that has an objective to manage the DelphX Alternative Trading System (“ATS”); DelphX Data Corporation (incorporated on February 21, 2018, pursuant to the laws of Canada), the Company’s Canadian operations entity; Quantem Capital Corporation (incorporated on April 11, 2018, pursuant to the laws of Bermuda) (inactive), 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.

DelphX Capital Markets Inc.
As at and for the 3 months ended March 31, 2020 and 2019
Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

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, 2020. 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 has not yet adopted this standard and is assessing its impact on its 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 has not yet adopted this IFRS 17 and is currently assessing the effects on its 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, 2022, 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. Capital management

The Company's main objective in managing capital is to ensure sufficient liquidity to pursue and fund product development, production and promotion. Secondly, the Company strives to continue to fund research and development and pursue its growth strategy, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is considered to be its shareholders' equity (deficiency). The Company's primary uses of capital are financing operations, including the completion and roll-out of its ATS, increasing non-cash working capital and capital expenditures. The Company currently funds these requirements from existing cash resources and/or cash raised through the issuance of common shares or debt. The Company's objectives when managing capital is to ensure the Company will continue to have enough liquidity so that it can provide its products and services to its customers and returns to its shareholders. The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize the capacity to finance the Company's ongoing growth, the Company does not currently pay a dividend to holders of its common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended March 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.

DelphX Capital Markets Inc.
As at and for the 3 months ended March 31, 2020 and 2019
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(expressed in Canadian dollars)

5. Financial instruments and risk management

The Company has the following financial instruments:

	March 31, 2020	December 31, 2019
	\$	\$
Financial assets		
Cash	217,429	135,639
Restricted cash	27,500	27,500
Deposits	-	11,507
Due from related parties	55,410	54,660
	300,399	229,306
Financial liabilities		
Accounts payable and accrued liabilities	1,801,405	1,319,993
Due to related parties	842,217	826,833
Convertible debentures	555,529	545,403
Debentures	264,367	136,800
	3,335,951	2,829,029

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

5.1 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 (i.e. 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.

DelphX Capital Markets Inc.
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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.

5.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As at March 31, 2020, the Company had \$2,737,247 (December 31, 2019 - \$2,236,643) of liabilities with a maturity of one year or less and a working capital deficiency of \$2,413,596 (December 31, 2019 – \$1,967,229). The Company manages its liquidity risk by reviewing its growth plans on an ongoing basis.

5.3 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).

5.4 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 three months ended March 31, 2020, a gain of \$319,781 (2019 – loss of \$68,452).

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.

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

Account	Foreign currency	Exposure (\$Cdn)	
		March 31, 2020	December 31, 2019
Cash	US dollar	16,915	15,355
Accounts payable and accrued liabilities	US dollar	(1,025,718)	(975,577)
Due to related parties	US dollar	(820,935)	(564,852)
		(1,829,737)	(1,525,074)

The Company believes that a change of 10% in foreign exchange rates would increase/decrease comprehensive loss for the period by approximately \$19,000 (2019 – for the year \$153,000).

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

DelphX Capital Markets Inc.
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(expressed in Canadian dollars)

6. Cash and restricted cash

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

Restricted cash has been invested in a guaranteed investment certificate with a maturity of August 12, 2020, at a rate of 1.7% per annum. The funds have been segregated and restricted as they collateralize the credit made available to the Company on bank credit cards issued to it.

7. Deposits and prepaid expenses

Deposits and prepaid expenses represent costs expended by the Company for which it has not yet received value. The deposits and prepaid expenses of the Company are detailed as follows:

	March 31, 2020	December 31, 2019
	\$	\$
Office rent prepaids and deposits	-	23,638
Legal fees	441	441
	441	24,079

8. Related-party transactions and balances

Due from related party

As at March 31, 2020, amounts due to the Company comprise a secured loan in the amount of \$50,000 plus accrued interest of \$55,410, equal to \$5,410 provided to its Chief Financial Officer (December 31, 2019 - \$54,660). The maturity of the loan has been extended to December 31, 2020, and interest accrues at the rate of 6% per annum. Both principal and accrued interest are payable on or before the maturity date and the loan is secured by a promissory note from the borrower. As further security to the Company, the borrower agreed not to sell, pledge or otherwise encumber, 62,000 of the Company's common shares owned by him, until the full amount of the loan was repaid (including applicable interest). The borrower has also agreed to surrender the shares to the Company upon its request to do so.

Due to related parties

As at March 31, 2020, amounts due to related parties include \$1,250,094 (December 31, 2019 - \$826,833), comprising salary and consulting charges due to senior officers of the Company.

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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:

3 months ended	March 31, 2020	March 31, 2019
	\$	\$
Compensation to key management	326,594	443,169
Share-based compensation	62,631	120,696

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 3 months ended March 31, 2020 and 2019, related parties participated in equity financings of the Company as follows:

3 months ended	March 31, 2020	March 31, 2019
	\$	\$
Equity financings	64,600	-

9. Right of use asset

In connection with the adoption of IFRS 16 as disclosed in note 3.1, 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. In accordance with IFRS 16, the Company then recognizes depreciation of ROU asset.

	\$
Balance at January 1, 2019	-
Additions	460,958
Depreciation for year	(106,368)
Balance at December 31, 2019	354,590
Depreciation for the period	(26,592)
 Balance at March 31, 2020	 327,998

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During the 3 months ended March 31, 2020, the Company incurred \$nil (2019 - \$nil) in short-term leases and \$nil (2019 - \$nil) in low-value leases.

10. 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:

	March 31, 2020	December 31, 2019
	\$	\$
Administration	251,057	227,292
Interest	66,656	43,952
Investor relations and public reporting	91,921	75,177
Legal and regulatory	854,583	866,026
Marketing and sales	22,217	10,823
Research and development	108,750	96,723
Total accounts payable and accrued liabilities	1,393,528	1,319,993

11. Lease liability

In connection with the adoption of IFRS 16 as disclosed in note 3.1.1, 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. In accordance with IFRS 16, 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.

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, 2019	380,349

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Interest expense	10,870
Lease payments	(33,227)
	357,992
Less: current portion	(93,625)
Balance March 31, 2020	264,367

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

	March 31, 2020
	\$
2020	97,630
2021	134,476
2022	138,872
2023	58,634
Total minimum lease payments	429,612
Effect of discounting	(71,620)
Present value of minimum lease payments	357,992
Less: current portion	(93,625)
Balance March 31, 2020	264,367

12. 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

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(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 three months ended March 31, 2020 was \$10,126 (2019 - \$nil).

13. Secured debentures

During 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.

14. Share capital

14.1 Authorized

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

14.2 Issued and outstanding

2020:

- (i) In March 2020, issued 2,833,334 units at \$0.06 per unit with a total value of \$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 a fair value of \$69,858.

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, were 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.

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2019:

- (ii) 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.
- (iii) 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.

- (iv) In December 2019, broker warrants with a fair value of \$134,133 and warrants with a fair value of \$44,308, expired.
- (v) 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 (note 17.2 (xi)), 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.

14.3 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.

Total	Release date		
	April 27, 2020*	October 27, 2020	April 27, 2021
24,406,647	8,135,546	8,135,546	8,135,555

*Released (note 23.2).

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15. Warrants

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

Date of expiry	Type	Number of warrants	Exercise price	Fair value
			\$	\$
March 26, 2025	Warrants	2,833,334	0.08	69,858
May 23, 2021	Warrants	1,250,000	0.30	58,090
May 15, 2021	Warrants	6,866,500	0.30	319,102
October 23, 2020	Warrants	40,000	0.70	7,142
October 15, 2020	Warrants	100,000	0.70	19,817
March 26, 2025	Finder warrants	116,667	0.06	3,690
May 31, 2021	Finder warrants	217,233	0.20	21,493
May 16, 2021	Finder warrants	393,155	0.30	11,880
October 16, 2020	Finder warrants	5,600	0.70	740
April 25, 2020	Finder warrants ¹	16,440	0.10	4,336
Cost of issuances allocated to common shares		-	-	(17,409)
		11,838,928		498,739

¹Expired unexercised subsequent to March 31, 2020.

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

	Average exercise price	Number of warrants
	\$	\$
Balance at December 31, 2018	0.56	2,165,315
Issued	0.30	8,726,888
Cancelled	0.70	(1,154,000)
Expired	0.62	(849,725)
Outstanding at December 31, 2019	0.28	8,888,928
Issued	0.08	2,950,001
Outstanding at March 31, 2020	0.23	11,838,929

16. Contributed surplus

16.1 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

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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 March 31, 2020, the Company had 287,321 (December 31, 2019 – 3,987) options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

	Exercise price	Number of options
	\$	\$
Balance at December 31, 2018	0.67	2,729,000
Issued	0.14	7,450,000
Forfeited	0.40	(1,360,000)
Exercised	0.10	(100,000)
Outstanding at December 31, 2019 and March 31, 2020	0.27	8,719,000
Exercisable at March 31, 2020	0.18	7,173,000

The table below provides additional information regarding the outstanding options:

Number outstanding	Number exercisable	Exercise price (per option)	Expiry date	Vested Fair value
		\$		\$
2,800,000	2,800,000	0.10	November 1, 2021	166,631
2,250,000	2,250,000	0.12	July 8, 2024	142,585
1,400,000	1,400,000	0.20	May 7, 2024	186,004
125,000	125,000	0.40	May 7, 2024	14,412
125,000	125,000	0.50	May 7, 2024	13,639
2,019,000	473,000	0.70	September 7, 2023	682,558
			Fair value of expired options	242,717
			Fair value of expired warrants	262,819
8,719,000	7,173,000			1,711,502

16.2 Share-based payments

The fair value vested of the common shares that were under buyback option for the three months ended March 31, 2020 is \$nil (2019 – \$41,472) 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 \$62,631 for the three months ended March 31, 2020 (2019 - \$334,213), has been expensed on the consolidated statements of loss.

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17. 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.

18. Compensation

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

3 months ended	March 31, 2020	March 31, 2019
	\$	\$
Expense category		
Administration	65,595	89,954
Legal and regulatory	143,573	135,430
Marketing and sales	63,844	81,190
Research and development	88,816	419,860
	361,828	726,433

19. Research and development costs

3 months ended	March 31, 2020	March 31, 2019
	\$	\$
ATS development	4,714	16,000
Compensation	88,816	419,860
	93,530	435,860

20. Segmented information

Operating segments

As at March 31, 2020, 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.

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Geographic segments

The Company operates in both Canada and the United States.

As at	Canada	United States	Total
	\$	\$	\$
March 31, 2020			
Intangible assets	-	-	-
Leasehold improvements	-	-	-
Right of use of asset	327,988	-	327,988
	327,988	-	327,988
December 31, 2019			
Intangible assets	-	-	-
Leasehold improvements	-	-	-
Right of use asset	354,950	-	354,950
	354,950	-	354,950

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

3 months ended	March 31, 2020	March 31, 2019 (restated- note 23)
	\$	\$
Changes in non-cash working capital		
Harmonized sales taxes	4,666	2,936
Deposits and prepaid expenses	23,953	36,184
Accounts payable and accrued liabilities	(8,052)	157,768
Due to related parties	469,360	262,369
	489,927	459,257

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22. Supplemental cash flow information

3 months ended	March 31, 2020	March 31, 2019
	\$	\$
Non-cash financing activities		
Capitalized interest from related party	750	756
Interest paid	nil	nil
Income taxes paid	nil	nil

23. Subsequent events

- i) In April 2020, the Company completed the second tranche of the 2020 Private Placement with the issuance of 1,076,667 2020 Units, raising gross proceeds of \$64,600.
- ii) In April 2020, 8,135,546 common shares were released from escrow (note 14.3).
- iii) In June 2020, the Company completed a private placement ("**June 2020 Private Placement**") with the issuance of 5,333,332 units (the "**June 2020 Units**"), raising gross proceeds of \$400,000. Each June 2020 Unit consists of one common share and one share purchase warrant (a "**June 2020 Warrant**"). Each June 2020 Warrant is exercisable for one common share for a period of 5 years at \$0.10. The Company paid cash finder's fees of \$10,763 and issued 143,500 finder's warrants, each exercisable at \$0.075 for a period of 5 years.
- iv) In June 2020, the Company issued 240,000 options to participants of the Plan. The options vested immediately and are exercisable at \$0.15 each for a period of 2 years.

24. Restatement

During the 3 months ended March 31, 2019, the Company incorrectly presented the statement of cash flows. The errors include a misclassification of operating and financing costs, and the incorrect application of the foreign exchange rate on US dollar denominated non-cash working capital items. The effects of these items are presented in the table below:

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	As previously reported	Restatement	As Restated
	\$	\$	\$
Net cash used in operating activities	(929,160)	262,369	(666,791)
Net cash provided by financing activities	962,231	(346,731)	615,500
Effect of foreign exchange on cash	-	84,362	84,362
Decrease in cash for the year	33,071	-	33,071
Cash, beginning of year	187,634	-	187,634
Cash, end of year	220,705	-	220,705
