IDENTILLECT TECHNOLOGIES CORP.

(Formerly Quentin Ventures Ltd.)

Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in US Dollars)

As at and for the three and nine months ended September 30, 2016

IDENTILLECT TECHNOLOGIES CORP.

(Formerly Quentin Ventures Ltd.)

(the "Company" or "Identillect")

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the three and nine months ended September 30, 2016

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Management of the Company is responsible for the preparation of the accompanying unaudited condensed consolidated interim financial statements. The unaudited condensed consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") for the preparation of condensed consolidated interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company's auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Identillect Technologies Corp.
(formerly Quentin Ventures Ltd.)
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in US dollars)
As at

		September 30, 2016		December 31, 2015
Assets				
Current Assets				
Cash and cash equivalents	**$**	**191,637**	$	12,375
Receivables		**242,895**		33,012
Prepaid expenses		**40,823**		-
		475,355		45,387
Furniture and equipment		**17,042**		14,656
Development costs (Note 6)		**-**		103,329
Total Assets	**$**	**492,397**	$	163,372
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**409,782**	$	360,824
Credit Facility (Note 8)		**-**		492,612
Deferred revenue		**125,755**		95,341
Loans payable (Note 8)		**434,119**		54,477
		969,656		1,003,254
Convertible debentures (Note 9)		**427,263**		-
		1,396,919		1,003,254
Shareholders' Deficiency				
Share capital (Note 11)		**4,482,801**		2,509,840
Share-based payment reserve (Note 11)		**300,183**		193,600
Warrants reserve (Note 11)		**771,772**		-
Equity component of convertible debt (Note 9)		**18,648**		-
Other comprehensive income		**(4,270)**		-
Deficit		**(6,473,656)**		(3,543,322)
		(904,522)		(839,882)
Total Liabilities and Shareholders' Deficiency	**$**	**492,397**	$	163,372

Nature and Continuance of Operations – Note 1

Approved on behalf of the Board:

"Jeff Durno"
Director

"Todd Sexton"
Director

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

Identillect Technologies Corp.
(formerly Quentin Ventures Ltd.)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in US dollars)

	For the three months ended September 30, 2016	2015	For the nine months ended September 30, 2016	2015
Revenues	**$ 175,676**	$ 49,259	**$ 480,926**	$ 100,010
Cost of Sales	**42,568**	18,316	**89,660**	32,858
	133,108	30,943	**391,266**	**67,152**
Expenses				
Filing fees	**-**	-	**31,899**	-
Amortization (Note 6)	**-**	70,047	**103,329**	258,596
Bad debts	**30,770**	-	**30,770**	-
Consulting fees	**15,000**	62,175	**92,320**	110,175
Finance costs (Notes 8, 9)	**24,739**	25,965	**57,076**	53,800
General and administrative	**17,876**	23,925	**50,492**	60,935
Professional fees	**62,910**	3,800	**71,068**	23,796
Rent	**16,358**	17,999	**49,337**	52,616
Salaries and wages	**258,174**	287,911	**776,602**	749,138
Sales and marketing	**14,171**	11,265	**70,480**	37,883
Share-based payments (Note 11)	**31,863**	3,893	**93,741**	19,619
Subscriptions and software services	**22,147**	36,434	**120,434**	77,919
	491,008	**543,414**	**1,547,548**	**1,444,477**
Loss before other items	**(360,900)**	(512,471)	**(1,156,282)**	(1,377,325)
Other items				
Foreign exchange gain (loss)	**11,873**	44,349	**(12,441)**	46,476
Listing expense (Note 5)	**-**	-	**(1,761,611)**	-
	11,873	44,349	**(1,774,052)**	46,476
Loss for the period	**(349,027)**	(468,122)	**(2,930,334)**	(1,330,849)
Translation adjustment	**(4,163)**	-	**(4,270)**	-
Comprehensive loss for the period	**$ (353,190)**	$ (468,122)	**$ (2,934,604)**	$ (1,330,849)
Weighted average number of shares outstanding	**46,134,651**	20,308,382	**36,036,128**	19,598,174
Basic and diluted loss per share	**$ (0.01)**	$ (0.02)	**$ (0.08)**	$ (0.07)

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

Identillect Technologies Corp.
(formerly Quentin Ventures Ltd.)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
(Unaudited – Prepared by Management)
(Expressed in US dollars)

	Number of Common Shares	Number of Preferred Shares	Share Capital Amount	Warrant reserve	Share-based payment reserve	Equity portion of convertible debt	Translation reserve	Deficit	Shareholders' Equity (Deficiency)
Balance, December 31, 2014	18,388,947	-	$ 1,697,842	$ -	$ 171,801	$ -	$ -	$ (1,703,205)	$ 166,438
Private placement	3,139,000	-	601,093	-	-	-	-	-	601,093
Share issuance costs	-	-	(12,327)	-	-	-	-	-	(12,327)
Share-based payments	-	-	-	-	19,619	-	-	-	19,619
Comprehensive loss for the period	-	-	-	-	-	-	-	(1,330,849)	(1,330,849)
Balance, September 30, 2015	**21,527,947**	**-**	**$ 2,286,608**	**$ -**	**$ 191,420**	**$ -**	**$ -**	**$ (3,034,054)**	**$ (556,026)**
Balance, December 31, 2015	26,157,139	-	$ 2,509,840	$ -	$ 193,600	$ -	$ -	$ (3,543,322)	$ (839,882)
Acquisition of Quentin Ventures Ltd. (Note 5)	7,685,012	5,000,000	830,979	166,829	12,842	-	-		1,010,650
Private placement	11,992,500	-	1,296,747	555,749	-	-	-		1,852,496
Broker units	300,000	-	(13,902)	13,902	-	-	-		-
Share issuance costs	-	-	(105,571)	-	-	-	-		(105,571)
Broker warrants	-	-	(35,292)	35,292	-	-	-		-
Share based payments	-	-	-	-	93,741	-	-		93,741
Issuance of convertible debt	-	-	-	-	-	18,648	-		18,648
Comprehensive loss for the period	-	-	-	-	-	-	(4,270)	(2,930,334)	(2,934,604)
Balance, September 30, 2016	**46,134,651**	**5,000,000**	**$ 4,482,801**	**$ 771,772**	**$ 300,183**	**$ 18,648**	**$ (4,270)**	**$ (6,473,656)**	**$ (904,522)**

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

Identillect Technologies Corp.
(formerly Quentin Ventures Ltd.)
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in US dollars)

	For the nine months ended September 30,			
		2016		2015
Cash provided by (used for):				
Operating Activities:				
Loss for the period	**$**	**(2,930,334)**	$	(1,330,849)
Items not affecting cash:				
Amortization		**103,329**		258,596
Bad debts		**30,770**		-
Interest accrued		**55,366**		38,805
Financing fee accrual		**-**		15,000
Share-based payments		**93,741**		19,619
Foreign exchange		**54,684**		-
Listing expense		**1,761,611**		-
Changes in non-cash working capital items:				
Account receivable		**(213,483)**		1,750
Prepaid expenses		**(40,823)**		(38,101)
Accounts payable and accrued liabilities		**(192,365)**		66,464
Deferred revenue		**30,414**		56,826
		(1,247,090)		(911,890)
Investing Activities:				
Additions to furniture, fixtures and equipment		**(2,386)**		-
RTO transaction costs		**(71,212)**		-
Cash acquired with RTO		**921,995**		-
		848,397		-
Financing Activities:				
Proceeds from share issuance		**858,860**		601,093
Share issuance costs		**(33,931)**		(12,327)
Repayment of notes payable		**(15,124)**		-
Interest paid on notes payable		**(1,043)**		-
Proceeds (Repayment) of credit facility		**(20,396)**		396,015
Proceeds on loan		**269,527**		103,561
Repayment of loan		**(457,325)**		(87,537)
Interest on loans		**(2,087)**		-
Interest paid on debentures		**(11,543)**		-
		586,938		1,000,805
Impact of foreign exchange on cash		**(8,983)**		-
Change in cash for the period		**179,262**		88,915
Cash, beginning of the period		**12,375**		58,721
Cash, end of the period	**$**	**191,637**	$	147,636

Significant non-cash transactions (Note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Identillect Technologies Corp. (formally Quentin Ventures Ltd.) is a Canadian public company that is listed on the TSX Venture Exchange ("Exchange") under the symbol ID. The Company was incorporated under the Canada Corporations Business Act on December 27, 1985, registered extra-provincially under the British Columbia Company Act on July 9, 1987, and effective June 18, 2014 the Company was continued into British Columbia. The Company's principle address is 1600 – 609 Granville Street, Vancouver, BC V7Y 1C3 and its registered and records office is 2200 – 885 West Georgia Street, Vancouver, BC, V6C 3E8.

Identillect Technologies Inc. was incorporated under the Nevada Business Corporation Act on August 24, 2010. Identillect Technologies Inc. is a software development company that has developed an email encryption software solution. The head office of Identillect Technologies Inc. is located at 23686 Birtcher Dr., Lake Forest, CA 92630.

On May 18, 2016, Quentin Ventures Ltd. ("Quentin") executed a reverse acquisition (the "RTO"), by way of a three cornered amalgamation of Identillect Technologies Corp. The shareholders of Identillect Technologies Corp. were considered to have acquired control of Quentin. Upon closing of the RTO, the Company changed its name from Quentin Ventures Ltd. to Identillect Technologies Corp. (the "Company" or "Identillect") (Note 5).

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At September 30, 2016, the Company has not achieved profitable operations and has accumulated losses of $6,473,656 (December 31, 2015 – $3,543,322) since inception and expects to incur further losses in the development of its business. This material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standard Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using accounting policies that the Company expects to adopt in its annual consolidated financial statements for the year ended December 31, 2016. These condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements and should be read in conjunction with the Company's most recent audited annual consolidated financial statements for the year ended December 31, 2015.

2. BASIS OF PREPARATION (continued)

The financial statements of the Company are presented in US dollars, which is the functional currency of the Company. The functional currency of Identillect Technologies Corp. and Identillect Technologies (Canada) Inc. is Canadian dollars ("Cdn$"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

Name of Subsidiary	Ownership	Place of Incorporation
Identillect Technologies Inc.	100%	Nevada, USA
Identillect Technologies (Canada) Inc.	100%	British Columbia, Canada

The financial statements of the Company were authorized for issue by the Board of Directors on November 29, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Company have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for the statements of cash flows.

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2015 of Identillect Technologies Corp., other than as described below arising from new transactions or the RTO, and reflect all the adjustments necessary for fair presentation in accordance with IAS 34. There has been no material impact on these financial statements from changes in accounting standards during the period.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Compound financial instruments (continued)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Preferred shares

Preferred shares are convertible to a fixed number of common shares upon certain milestones. Preferred shares are included in equity.

New accounting pronouncements

The following new standards, interpretations and amendments have been issued but are not yet effective and therefore have not been applied when preparing these financial statements:

IFRS 15 Revenues from contracts with customers

In May 2014, the IASB released IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 also requires more comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, and a number of revenue-related interpretations (IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Service). IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements and does not plan to early adopt the new requirement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements (continued)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (IFRS 9). IFRS 9 supersedes IAS 39, IFRIC 9 and earlier versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. This standard provides guidance on the classification and measurement of financial liabilities and the presentation of gains and losses on financial liabilities designated at fair value through profit and loss. When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. The Company has not yet begun the process of assessing the impact that the new standard will have on its financial statements and does not plan to early adopt the new requirement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

a. Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

a) <u>Amortization period for development costs</u>
The Company makes estimates about the expected useful lives of its capitalized development costs based on the estimated current fair value of the cash flows from the Company's anticipated future software sales. Changes to these estimates, which can be significant, could be caused by a variety of factors, including the emergence of competing products which may impact the price of our product or changes in consumer demand that impact our future revenue expectations. Estimates and assumptions are evaluated at least annually. Generally, these adjustments are accounted for on a prospective basis, through amortization expense.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

a. Critical accounting estimates (continued)

b) Share-based payments
The fair value of stock options issued with Canadian dollar exercise prices are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

c) Valuation of financial instruments
The Company is required to determine the valuation of convertible debentures at inception. The convertible notes valuation required discounted cash flow analysis that involved various estimates and assumptions (Note 9).

d) Valuation of equity instruments
The Company is required to make certain estimates regarding equity instruments issued as consideration in the RTO (Note 5).

b. Critical accounting judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the statements are, but are not limited to, the following:

i. Determination of functional currency
The functional and reporting currency of the Company is the US dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The determination of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency if there are changes in events and conditions of the factors used in the determination of the primary economic environment.

ii. Going Concern
The preparation of these financial statements requires management to make judgments regarding the going concern of the Company. As at September 30, 2016, the Company had a working capital deficiency of $494,301 (December 31, 2015 - $957,867). The Company likely has insufficient funds from which to finance its operating activities for the next 12 months; consequently, the Company remains dependent on external sources of financing until such time as it can internally generate sufficient income from software sales to service its on-going operating cost requirements.

(Expressed in US dollars)

5. ACQUISITION OF QUENTIN VENTURES LTD.

On May 18, 2016, Quentin Ventures Ltd. and Identillect Technologies Corp. completed the transaction whereby the Company acquired all of the issued and outstanding shares of Identillect Technology Corp., being 26,157,139 shares, in consideration for securities of the Company on a 1 for 1 basis. After the completion of the transaction, the shareholders of Identillect Technologies Corp. held approximately 77.29% of the Company.

Accordingly, Identillect Technologies Corp. is considered to have acquired the Company with the agreement being accounted as a reverse takeover of the Company by Identillect Technologies Corp. shareholders.

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, Business Combination. Additionally, as a result of the RTO, the statement of financial position has been adjusted for the elimination of the Company's share capital, contributed surplus and accumulated deficit within shareholders' equity.

As a result of this asset acquisition, a listing expense of $1,761,611 has been recorded. This reflects the differences between the estimated fair value of the Identillect Technologies Corp. shares deemed to have been issued to the Company's shareholders less the net fair value of the assets of the Company acquired.

Consideration consists of the following:

Consideration:	**Fair value**	
7,685,012 shares held by Quentin shareholders (i)	$	830,979
5,000,000 preferred shares (ii)		-
3,600,000 warrants issued to Quentin shareholders (iii)		166,829
700,000 stock options retained by Quentin (iv)		12,842
Transaction costs		71,212
Fair value of consideration paid	**$**	**1,081,862**

(i) Common shares on the date of the transaction were allocated a value of Cdn$0.14 per common share from the proceeds of the concurrent private placement.

(ii) The preferred shares convert to common shares in the event that Identillect achieves $10,000,000 in revenue for the year ending December 31, 2016. Management has assessed this milestone is unlikely to be achieved and values the preferred shares at $Nil.

(iii) The fair value of the warrants was estimated from the concurrent private placement at a value of Cdn$0.06 per warrant and was determined using the Black-Scholes pricing model assuming a risk-free interest rate of 0.63%, a dividend yield of 0%, an expected volatility of 100% and an expected life of 18 months.

(iv) The fair value of the options was estimated at a value of Cdn$0.02 per option and was determined using the Black-Scholes pricing model assuming a risk-free interest rate of 0.63%, a dividend yield of 0%, an expected volatility of 100% and an expected life of 3 months.

(Expressed in US dollars)

5. ACQUISITION OF QUENTIN VENTURES LTD. (continued)

In accordance with reverse acquisition accounting:

i) The assets and liabilities of Quentin Ventures Ltd. are included in the statement of financial position at their carrying values.
ii) The net assets of the Company are included at their fair value of $(679,749):
iii) The listing expense of $1,761,611 was determined as follows:

Net working capital deficit acquired:	
Cash	921,996
Accounts receivable	27,170
Prepaid expenses	71,640
Accounts payable and accrued liabilities	(275,562)
Notes payable	(16,244)
Loans payable	(415,112)
Obligation to issue shares	(993,637)
Fair value of working capital deficit	**(679,749)**

a. The number of Company common shares held by former Identillect Technologies Corp. shareholders outstanding is 26,157,139 or 77.29% of the combined entity.
b. The fair value of Identillect Technologies Corp. is $2,828,367, which is based on the Financing price of approximately Cdn$0.14 per common share.
c. Number of outstanding shares of the Company prior to the Financing was 7,685,012 or 22.71% of the combined entity.
d. The difference between the consideration paid of $1,081,862 and the fair value of the net working capital deficit of the Company of $679,749 amounted to a net listing expense of $1,761,611.

The above acquisition price allocation is considered preliminary and may change before being considered final.

(Expressed in US dollars)

6. DEVELOPMENT COSTS

Following the commercial launch of the Company's Delivery Trust Software during the year ended December 31, 2014, the Company began amortizing the costs of its development cost on a straight-line basis over two years.

	December 31, 2014	Additions 2015	December 31, 2015	**Additions 2016**	**September 30, 2016**
Development costs:					
Cloud service fees	$ 5,986	-	$ 5,986	-	**$ 5,986**
Computer, software and internet costs	15,718	-	15,718	-	**15,718**
Consulting	44,555	-	44,555	-	**44,555**
Dues and subscriptions	12,588	-	12,588	-	**12,588**
Financing costs	28,955	-	28,955	-	**28,955**
Other	5,500	-	5,500	-	**5,500**
Professional fees	115,451	-	115,451	-	**115,451**
Program Engineering	193,191	-	193,191	-	**193,191**
Supplies and support	22,887	-	22,887	-	**22,887**
Technical Advisors	176,785	-	176,785	-	**176,785**
Market research	70,347	-	70,347	-	**70,347**
Travel	17,341	-	17,341	-	**17,341**
Total development costs	709,304	-	709,304	-	**709,304**
Accumulated Amortization	(236,435)	(369,540)	(605,975)	(103,329)	**(709,304)**
Net book Value	$ 472,869	-	$ 103,329	-	**$ -**

7. RELATED PARTY TRANSACTIONS

The Company defines key management personnel as directors and officers. The following table summarizes the Company's activities with key management personnel:

Type of Service	**Nature of Relationship**	**For the nine months ended September 30, 2016**	For the nine months ended September 30, 2015
Consulting fees	To a Company related to a director	**$ 58,621**	72,675
Salaries and wages	To officers of the Company	**259,860**	261,360
Legal	To a law firm for which a Director is a partner thereof	**61,352**	1,839
Share-based compensation expense	Officers/ Directors	**-**	19,619
		$ 379,833	$ 409,298

(Expressed in US dollars)

7. RELATED PARTY TRANSACTIONS (continued)

The following table represents amounts due to related parties included in accounts payable and accruals:

Type of Service	**Nature of Relationship**	**September 30, 2016**	December 31 2015
Other payables	To directors and companies related to a	**$ 1,525**	$ 163,583
Legal Fees payable	To a law firm for which a director is a partner	**63,601**	73,471
Reimbursement of	Director	**-**	2,922
Salaries and wages	To an officer of the Company	**73,969**	23,107
		$ 139,095	$ 263,083

Unless otherwise specified, amounts payable to related parties referred to are non-interest bearing, unsecured, payable on demand, and have arisen from the provision of services and expense reimbursements.

8. LOANS PAYABLE AND CREDIT FACILITY

Loans payable	**Principal**	**Accumulated Interest**	**Total Debt**
December 31, 2014	**$ 240,000**	**$ 3,314**	**$ 243,314**
Proceeds	156,880	-	156,880
Repayment	(87,537)	-	(87,537)
Interest accrued	-	25,453	25,453
Roll over to credit facility	(255,588)	(28,045)	(283,633)
December 31, 2015	**$ 53,755**	**$ 722**	**$ 54,477**
Proceeds	269,527	-	269,527
Repayment	(506,779)	(7,292)	(514,071)
Assumed on RTO	381,039	34,073	415,112
Transferred from credit facility	156,580	9,621	166,201
Transferred from AP	21,473	-	21,473
Interest accrued	-	25,827	25,827
Translation adjustment	(3,124)	(1,303)	(4,427)
September 30, 2016	**$ 372,471**	**$ 61,648**	**$ 434,119**

The loans payable of Identillect are unsecured, bear interest at 10% per annum, and are due on demand. The loan payable assumed from Quentin on the RTO bears interest at 12% per annum, is unsecured and matures on September 30, 2017.

(Expressed in US dollars)

8. LOANS PAYABLE AND CREDIT FACILITY (continued)

Credit facility

During the year ended December 31, 2015, the Company established a Credit Facility agreement (the "Facility") dated March 16, 2015, as amended on May 26, 2015, and July 23, 2015, with a director of the Company.

This Facility also assumed loans and notes payable owing to related parties existing prior to the establishment of the Facility, and is secured against the assets of the Company. On closing of the transaction on May 18, 2016, the Credit Facility was converted into unsecured convertible debentures (Note 9) of the Company and loans payable.

Credit facility	**Total Debt**
December 31, 2014	$ -
Proceeds	431,007
Repayment	(279,122)
Financing fees	28,900
Interest accrued	28,194
Roll over from loan payable	283,633
December 31, 2015	$ 492,612
Repayment	(20,386)
Interest accrued	13,676
Transfer to loan payable	(166,201)
Transfer to convertible debenture	(379,706)
Translation adjustment	60,005
September 30, 2016	**$ -**

Amounts owing under the Facility are due on the demand of the lender. The Facility accrued interest at 10% compounded annually.

9. CONVERTIBLE DEBENTURES

Convertible Debenture		**Total Debt**
December 31, 2014 and 2015	$	-
Transfer from credit facility and accounts payable		429,319
Accretion		4,320
Translation adjustment		(6,376)
Net convertible debentures payable, September 30, 2016	**$**	**427,263**
Equity component of convertible debentures	**$**	**18,648**

9. CONVERTIBLE DEBENTURES (continued)

The convertible debentures are payable on November 17, 2017, bearing interest at 7% per annum and are convertible into common shares, at the option of the holders, at Cdn$0.30 per share. The conversion feature was valued at the date of issuance as the residual value of the present value of the principal on the convertible debentures (Cdn$580,000) at a discount rate of 10% which is the borrowing rate the Company has achieved for non-convertible instruments.

10. SIGNIFICANT NON CASH TRANSACTIONS

During the period ended September 30, 2016, the Company:

a) Issued 300,000 broker units in connection with the private placement at a value of $46,341 (Note 11).
b) Issued 494,250 broker warrants in connection with the private placement at a value of $35,292 (Note 11).
c) The RTO as disclosed in Note 5.

There were no significant non-cash transactions in the period ended September 30, 2015.

11. SHARE CAPITAL AND RESERVES

a. Authorized
Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

b. Issued and outstanding

For the period ended September 30, 2016:

Pursuant to the RTO, on May 18, 2016, the Company issued 26,157,139 common shares to the shareholders of the private Identillect shareholders (Note 5).

In connection with closing, the Company issued 11,992,500 common shares and 11,992,500 share purchase warrants for subscription proceeds of $1,852,496. 10,742,500 of the warrants entitle the holders to acquire an additional common share at a price of Cdn$0.30 for a period of one year. The remaining 1,250,000 warrants are exercisable at Cdn$0.40 for 18 months.

The Company issued 300,000 broker units consisting of one common share and one share purchase warrant exercisable at Cdn$0.30 for a period of one year valued at $46,341 in connection with the financing. Additionally, the Company paid cash commissions of $73,911, other transaction costs of $31,660 and issued 494,250 broker warrants at a value of $35,292 (Note 11(e)).

(Expressed in US dollars)

11. SHARE CAPITAL AND RESERVES (continued)

b. Issued and outstanding (continued)

For the year ended December 31, 2015:

During the year ended December 31, 2015, the Company issued 4,539,000 common shares for gross proceeds of $870,810. Finder's fees and transaction costs relating to private placements for the year totaled $58,811.

On November 11, 2015 the Company completed a 1 for 1.15 share split. An addition 3,229,192 shares were issued in relation to this split.

c. Stock Options

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price (Cdn$)
Balance, December 31, 2014	1,275,000	$ 0.20
Cancelled	(62,500)	0.20
Balance, December 31, 2015	1,212,500	0.20
Cancelled	(160,000)	0.20
Granted for RTO (Note 5)	700,000	0.25
Expired	(700,000)	0.25
Issued	2,689,500	0.20
Balance, September 30, 2016	**3,742,000**	**$ 0.20**

At September 30, 2016, a summary of stock options outstanding and exercisable is as follows:

	Number of Options Outstanding	Number of Options Exercisable	Exercise Price (Cdn$)	Expiry date	Remaining contractual life (years)
November 30, 2013	1,202,500	1,202,500	$0.20	May 24, 2021	4.65
May 24, 2016	2,189,500	292,438	0.20	May 24, 2021	4.65
May 24, 2016	350,000	87,500	0.20	May 24, 2021	4.65

(Expressed in US dollars)

11. SHARE CAPITAL AND RESERVES (continued)

c. Stock Options (continued)

Share-based payments

During the period ended September 30, 2016, the Company granted 2,689,500 (2015 - Nil) stock options with a weighted average fair value of Cdn$0.10 (2015 - $Nil). Total share-based payments expensed for options granted and vesting during the period was $93,741 (2015 - $19,619).

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the period:

	2016
Risk-free interest rate	0.77%
Expected life of options	5 years
Expected annualized volatility	100%
Dividend yield	- %

Stock option modification

During the period ended September 30, 2016, the Company re-priced and extended the life of 1,202,500 stock options having an exercise price of US$0.20 per share. The modification of options led to additional share-based payments expense of $32,568. The weighted average assumptions used for the Black-Scholes valuation of re-priced options were annualized volatility of 100%, risk-free interest rate of 0.77%, expected life of 5 years and a dividend rate of Nil%.

d. Share purchase warrants

A summary of the Company's share purchase warrant activity is as follows:

	Number of warrants	**Weighted average exercise price (Cdn$)**
Balance, December 31, 2013 and 2014	333,333	$ 0.25
Warrants expired	(333,333)	0.25
Issued with private placement – August 2015	2,200,000	0.40
Issued with private placement – November 2015	1,400,000	0.40
Balance, December 31, 2015	3,600,000	0.40
Warrants cancelled on RTO	(3,600,000)	0.40
Issued with RTO	3,600,000	0.40
Issued with subscriptions – May 2016	11,992,500	0.31
Balance, September 30, 2016	**15,592,500**	**$ 0.33**

(Expressed in US dollars)

11. SHARE CAPITAL AND RESERVES (continued)

d. Share purchase warrants (continued)

A summary of share purchase warrants outstanding at September 30, 2016 is as follows:

Number of Warrants Outstanding	Weighted Average Exercise Price (Cdn$)	Expiry date	Remaining contractual life (years)
3,600,000	$ 0.40	November 18, 2017	1.13
10,742,500	0.30	May 18, 2017	0.63
1,250,000	0.40	November 18, 2017	1.13

e. Broker warrants

A summary of the Company's broker warrant activity is as follows:

	Number of warrants	Weighted average exercise price (Cdn$)
Balance, December 31, 2014 and 2015	-	$ -
Granted	794,250	0.24
Balance, September 30, 2016	**794,250**	**$ 0.24**

A summary of broker warrants outstanding at September 30, 2016 is as follows:

Number of Warrants Outstanding	Weighted Average Exercise Price (Cdn$)	Expiry date	Remaining contractual life (years)
300,000(i)	$ 0.30	May 17, 2017	0.63
494,250(ii)	0.20	May 17, 2017	0.63

(i) The fair value of the broker was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 0.63%, a dividend yield of 0%, an expected volatility of 100% and an expected life of one year. The total value was $13,902.

(ii) The fair value of the broker was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 0.63%, a dividend yield of 0%, an expected volatility of 100% and an expected life of 18 months. The total value was $35,292.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Fair value of financial instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, loans, credit facilities and convertible debentures.

Cash is classified as fair value through profit or loss and measured at fair value. The fair value of cash was obtained using Level 1 hierarchy inputs.

Receivables are classified as loans and receivables and measured at amortized cost. Accounts payable and accrued liabilities; notes payable, loans, credit facilities and convertible debentures are classified as other liabilities and are measured at amortized cost. The fair values of these financial instruments approximate their carrying values because of their short term nature and/or the existence of market related interest rates on the instruments.

b. Financial Instrument risk

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company places its cash with institutions of high-credit worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances. As at September 30, 2016, receivables of $242,895 (December 31, 2015 - $33,012) are from subscribers of the Company's Delivery Trust sales. The subscribers represent a well-diversified group of individuals and small to mid-sized companies. There is moderate risk that some of these subscribers may fail to make payments, however each individual subscriber amount is not material and the Company actively monitors its monthly collections so as to mitigate the amount of a potential financial impact. During the period ended September 30, 2016, the Company recognized a bad debts allowance of $30,770 (2015 - $Nil). Management has assessed there to be moderate credit risk associated with these receivables.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b. Financial Instrument risk (continued)

ii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has not yet achieved profitable operations, and expects to incur further losses in the development of its business. The Company's objective in managing liquidity risk is to minimize operational costs and to maintain sufficient liquidity in order to meet its operational requirements at any point in time. The Company manages liquidity risk through the management of its capital structure as outlined in Note 13 of these financial statements.

Until such time as the Company's operations are profitable and can internally generate sufficient funds to finance its operating costs, the Company remains dependent upon the financial support of its shareholders. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

At September 30, 2016, the Company has a working capital deficiency of $494,301 (December 31, 2015 - $957,867) and the Company has insufficient working capital to fund its operating requirements for the next 12 months. The Company's continued operations will remain dependent on external sources of financing until such time as it can internally generate sufficient income from software sales to service its on-going operating cost requirements. Future funding may be obtained by means of issuing share capital, the exercise of warrants, the exercise of stock options or debt financing. Based on these facts, the Company is significantly exposed to liquidity risk.

iii. Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a. Interest rate risk

As of September 30, 2016, the Company did not have any investments in investment-grade short-term deposit certificates, and interest exposure with respect to its cash balances is minimal.

As at September 30, 2016, the Company had loans bearing interest at a fixed rate of 10% and 12% and convertible debentures bearing interest at a fixed rate of 7% per annum and as such is not significantly exposed to interest rate fluctuations.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b. Financial Instrument risk (continued)

b. Foreign currency risk

At September 30, 2016, $1,072,504 of the Company's liabilities and $197,652 of its current assets are denominated in Canadian funds. A 1% change in the Canadian/US dollar exchange rate would result in an $8,748 net impact on the Company's foreign exchange gain or loss. Following the RTO, the Company is increasingly exposed to the Canadian dollar which is the functional currency of Identillect Technologies Corp. and Identillect Technologies (Canada) Inc. As at September 30, 2016, the Company is moderately exposed to foreign exchange fluctuations.

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to fund existing operations and thereby provide returns to its shareholders. The Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business. The Company defines capital that it manages as the aggregate of its issued common shares, share-based payments reverses, warrants, and stock options and its cash balances.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments. The Company requires capital to maintain its operating businesses, sustain corporate operations and repay existing obligations. The Company currently is not able to internally finance on-going operating costs of its businesses and therefore will require additional financing by means of issuing share capital, the sale of assets or debt financing.

There can be no certainty of the Company's ability to raise any additional financing from any of these sources.

Management reviews its capital management approach on an ongoing basis and believes that this approach given the relative size of the Company is reasonable. The Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the period ended September 30, 2016.