

IDENTILLECT TECHNOLOGIES CORP.

(Formerly Identillect Technologies Inc.)

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

As at and for the three months ended March 31, 2016

Identillect Technologies Corp.**(formerly Identillect Technologies Inc.)**

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in US dollars)

As at

	March 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 8,625	\$ 12,375
Receivables	95,000	33,012
	103,625	45,387
Furniture and equipment (Note 6)	15,126	14,656
Development costs (Note 5)	33,282	103,329
Total Assets	\$ 152,033	\$ 163,372
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 336,702	\$ 360,824
Credit Facility (Note 8)	516,103	492,612
Deferred revenue	102,513	95,341
Loans payable (Note 8)	284,018	54,477
	1,239,336	1,003,254
Shareholders' Equity		
Share capital (Note 9)	2,702,590	2,509,840
Share-based payment reserve	193,600	193,600
Deficit	(3,983,493)	(3,543,322)
	(1,087,303)	(839,882)
Total Liabilities and Shareholders' Equity	\$ 152,033	\$ 163,372

Nature and Continuance of Operations – Note 1

Related Party Transactions – Note 7

Subsequent Events – Note 10

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 Identillect Technologies Inc.)**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in US dollars)

	For the three months ended March 31,	
	2016	2015
Revenues	\$ 140,952	\$ 16,947
Cost of Sales	27,289	6,389
	113,663	10,558
Expenses		
Amortization (Notes 5 & 6)	70,047	94,275
Consulting fees (Note 7)	70,570	22,800
Finance and interest costs (Notes 7 & 8)	14,998	14,779
General and administrative	15,970	19,984
Operating costs	56,946	18,424
Professional fees (Note 7)	1,349	9,450
Proposed transaction costs	-	6,206
Rent	15,670	17,570
Salaries and wages (Note 7)	224,704	251,116
Sales and marketing	38,459	15,064
Share-based compensation (Note 7)	-	8,617
	508,713	478,285
Loss before other items	(395,050)	(467,727)
Other items		
Foreign exchange gain/(loss)	(45,121)	399
	(45,121)	399
Loss and comprehensive loss for the period	\$ (440,171)	\$ (467,328)
Weighted average number of shares outstanding	28,712,695	19,153,913
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)

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

Identillect Technologies Corp.
(formerly Identillect Technologies Inc.)
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited – Prepared by Management)
(Expressed in US dollars)

	Number of Common Shares	Share Capital Amount	Subscription payable	Share-based payment reserve	Deficit	Shareholders' Equity
Balance, December 31, 2014	18,388,947	\$ 1,697,842	\$ -	\$ 171,801	\$ (1,703,205)	\$ 166,438
Share issuance – private placement	939,000	192,117	-	-	-	192,117
Share issuance costs	-	(12,327)	-	-	-	(12,327)
Share-based payments	-	-	-	8,617	-	8,617
Share subscription received			105,000	-	-	105,000
Loss and comprehensive loss for the period	-	-	-	-	(467,328)	(467,328)
Balance, March 31, 2015	19,327,947	\$ 1,877,632	\$ 105,000	\$ 180,418	\$ (2,170,533)	\$ (7,483)
Balance, December 31, 2015	26,157,139	\$ 2,509,840	\$ -	\$ 193,600	\$ (3,543,322)	\$ (839,882)
Share issuance – private placements (Note 9)	10,000,000	192,750	-	-	-	192,750
Loss and comprehensive loss for the period	-	-	-	-	(440,171)	(440,171)
Balance, March 31, 2016	36,157,139	\$ 2,702,590	\$ -	\$ 193,600	\$ (3,983,493)	\$ (1,087,303)

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

	For the three months ended March 31,	
	2016	2015
Cash provided by (used for):		
Operating Activities:		
Loss for the period	\$ (440,171)	\$ (467,328)
Items not affecting cash:		
Amortization	70,047	94,275
Interest accrued	14,998	14,779
Share-based payments	-	8,617
Changes in non-cash working capital items:		
Account receivable	(61,988)	4,260
Accounts payable and accrued liabilities	(24,122)	13,004
Deferred revenue	7,172	23,980
	(434,064)	(308,413)
Investing Activities:		
Additions to furniture, fixtures and equipment	(470)	-
	(470)	-
Financing Activities:		
Proceeds from share issuance	192,750	192,117
Share issuance costs	-	(12,327)
Proceeds from notes payable	238,132	42,005
Proceeds from credit facility	-	75,000
Repayment of credit facility	(20,386)	-
Repayment of loan	(16,438)	-
Subscription received	-	105,000
	394,058	401,795
Impact of foreign exchange on cash	36,726	-
(Decrease) in cash for the period	(3,750)	93,382
Cash, beginning of the period	12,375	58,721
Cash, end of the period	\$ 8,625	\$ 152,103
Supplemental information:	2016	2015
Interest paid	\$ -	\$ -
Interest taxes	\$ -	\$ -

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

Identillect Technologies Corp.**(formerly Identillect Technologies Inc.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016

(Unaudited – Prepared by Management)

(Expressed in US dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Identillect Technologies Corp. (the "Company" or "Identillect Corp.") was incorporated on November 7, 2014 under the British Columbia Business Corporations Act. The registered records office is 2200 HSBC Building, 885 West Georgia Street, Vancouver, BC V6C 3E8.

The Company's wholly owned subsidiary, Identillect Inc. was incorporated under the Nevada Business Corporation Act on August 24, 2010. Identillect Inc. is a software development company that has developed an email encryption software solution. The head office of Identillect Inc. is located at 30950 Rancho Viejo Road, Suite 120, San Juan Capistrano, CA 92675.

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 March 31, 2016, the Company has not achieved profitable operations and has accumulated losses of \$3,983,493 (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.

On May 24, 2016 the Company announced the completion of its proposed reverse takeover transaction. See Subsequent Events Note 10 for details.

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.

Identillect Technologies Corp.**(formerly Identillect Technologies Inc.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016

(Unaudited – Prepared by Management)

(Expressed in US dollars)

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 consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary:

Name of Subsidiary	Ownership	Activity
Identillect Technologies Inc.	a Nevada corporation incorporated on August 24, 2010	The Delivery Trust operating company.

The financial statements of the Company were authorized for issue by the Board of Directors on June 27, 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 Company's most recent audited annual consolidated financial statements as at and for the year ended December 31, 2015 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.

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:

Identillect Technologies Corp.

(formerly Identillect Technologies Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

a. Critical accounting estimates (continued)

i. Amortization period for development costs

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.

ii. 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.

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 March 31, 2016, the Company had a working capital deficiency of \$1,135,711 (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.

Identillect Technologies Corp.**(formerly Identillect Technologies Inc.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016

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5. 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	2015	December 31, 2015	2016	March 31, 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)	(70,047)	(676,022)
Net book Value	\$ 472,869	-	\$ 103,329	-	\$ 33,282

6. FURNITURE AND EQUIPMENT

	Furniture and Equipment	Computer Equipment	Total
Net book value, Dec 31, 2014	\$ 14,194	\$ 8,021	\$ 22,215
Additions	-	-	-
Amortization	(3,548)	(4,011)	(7,559)
Net book value, Dec 31, 2015	\$ 10,646	\$ 4,010	\$ 14,656
Net book value, Dec 31, 2015	\$ 10,645	\$ 4,011	\$ 14,656
Additions	-	470	470
Amortization	-	-	-
Net book value, March 31, 2016	\$ 10,645	\$ 4,481	\$ 15,126

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016

(Unaudited – Prepared by Management)

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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 three months ended March 31,	
		2016	2015
Consulting fees	To a company related to a director	\$ 23,320	\$ 18,000
Salaries and wages	To officers of the Company	85,620	87,120
Share-based compensation expense	Officers/ Directors	-	8,617
		\$ 108,940	\$ 113,737

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

Type of Service	Nature of Relationship	March 31,	December 31
		2016	2015
Other payables	To directors and companies related to a director	\$ 167,493	\$ 163,583
Legal Fees payable	To a law firm for which a director is a partner thereof	-	73,471
Reimbursement of expenses	Director	3,118	2,922
Salaries and wages	To an officer of the Company	48,469	23,107
		\$ 219,080	\$ 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.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016

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8. LOANS PAYABLE AND CREDIT FACILITY

The following table summarizes loan transactions for 2015 and for the three months ended March 31, 2016. The loans payables are unsecured, bear interest at 10% per annum, and are due on demand.

Loan 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	238,132	-	238,132
Repayment	(16,438)	-	(16,438)
Interest accrued	-	4,189	4,189
Translation adjustment	3,658	-	3,658
March 31, 2016	\$ 279,107	\$ 4,911	\$ 284,018

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.

The following table summarizes the Credit Facility transactions for 2015 and for the three months ended March 31, 2016:

Credit facility	Principal	Accumulated Interest	Total Debt
December 31, 2014	\$ -	\$ -	\$ -
Proceeds	431,007	-	431,007
Repayment	(279,122)	-	(279,122)
Financing fees	28,900	-	28,900
Interest accrued	-	28,194	28,194
Roll over from loan payable	255,588	28,045	283,633
December 31, 2015	\$ 436,373	\$ 56,239	\$ 492,612
Repayment	(20,386)	-	(20,386)
Interest accrued	-	10,809	10,809
Translation adjustment	33,068	-	33,068
March 31, 2016	\$ 449,055	\$ 67,048	\$ 516,103

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

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016

(Unaudited – Prepared by Management)

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9. 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

On March 8, 2016, the Company issued 10,000,000 common shares for aggregate gross proceeds of \$192,750. Each unit consisted of one common share and one-eighth of a common share purchase warrant exercisable into one common share at a price of CDN \$0.40 per share for a period of 18 months.

Fiscal 2015 Transactions:

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 and the RTO transaction 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
Balance, December 31, 2014	1,275,000	\$ 0.20
Cancelled	(62,500)	\$ 0.20
Balance, December 31, 2015 and March 31, 2016	1,212,500	\$ 0.20

At March 31, 2016, a summary of stock options outstanding and exercisable are as follows:

Grant Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
November 30, 2013	1,212,500	1,212,500	\$0.20	November 30, 2018	2.67

Subsequent to the end of the year, on April 16, 2016, 10,000 options were cancelled.

For the three months ended March 31, 2016, the Company recorded \$Nil in share-based compensation (March 31, 2015: \$8,617).

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016

(Unaudited – Prepared by Management)

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9. SHARE CAPITAL AND RESERVES (continued)**d. Warrants**

A summary of the Company's 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
Issued with private placement – March 2016	1,250,000	\$ 0.40
Balance, March 31, 2016	4,850,000	\$ 0.40

A summary of warrants outstanding at March 31, 2016 are as follow:

Number of Options Outstanding	Weighted Average Exercise Price (\$CDN)	Expiry date	Remaining contractual life (years)
2,200,000	\$ 0.40	March 19, 2017	0.97
1,400,000	\$ 0.40	May 26, 2017	1.15
1,250,000	\$ 0.40	September 8, 2017	1.44
4,850,000	\$ 0.40		1.14

10. SUBSEQUENT EVENTS

On May 24, 2016, the Company announced that pursuant to an amalgamation agreement, dated January 19, 2015, as amended August 25, 2015, November 19, 2015, and May 3, 2016, the Company had amalgamated with 1021784 B.C. Ltd., a wholly-owned subsidiary of Identillect Technologies Corp (formerly Quentin Ventures Ltd.) ("Pubco") to form Identillect Technologies Inc. ("Private Identillect"), also a wholly owned subsidiary of Pubco.

Pursuant to the transaction, shareholders of the Company received 26,157,139 common shares of Pubco and 3,600,000 share purchase warrants exercisable at CDN\$0.40 for 18 months. Pubco also issued 5,000,000 preferred shares that will convert to an additional 5,000,000 common shares if Identillect achieves revenues of CDN\$10,000,000 for the fiscal year ending December 31, 2016.

The Company paid a cash commission of 7% to a broker on the aggregate proceeds of the Subscriptions Receipts sold through brokered private placements. The broker is also entitled to options to acquire common shares equal to 10% of the number of subscription receipts sold under the brokered private placements exercisable at CDN\$0.40 per share. Further, the broker received a work fee of \$25,000 and 300,000 units having the same terms as the units underlying the subscription receipts.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2016

(Unaudited – Prepared by Management)

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10. SUBSEQUENT EVENTS (continued)

An aggregate of CDN\$580,000 in accrued liabilities and credit facilities were also converted into unsecured debentures of Pubco. The debentures are payable in 18 months, bearing interest at 7% per annum and are convertible into common shares, at the option of the holders, at CDN\$0.30 per share.

In connection with closing, an additional \$2,398,500 was raised and Pubco issued an additional 11,992,500 common shares and 11,992,500 share purchase warrants to the private placement investors. 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 securities, other than 210,000 units which were issued by Pubco and are subject to a four month hold period, became free trading on completion of the transaction. Following the completion of transaction, Pubco has a total of 46,134,651 common shares issued and outstanding.