

# **QUENTIN VENTURES LTD.**

Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian Dollars)

As at and for the six months ended January 31, 2016 and 2015

# **QUENTIN VENTURES LTD.**

**(the “Company” or “Quentin”)**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**As at and for the six months ended January 31, 2016**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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 for the preparation of condensed 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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

**QUENTIN VENTURES LTD.**

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Prepaid by Management)

(Expressed in Canadian dollars)

As at

|                                                       | January 31,<br>2016 | July 31,<br>2015   |
|-------------------------------------------------------|---------------------|--------------------|
| <b>Assets</b>                                         |                     |                    |
| Current Assets:                                       |                     |                    |
| Amounts receivable                                    | \$ 34,984           | \$ 27,782          |
| Equipment (note 5)                                    | -                   | 1                  |
| <b>Total Assets</b>                                   | <b>\$ 34,984</b>    | <b>\$ 27,783</b>   |
| <b>Liabilities and Shareholders' Deficiency</b>       |                     |                    |
| Current Liabilities:                                  |                     |                    |
| Accounts payable and accrued liabilities              | \$ 340,918          | \$ 222,981         |
| Notes payable (note 4)                                | 15,385              | -                  |
|                                                       | <b>356,303</b>      | <b>222,981</b>     |
| Long term debt (note 6)                               | <b>522,867</b>      | <b>493,347</b>     |
|                                                       | <b>879,170</b>      | <b>716,328</b>     |
| Shareholders' Deficiency:                             |                     |                    |
| Share capital (note 7)                                | <b>8,939,186</b>    | <b>8,939,186</b>   |
| Share-based reserves                                  | <b>39,600</b>       | <b>39,600</b>      |
| Deficit                                               | <b>(9,822,972)</b>  | <b>(9,667,331)</b> |
|                                                       | <b>(844,186)</b>    | <b>(688,545)</b>   |
| <b>Total Liabilities and Shareholders' Deficiency</b> | <b>\$ 34,984</b>    | <b>\$ 27,783</b>   |

Nature of operations and going concern (note 1)

Proposed transaction (note 9)

Approved on Behalf of the Board March 31, 2016:

"Doug McFaul"

Doug McFaul - Director

"Moez Manji"

Moez Manji - Director

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

**QUENTIN VENTURES LTD.**

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

|                                         | For the three months ended |                    | For the six months ended |                    |
|-----------------------------------------|----------------------------|--------------------|--------------------------|--------------------|
|                                         | January 31,                |                    | January 31,              |                    |
|                                         | 2016                       | 2015               | 2016                     | 2015               |
| <b>Expenses</b>                         |                            |                    |                          |                    |
| General and administrative              | -                          | -                  | 1                        | -                  |
| Filing and transfer agent fees          | 2,660                      | 4,067              | 7,249                    | 6,634              |
| Interest                                | 15,205                     | 596                | 30,205                   | 6,031              |
| Professional fees                       | 101,186                    | 17,000             | 118,186                  | 34,623             |
| Share-based compensation                | -                          | -                  | -                        | 39,600             |
|                                         | <b>119,051</b>             | <b>21,663</b>      | <b>155,641</b>           | <b>86,888</b>      |
| <b>Net loss and comprehensive loss</b>  |                            |                    |                          |                    |
| <b>for the period</b>                   | <b>\$ (119,051)</b>        | <b>\$ (21,663)</b> | <b>\$ (155,641)</b>      | <b>\$ (86,888)</b> |
| <b>Weighted average number of</b>       |                            |                    |                          |                    |
| <b>common shares outstanding</b>        | <b>7,685,012</b>           | <b>7,685,012</b>   | <b>7,685,012</b>         | <b>5,263,816</b>   |
| <b>Basic and fully diluted net loss</b> |                            |                    |                          |                    |
| <b>per share</b>                        | <b>\$ (0.02)</b>           | <b>\$ (0.00)</b>   | <b>\$ (0.02)</b>         | <b>\$ (0.02)</b>   |

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

**QUENTIN VENTURES LTD.**

## Condensed Consolidated Interim Statements of Shareholder' Deficiency

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

|                                  | Number of<br>Common<br>Shares<br>(Note 7(b)) | Share<br>Capital    | Share-based<br>payment<br>reserves | Deficit               | Shareholders'<br>Deficiency |
|----------------------------------|----------------------------------------------|---------------------|------------------------------------|-----------------------|-----------------------------|
| <b>Balance, July 31, 2014</b>    | <b>2,185,012</b>                             | <b>\$ 8,526,686</b> | <b>\$ -</b>                        | <b>\$ (9,527,317)</b> | <b>\$ (1,000,631)</b>       |
| Share issuance to settle debt    | 5,500,000                                    | 412,500             | -                                  | -                     | 412,500                     |
| Share-based reserves             | -                                            | -                   | 39,600                             | -                     | 39,600                      |
| Loss for the period              | -                                            | -                   | -                                  | (86,888)              | (86,888)                    |
| <b>Balance, January 31, 2015</b> | <b>7,685,012</b>                             | <b>\$ 8,939,186</b> | <b>\$ 39,600</b>                   | <b>\$ (9,614,205)</b> | <b>\$ (635,419)</b>         |
| <b>Balance, July 31, 2015</b>    | <b>7,685,012</b>                             | <b>\$ 8,939,186</b> | <b>\$ 39,600</b>                   | <b>\$ (9,667,331)</b> | <b>\$ (688,545)</b>         |
| Loss for the period              | -                                            | -                   | -                                  | (155,641)             | (155,641)                   |
| <b>Balance, January 31, 2016</b> | <b>7,685,012</b>                             | <b>\$ 8,939,186</b> | <b>\$ 39,600</b>                   | <b>\$ (9,822,972)</b> | <b>\$ (844,186)</b>         |

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

**QUENTIN VENTURES LTD.**

## Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

|                                            | For the six months ended<br>January 31, |             |
|--------------------------------------------|-----------------------------------------|-------------|
|                                            | 2016                                    | 2015        |
| <b>Cash provided by/(used for):</b>        |                                         |             |
| <b>Operating Activities:</b>               |                                         |             |
| Income/(Loss) for the period               | \$ (155,641)                            | \$ (86,888) |
| Items not affecting cash:                  |                                         |             |
| Interest accrued                           | 30,204                                  | 6,031       |
| Loss on write-off of equipment (note 5)    | 1                                       | -           |
| Stock based compensation                   | -                                       | 39,600      |
| Changes in non-cash working capital items: |                                         |             |
| Amounts receivable                         | (7,202)                                 | (2,610)     |
| Accounts payable and accrued liabilities   | 117,937                                 | 22,639      |
|                                            | (14,701)                                | (21,228)    |
| <b>Financing Activities:</b>               |                                         |             |
| Proceeds from notes payable                | 14,701                                  | 21,228      |
|                                            |                                         | 21,228      |
| <b>Change in cash for the period</b>       | -                                       | -           |
| <b>Cash, beginning of the period</b>       | -                                       | -           |
| <b>Cash, end of the period</b>             | \$ -                                    | \$ -        |
| <b>Supplemental cash flow information:</b> |                                         |             |
| Interest paid                              | \$ -                                    | \$ -        |
| Income taxes                               | \$ -                                    | \$ -        |

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

## **QUENTIN VENTURES LTD.**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the six months ended January 31, 2016 and 2015

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

---

### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Quentin Ventures Ltd. (the “Company”) is a Canadian public company that is listed on the NEX Board of the TSX-V under the symbol QTN.H. 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 principal address is office is 1600 – 609 Granville Street, Vancouver, BC, Canada V7Y 1C3 and its registered records office is 2200-885 West Georgia Street, Vancouver, BC, V6C 3E8.

The Company was previously engaged in the sales and installation of broadband, high speed Internet services to the hospitality industry and other commercial customers, but is currently in the process of searching for and evaluating new business opportunities (see Proposed Transaction - Note 9).

As at January 31, 2016, the Company has not yet achieved profitable operations, has no sources of revenue, and expects to incur further losses in the development of its business. As at January 31, 2016, the Company has a working capital deficiency of \$321,319 (July 31, 2015 - \$195,198) and an accumulated deficit of \$9,822,972 (July 31, 2015 - \$9,667,331). The Company has insufficient working capital to fund its ongoing operating costs and administrative expenses for the next year, and the Company currently has no sources of revenue or cash balances from which to service its existing debt obligations. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from, settle its debt obligations, and raise equity capital to meet current and future obligations. In order to fund its continued operations and repay its debts the Company needs to raise additional financing by way of either incurring additional debt, re-negotiating its current debt, and/or issuing shares. Should the Company issue shares, it would significantly dilute the existing shareholders. There is no assurance that the Company will be able to raise the necessary financing on a timely basis or on terms acceptable to it. The continued operation of the Company currently remains dependent on the continued financial support from its creditors and shareholders and its ability to generate future profitable operations. The future success of the Company is dependent on the identification and successful negotiation/acquisition of a sustainable/viable business operation together with the ability to finance the acquisition or participation in this new opportunity. There can be no assurances that the Company will be able to secure a new business or will be able to obtain the financing required to support a new business acquisition.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation and therefore do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**QUENTIN VENTURES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

As at and for the six months ended January 31, 2016 and 2015

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standard Board ("IASB") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The 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 most recent audited July 31, 2015 annual financial statements of the Company which are available on [www.sedar.com](http://www.sedar.com).

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary 1021784 B.C. Ltd., an inactive company incorporated on December 12, 2014 in connection with the Company's proposed transaction (see Note 9).

The condensed consolidated interim financial statements of the Company are presented in Canadian dollars, which is also the functional currency of the Company.

The Company's financial statements were authorized for issue by the Board of Directors on March 31, 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 is stated at their fair value. In addition, the 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 July 31, 2015 financial statements of the Company which are available on [www.sedar.com](http://www.sedar.com) and reflect all of the adjustments necessary for fair presentation in accordance with IAS 34. This has been no material impact on these financial statements from changes in accounting standards during the period.

**4. NOTES PAYABLE**

|                         | <b>Principle</b> | <b>Accumulated<br/>Interest</b> | <b>Total Debt</b> |
|-------------------------|------------------|---------------------------------|-------------------|
| July 31, 2015           | \$ -             | \$ -                            | \$ -              |
| Accrued interest        | -                | 684                             | 684               |
| Additional advances     | 14,701           | -                               | 14,701            |
| <b>January 31, 2016</b> | <b>\$ 14,701</b> | <b>\$ 684</b>                   | <b>\$ 15,385</b>  |

The notes payable bear interest at 12% per annum, are unsecured and due on demand. During the six months ended January 31, 2016, the Company incurred \$684 of interest expense associated with these notes payable.

**QUENTIN VENTURES LTD.****Notes to the Condensed Consolidated Interim Financial Statements**

As at and for the six months ended January 31, 2016 and 2015

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**5. EQUIPMENT**

During the six months ended January 31, 2016, equipment with a net book value of \$1 that related to the Company's previous business of providing internet services to the hospitality industry, was written off.

**6. LONG TERM DEBT**

|                         | <b>Principle</b>  | <b>Accumulated<br/>Interest</b> | <b>Total Debt</b> |
|-------------------------|-------------------|---------------------------------|-------------------|
| July 31, 2015           | \$ 489,565        | \$ 3,782                        | \$ 493,347        |
| Interest accrued        | -                 | 29,520                          | 29,520            |
| <b>January 31, 2016</b> | <b>\$ 489,565</b> | <b>\$ 33,302</b>                | <b>\$ 522,867</b> |

Long term debt bears interest at 12% per annum, is unsecured and is not due until June 30, 2017. During the six months ended January 31, 2016, the Company incurred \$29,520 of interest expense associated with this long term debt (January 31, 2015 - \$nil).

**7. SHARE CAPITAL****a. Authorized**

Unlimited number of common shares, without par value

Unlimited number of preferred shares, without par value

**b. Issued and Outstanding**

|                                                         | <b>Number of Common<br/>shares</b> | <b>Amount</b>       |
|---------------------------------------------------------|------------------------------------|---------------------|
| <b>Balance as at July 31, 2015 and January 31, 2016</b> | <b>7,685,012</b>                   | <b>\$ 8,939,186</b> |

There are no preferred shares issued and outstanding as at July 31, 2015 or January 31, 2016.

**c. Stock Options**

The Company has a stock option plan whereby, from time to time, at the discretion of the Board of Directors, stock options are granted to directors, officers, employees and certain consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less an applicable discount. The options can be granted for a maximum term of ten years.

**QUENTIN VENTURES LTD.**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the six months ended January 31, 2016 and 2015

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**7. SHARE CAPITAL (continued)****c. Stock Options (continued)**

|                                                    | <b>Number of<br/>Options</b> | <b>Weighted Average<br/>Exercise Price</b> |
|----------------------------------------------------|------------------------------|--------------------------------------------|
| <b>Balance, July 31, 2015 and January 31, 2016</b> | <b>750,000</b>               | <b>\$ 0.065</b>                            |

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

| <b>Grant date</b> | <b>Number of Stock<br/>Options<br/>Outstanding and<br/>Exercisable</b> | <b>Exercise<br/>Price</b> | <b>Expiry Date</b> | <b>Weighted<br/>Average<br/>Remaining Life in<br/>Years</b> |
|-------------------|------------------------------------------------------------------------|---------------------------|--------------------|-------------------------------------------------------------|
| October 20, 2014  | 750,000                                                                | \$ 0.065                  | October 19, 2019   | 3.72                                                        |

**8. FUTURE ACCOUNTING PRONOUNCEMENTS**

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the six months ended January 31, 2016, and have not been applied in preparing these financial statements. None of these is expected to have an effect on the Company's financial statements. The Company has not early adopted these revised standards.

Effective for annual periods beginning on or after January 1, 2018

**i. IFRS 15 Revenue from Contracts with Customers**

IFRS 15 is a new standard to establish 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. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, 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 Services.

**ii. IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 is a new standard on financial instruments that will replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instruments is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

## **QUENTIN VENTURES LTD.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

As at and for the six months ended January 31, 2016 and 2015

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

---

## **9. PROPOSED TRANSACTION**

The Company has entered into an amalgamation agreement (the "Agreement"), dated January 19, 2015, as amended, among itself, its wholly-owned subsidiary, and Identillect Technologies Corp. ("Identillect"), whereby the Company plans to acquire (the "Acquisition") Identillect. The Acquisition will constitute a reverse takeover under the policies of the TSX Ventures Exchange (the "Exchange").

Identillect is a privately held technology company, incorporated under the laws of British Columbia, with operations in Orange County, California. Identillect was founded in 2010 and has been engaged in the development and commercialization of its software, a proprietary email encryption delivery technology, since that time, having already established a growing patent portfolio.

On closing of the Acquisition, the shareholders of Identillect shall receive 26,157,139 common shares of the Company in exchange for all of the outstanding Identillect shares. The Company will also issue 5,000,000 preferred shares to the holders of Identillect common shares, on a pro-rata basis, which will automatically convert into common shares of the Company subject to Identillect achieving gross revenues of at least \$10,000,000 during the year ending December 31, 2016. The common shares will be issued pro rata to the shareholders of Identillect in proportion to the number of the Company's common shares that they continue to hold at the end of the performance period. Holders of Identillect convertible securities will also receive convertible securities of the Company, on a one for one basis.

Certain parties may be required to enter into applicable escrow or pooling agreements as required by the Exchange in connection with the Acquisition.

As a condition of the proposed Acquisition, Identillect has appointed Canaccord Genuity Corp. ("Canaccord") as its agent, on a commercially reasonable, to raise gross proceeds of a minimum of \$1.4 million through a brokered private placement of not less than 7,000,000 subscription receipts (the "Subscription Receipts") of Identillect (the "Offering"), at a price of \$0.20 per Subscription Receipt. Immediately before the closing of the Acquisition, each Subscription Receipt will automatically convert into one unit of Identillect, that will further convert to one unit of the Company pursuant to the Acquisition. Each unit of the Company will consist of one common share and one share purchase warrant. Each warrant will be exercisable into one common share of the Company at a price of \$0.30 per share for a period of 12 months from the date of issuance of the warrants. All the securities to be issued in the Offering will be free trading on closing of the Acquisition.

Upon completion of the Acquisition, Identillect will pay Canaccord a cash commission equal to 7% of the aggregate proceeds of the Subscription Receipts sold, and will issue compensation options to the Agent to acquire that number of common shares of the Company equal to 10% of the number of Subscription Receipts sold under the Offering. Each compensation option will be exercisable at \$0.20 per share for a period of 12 months after closing. Canaccord will also receive a work fee of \$25,000 and a corporate finance fee 300,000 units having the same terms as the Offering units.

**QUENTIN VENTURES LTD.**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the six months ended January 31, 2016 and 2015

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

---

**9. PROPOSED TRANSACTION (continued)**

On completion of the Acquisition, the Company will seek classification as a Tier 2 technology issuer. Closing of the Acquisition remains subject to a number of conditions, including the completion of satisfactory due diligence, the entering into of definitive agreements, the completion of the Offering, receipt of all required shareholder, regulatory and third party consents, including Exchange approval, and satisfaction of other customary closing conditions.

The Acquisition cannot close until the required approvals are obtained. There can be no assurance that the Acquisition will be completed as proposed or at all.