IDENTILLECT TECHNOLOGIES CORP.

(Formerly Quentin Venture Ltd.)

Consolidated Financial Statements

(Expressed in US Dollars)

As at and for the years ended December 31, 2016 and 2015

p |604.683.3277
f |604.684.8464

SUITE 1735, TWO BENTALL CENTRE
555 BURRARD STREET
BOX 243
VANCOUVER, BC V7X 1M9

charlton

charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Identillect Technologies Corp. (formerly Quentin Ventures Ltd.)

We have audited the accompanying consolidated financial statements of Identillect Technologies Corp. (formerly Quentin Ventures Ltd.), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Identillect Technologies Corp. (formerly Quentin Ventures Ltd.) as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 1, 2017

Identillect Technologies Corp.
(Formerly Quentin Venture Ltd.)
Consolidated Statements of Financial Position
(Expressed in US dollars)
As at December 31,

		2016		2015
Assets				
Current Assets				
Cash	**$**	**21,700**	$	12,375
Receivables		**223,371**		33,012
Prepaid expenses		**22,347**		-
		267,418		45,387
Furniture and equipment (Note 6)		**13,202**		14,656
Development costs (Note 5)		**-**		103,329
Total Assets	**$**	**280,620**	$	163,372
Liabilities and Shareholders' Deficiency				
Current Liabilities				
Accounts payable and accrued liabilities (Note 7)	**$**	**521,204**	$	360,824
Credit Facility (Note 8)		**-**		492,612
Deferred revenue		**116,699**		95,341
Loans payable (Note 8)		**438,871**		54,477
		1,076,774		1,003,254
Convertible debenture (Note 9)		**409,387**		-
		1,486,161		1,003,254
Shareholders' Deficiency				
Share capital (Note 11)		**4,482,798**		2,509,840
Share-based payment reserve		**368,026**		193,600
Warrant reserve		**771,772**		-
Equity component of convertible debt (Note 9)		**18,648**		-
Accumulated other comprehensive income (loss)		**(9,661)**		-
Deficit		**(6,837,124)**		(3,543,322)
		(1,205,541)		(839,882)
Total Liabilities and Shareholders' Deficiency	**$**	**280,620**	$	163,372

Nature and Continuance of Operations – Note 1
Commitments (Note 15)
Subsequent events (Note 16)

Approved on behalf of the Board:

"Jeff Durno" — Director

"Todd Sexton" — Director

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

Identillect Technologies Corp.
(Formerly Quentin Venture Ltd.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US dollars)

		For the years ended December 31, 2016		2015
Revenues	**$**	**642,336**	$	208,351
Cost of Sales		**124,268**		48,510
		518,068		159,841
Expenses				
Filing fees		**31,898**		-
Amortization (Notes 5 & 6)		**107,167**		377,099
Consulting fees (Note 7)		**133,570**		171,949
Finance and interest costs (Note 8 & 9)		**77,810**		82,547
General and administrative		**148,801**		98,232
Operating costs		**153,895**		116,804
Professional fees (Note 7)		**119,050**		109,161
Rent		**74,531**		65,530
Salaries and wages (Note 7)		**990,235**		950,814
Sales and marketing		**78,176**		43,850
Share-based compensation (Notes 7 and 11)		**161,584**		21,799
		2,076,717		2,037,785
Loss before other items		**(1,558,649)**		(1,877,944)
Other items				
Foreign exchange gain		**26,458**		37,827
Listing expense (Note 4)		**(1,761,611)**		-
		(1,735,153)		37,827
Loss for the year		**(3,293,802)**		(1,840,117)
Translation adjustment		**(9,661)**		-
Comprehensive loss for the year	**$**	**(3,303,463)**	$	(1,840,117)
Weighted average number of shares outstanding		**38,581,511**		24,170,610
Basic and diluted loss per share	**$**	**(0.09)**	$	(0.08)

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

Identillect Technologies Corp.
(Formerly Quentin Venture Ltd.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(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	-	607,644	-	-	-	-	-	607,644
Share split (1.15:1)	3,229,192	-	-	-	-	-	-	-	-
Share issuance – private placement in exchange for extinguishment of debt	1,400,000	-	263,165	-	-	-	-	-	263,165
Share issuance costs	-	-	(58,811)	-	-	-	-	-	(58,811)
Share-based payments	-	-	-	-	21,799	-	-	-	21,799
Comprehensive income (loss) for the year	-	-	-	-	-	-	-	(1,840,117)	(1,840,117)
Balance, December 31, 2015	**26,157,139**	**-**	**$ 2,509,840**	**$ -**	**$ 193,600**	**$ -**	**$ -**	**$ (3,543,322)**	**$ (839,882)**
Acquisition of Quentin Ventures Ltd. (Note 4)	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	-	-	(105,574)	-	-	-	-	-	(105,574)
Broker warrants	-	-	(35,292)	35,292	-	-	-	-	-
Share based payments	-	-	-	-	161,584	-	-	-	161,584
Issuance of convertible debt	-	-	-	-	-	18,648	-	-	18,648
Currency translation adjustment	-	-	-	-	-	-	(9,661)	-	(9,661)
Net income (loss) for the year	-	-	-	-	-	-	-	(3,293,802)	(3,293,802)
Balance, December 31, 2016	**46,134,651**	**5,000,000**	**$ 4,482,798**	**$ 771,772**	**$ 368,026**	**$ 18,648**	**$ (9,661)**	**$ (6,837,124)**	**$ (1,205,541)**

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

Identillect Technologies Corp.
(Formerly Quentin Venture Ltd.)
Consolidated Statements of Cash Flows
(Expressed in US dollars)

	For the years ended December 31, 2016	2015
Cash provided by (used for):		
Operating Activities:		
Loss for the year	**$ (3,293,802)**	$ (1,840,117)
Items not affecting cash:		
Amortization	**107,167**	377,099
Bad debts	**79,140**	14,092
Interest accrued	**68,205**	82,547
Share-based payments	**161,584**	21,799
Foreign exchange	**17,932**	-
Listing expense	**1,761,611**	-
Changes in non-cash working capital items:		
Account receivable	**(242,330)**	(40.197)
Prepaid expenses	**(22,347)**	-
Accounts payable and accrued liabilities	**(80,943)**	224,965
Deferred revenue	**21,358**	80,240
	(1,422,425)	(1,079,572)
Investing Activities:		
Additions to furniture, fixtures and equipment	**(2,385)**	-
RTO transaction costs	**(71,212)**	-
Cash acquired with RTO	**921,995**	
	848,398	-
Financing Activities:		
Proceeds from share issuance	**858,860**	607,644
Share issuance costs	**(33,931)**	(58,813)
(Repayment) / proceeds of notes payable	**(14,970)**	156,880
Interest paid on notes payable	**(1,032)**	-
Proceeds (Repayment) of credit facility	**(20,396)**	415,050
Proceeds on loan	**350,587**	-
Repayment of loan	**(534,589)**	(87,535)
Interest on loans	**(2,066)**	-
Interest paid on debentures	**(19,212)**	-
	583,251	1,033,226
Impact of foreign exchange on cash	101	-
Change in cash for the year	**9,325**	(46,346)
Cash, beginning of the year	**12,375**	58,721
Cash, end of the year	**$ 21,700**	$ 12,375

Supplemental information:	**2016**	2015
Interest paid	**$ -**	$ -
Income taxes	**$ -**	$ -

Significant Non-Cash Transactions – Note 10

The accompanying notes are an integral part of these consolidated 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 30950 Rancho Viejo Road, Suite 120, San Juan Capistrano, CA 92675.

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 consolidated 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 December 31, 2016, the Company has not achieved profitable operations and has accumulated losses of $6,837,124 (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 26, 2016 the company closed an amalgamation agreement - see Note 4.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's financial statements were authorized for issue by the Board of Directors on May 1, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c. Consolidation

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

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

d. Revenue recognition, Accounts Receivable and Allowance for Doubtful Accounts

Revenue is recognized when persuasive evidence of an arrangement exists, the amount is fixed or determinable and collection is reasonably assured. Amounts are considered fixed or determinable if the contracts are similar to others for which the Company has a standard business practice and a history of successful collection under the original payment terms.

Acccount receivable consist of amounts due from customers and are recorded upon the sale of product to customers. Credit terms are extended to customers in the normal course of business and no collateral is required. The Company estimates an allowance for doubtful accounts based on historical losses, the existing economic conditions and the financial stability of its customers. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

e. Development Costs

The Company's policy is to capitalize development costs, specifically associated with the development of a product, up until such time as the product is commercially available. Development activities involved a plan or design for the production of new or substantially improved products and processes. Development expenditures were capitalized only if development costs could be measured reliably, the product or process was technically and commercially feasible, future economic benefits were probable, and the Company intended to and had sufficient resources to complete development and to use or sell the asset. The expenditure capitalized included the cost of materials, direct labour and overhead costs that were directly attributable to preparing the asset for its intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Development Costs (continued)

Subsequent to the product becoming commercially available at the end of April 2014, the specific development costs associated with the commercial product are being amortized on a straight-line basis over two years, beginning May 2014 and all future on-going development and enhancement activities, are being expensed. Development costs are recorded at cost less accumulated amortization.

f. Foreign Currency Translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency. The functional currency of Identillect Technologies (Canada) Inc. is the Canadian dollar.

Transactions and balances:
In preparing the financial results of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates if the transactions. At each reporting date, monetary assets and liabilities denominated in currencies other than the functional currency of the individual entities are translated using the period end foreign exchange rate. Non-monetary assets, liabilities and equity are translated using the rate of on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of operations.

Foreign operations:
The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows: assets and liabilities using the exchange rate at period end; and income, expenses and cash flow items using the rate that approximates the exchange rates at the dates of transactions (i.e. the average rate for the period). All resulting exchange differences arising from the translation of the entities with a functional currency other than the Canadian dollar are reported within accumulated other comprehensive income as a separate component of equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Furniture and Equipment

Furniture and equipment are recorded at cost less accumulated amortization and impairment losses. The Company provides for amortization using the following methods at rates designed to amortize the cost of the equipment over their period of expected use by the Company. A full year of amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The estimated useful lives of assets are reviewed by management and adjusted if necessary. The annual amortization rates and methods are as follows:

- Furniture and equipment: 5 years straight line
- Computer software: 1 years straight line
- Computer hardware: 3 years straight line

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the period they are incurred.

h. Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. The Company does not have any provisions for the years presented.

j. Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any , to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component. The balance , if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

k. Deferred financing costs and share issuance costs

Financing costs incurred for the issuance of shares are deferred and are recognized as share issuance costs following the completion of the related share issuance. Share issuance costs, consisting of commissions and other fees paid to underwriters, finders’ fees, professional fees, regulatory fees and printing costs are allocated to share capital upon closing of the related share issuance.

l. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Loss per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options and warrants on loss per share would be anti-dilutive.

n. Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment; otherwise, share-based payment is measured at the fair value of the services received.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest. Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment reserve transactions.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o. Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

p. Financial Instrument measurement and valuation

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 12 to these financial statements. Any financial instrument that is valued using level 2 or level 3 inputs will involve estimate uncertainty.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p. Financial Instrument measurement and valuation (continued)

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of held-to-maturity financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. In the determination of the values of held-to-maturity financial instruments, the Company makes assumptions with respect to future cash flows and discount rates. Changes in these assumptions can materially affect the fair value estimate.

q. Financial assets

The Company classifies its financial assets into one of the following categories and the accounting policy for each category is as follows:

i. Fair value through profit or loss ("FVTPL")

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges. Assets in this category include cash.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in profit or loss. Attributable transaction costs are recognized in profit or loss when incurred.

ii. Available-for-sale ("AFS")

Financial assets available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss ("OCI") except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost. The Company does not have any AFS assets.

Financial assets AFS are initially recognized, and subsequently carried at fair value with changes recognized in OCI. Attributable acquisition transaction costs, if any, are recognized in the initial fair value.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

q. Financial assets *(continued)*

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include receivables. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is used to determine the amortized cost of loans and receivables and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

iv. Held to maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently measured at amortized cost basis using the effective interest method, less any impairment losses. These assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company does not have any held to maturity assets.

v. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

q. Financial assets *(continued)*

v. Impairment of financial assets (continued)

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

vi. De-recognition of financial assets

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all of the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

r. Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r. Financial liabilities and equity (continued)

The Company classifies its financial liabilities into one of two categories and the accounting policy for each category is as follows:

i. Fair value through profit or loss

This category of financial liability includes liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are initially recorded at fair value with subsequent changes in fair value recognized in profit and loss. The Company does not have any fair value through profit or loss liabilities.

ii. Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. This category includes notes payable and accounts payable and accrued liabilities.

s. 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.

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.

t. Preferred shares

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

u. Future Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.

- IFRS 15: 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, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model.

3. 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:

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

a. Critical accounting estimates (continued)

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.

iii. 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).

iv. Valuation of equity instruments
The Company is required to make certain estimates regarding equity instruments issued as consideration in the RTO (Note 4).

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 December 31, 2016, the Company had a working capital deficiency of $831,703 (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)

4. 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 Technologies Corp. 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)

4. 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 (liabilities) of the Company are included at their fair value of $(679,749):
iii) The listing expense of $1,761,610 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 7,685,015 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.

(Expressed in US dollars)

5. DEVELOPMENT COSTS

Following the commercial launch of the Company's Delivery Trust Software during the year ended December 31, 2015, 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**	**December 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)	(103,329)	**(709,304)**
Net book Value	$ 472,869	(369,540)	$ 103,329	(103,329)	**$ -**

6. FURNITURE AND EQUIPMENT

	Furniture and Equipment	**Computer Equipment**	**Total**
Net book value, Dec 31, 2014	$ 14,194	$ 8,021	$ 22,215
Amortization	(3,548)	(4,011)	(7,559)
Net book value, Dec 31, 2015	**$ 10,646**	**$ 4,010**	**$ 14,656**
Additions	361	2,024	2,385
Amortization	(2,165)	(1,674)	(3,839)
Net book value, Dec 31, 2016	**$ 8,842**	**$ 4,360**	**13,202**

(Expressed in US dollars)

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 years ended December 31, 2016	2015
Consulting fees	To a Company related to a director	**$ 97,504**	$ 96,824
Salaries and wages	To officers of the Company	**268,677**	357,418
Legal	To a law firm for which a Director is a partner thereof	**67,980**	77,149
Share-based compensation expense	Officers/ Directors	**161,584**	21,799
		$595,745	$ 553,190

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

Type of Service	Nature of Relationship	December 31, 2016	December 31 2015
Other payables	To directors and companies related to a	**$ 1,529**	$ 163,583
Legal Fees payable	To a law firm for which a director is a partner	**35,106**	73,471
Reimbursement of expenses	Director	**-**	2,922
Salaries and wages	To an officer of the Company	**110,250**	23,107
		$ 146,885	$ 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.

(Expressed in US dollars)

8. LOANS PAYABLE AND CREDIT FACILITY

The following table summarizes loan transactions for 2016 and 2015:

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 expense	-	25,453	25,453
Roll over to credit facility	(255,588)	(28,045)	(283,633)
December 31, 2015	**$ 53,755**	**$ 722**	**$ 54,477**
Proceeds	350,587	-	350,587
Repayment	(584,064)	(7,271)	(591,335)
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	-	31,988	31,988
Translation adjustment	(8,485)	(1,143)	(9,632)
December 31, 2016	**$ 370,885**	**$ 67,986**	**$ 438,871**

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.

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.

(Expressed in US dollars)

8. LOANS PAYABLE AND CREDIT FACILITY *(continued)*

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	(20,396)
Interest accrued	13,676
Transfer to loan payable	(166,201)
Transfer to convertible debenture	(379,707)
Translation adjustment	60,016
December 31, 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	7,282
Translation adjustment	(27,214)
Net convertible debentures payable, December 31, 2016	**$ 409,387**
Equity component of convertible debentures	**$ 18,648**

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.

Subsequent to year end, the maturity date was extended to November 17, 2018.

10. SIGNIFICANT NON CASH TRANSACTIONS

During the year ended December 31, 2016, the Company:

- Issued 300,000 broker units in connection with the private placement at a value of $46,341 (Note 11).
- Issued 494,250 broker warrants in connection with the private placement at a value of $35,292 (Note 11).
- The RTO as disclosed in Note 4.

During the year ended December 31, 2015:

- A credit facility was established as discussed in Note 8. The credit facility assumed $255,588 of the notes payable and $28,045 in related interest.
- As discussed in Note 8, $463,995 of the credit facility debt was assigned by the related party creditors to creditors who are not related parties.
- As discussed in Note 11, the Company issued 1,400,000 share capital units in exchange for the extinguishment credit facility debt totaling $263,165.

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

Fiscal 2016 Transactions:

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 4).

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 $31,663 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)

Fiscal 2015 Transactions:

On January 8, 2015, the Company issued 939,000 common shares for aggregate gross proceeds of $192,117.

On September 19, 2015, the Company issued 2,200,000 units for aggregate gross proceeds of $415,528. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of CDN$0.40 per share for a period of 18 months.

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

On November 26, 2015, the Company issued 1,400,000 units in exchange for the extinguishment credit facility debt totalling $263,165. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at a price of CDN$0.40 per share.

Finder's fees and transaction costs relating to private placements and the RTO transaction for the year totaled $58,811 on the private placements.

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
Forfeited	(62,500)	0.20
Balance, December 31, 2015	**1,212,500**	**$ 0.20**
Cancelled	(160,000)	0.20
Granted for RTO (Note 4)	700,000	0.25
Expired	(700,000)	0.25
Issued	2,689,500	0.20
Balance, December 31, 2016	**3,742,000**	**$ 0.20**

(Expressed in US dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

c. Stock options (continued)

At December 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	1,202,500	1,202,500	$0.20	May 24, 2021	4.40
May 24, 2016	2,539,500	759,875	$0.20	May 24, 2021	4.40

Share-based payments

During the year ended December 31, 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 $129,016 (2015 - $21,799).

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 year 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%.

(Expressed in US dollars)

11. 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, 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, December 31, 2016	**15,592,500**	**$ 0.33**

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

Number of Warrants Outstanding	Weighted Average Exercise Price (Cdn$)	Expiry date	Remaining contractual life (years)
3,600,000	$ 0.40	November 18, 2017	0.88
10,742,500	0.30	May 18, 2017	0.38
1,250,000	0.40	November 18, 2017	0.88

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, December 31, 2016	**794,250**	**$ 0.24**

A summary of broker warrants outstanding at December 31, 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	0.38
494,250(ii)	0.20	May 17, 2017	0.38

(Expressed in US dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

(i) The fair value of the broker warrants 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 warrants 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

As at December 31, 2016 and 2015, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, loans, credit facilities and convertible debentures.

	Level 1	Level 2	Level 3	Total
December 31, 2016				
Cash	$ 21,700	$ -	$ -	$ 21,700
Convertible debentures	-	409,387	-	409,387
	$ 212,700	**$ 409,387**	**$ -**	**$ 431,087**
December 31, 2015				
Cash	$ 12,375	$ -	$ -	$ 12,375
Convertible debentures	-	-	-	-
	$ 12,375	$ -	$ -	$ 12,375

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. The fair value of convertible debentures is determined based on Level 2 inputs and estimated using the fair value of a similar liability that does not have an equity conversion option.

Receivables are classified as loans and receivables and measured at amortized cost. Accounts payable and accrued liabilities; notes payable, loans, and credit facilities 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.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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 December 31, 2016, the Company's receivable balance of $223,371 (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. Management has assessed there to be moderate credit risk associated with these receivables.

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 December 31, 2016, the Company has a working capital deficiency of $831,703 (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.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

b. Financial Instrument risk *(continued)*

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 December 31, 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 December 31, 2016, the Company had notes payable, loans, and credit facilities bearing interest at a fixed rate of 10% per annum and as such is not significantly exposed to interest rate fluctuations.

b. Foreign currency risk

At December 31, 2016, $1,143,409 of the Company's liabilities and $3,144 of its cash balance are denominated in Canadian funds. A 1% change in the Canadian/US dollar exchange rate would result in an $11,046 net impact on the Company's foreign exchange gain or loss. As at December 31, 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 asserts. 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.

(Expressed in US dollars)

13. CAPITAL MANAGEMENT *(continued)*

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 year ended December 31, 2016.

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	December 31, 2016	**December 31, 2015**
	$	**$**
Loss for the year	**(3,293,802)**	(1,840,117)
Corporate statutory rate	**40%**	40%
Expected tax recovery	**1,317,521**	736,047
Change in unrecognized deferred tax assets	**1,317,521**	736,047
Income tax expense (recovery)	**-**	-

The significant components of the Company's unrecognized deferred income tax assets and liabilities are as follows:

	December 31, 2016	**December 31, 2015**
	$	**$**
Non-capital loss carry-forward	**2,019,069**	1,413,197
Unrecognized deferred tax assets	**2,019,069**	1,413,197

(Expressed in US dollars)

15. COMMITMENTS

The Company entered into an office lease agreement during the year. The Company's minimum payments over the next three fiscal years are as follows:

2017	$ 63,389
2018	63,389
2019	52,824
Total	$ 179,602

16. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2016, the Company completed a non-brokered private placement, raising aggregate proceeds of $1,382,000 by issuing 23,033,334 units at a price of $0.06 per unit, with each unit consisting of one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of $0.15 per share for a period of 12 months from the date of closing.

In connection with the Placement, the Company paid a cash commission totaling $48,240 and issued 804,000 broker warrants. Each broker warrant entitles the holder to acquire one common share, at a price of $0.15 until January 26, 2018. All securities issued in connection with the Placement are subject to a hold period expiring May 27, 2017.

The Company announced on March 1, 2017, the grant of 450,000 stock options, exercisable at $0.11 per share, for a period of five years.

On March 14, 2017, the Company announced the completion of a non-brokered private placement, raising aggregate proceeds of $320,000 by issuing 3,200,000 common shares at a price of $0.10 per share. All securities issued in connection with the Placement are subject to a hold period expiring July 15, 2017.