IDENTILLECT TECHNOLOGIES CORP.
(formerly Quentin Ventures Ltd.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Dated: May 1, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of Identillect Technologies Corp. (formerly Quentin Ventures Ltd.) ("Identillect" or the "Company") for the year ended December 31, 2016 and is prepared as at May 1, 2017. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") (the "Financial Statements"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements.

All dollar amounts referred to in this MD&A are expressed in US dollars except where indicated otherwise.

APPROVAL

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statements of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in this MD&A. The Board of Directors' approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute forward-looking statements that are subject to certain risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "continue", "expect", "may", "will", "believe", "should" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made.

These forward-looking statements include, but are not limited to, statements relating to:

- the Company's ability to continue as a going concern;

- the Company's ability to debt settle its outstanding obligations;
- the Company's ability to raise additional capital through the issuance of equity or debt instruments;
- the Company's strategies and objectives;
- the Company's cost reductions and other financial operating objectives;
- general business and economic conditions;
- the Company's ability to meet its financial obligations as they become due;
- the Company's ability to identify, successful negotiate and/or finance an acquisition of a new business opportunity;
- the positive cash flows and financial viability of new business opportunities;
- the Company's ability to manage growth with respect to a new business opportunity; and
- the Company's tax position, anticipated tax refunds and the tax rates applicable to the Company.

Actual results and developments are likely to differ, and may differ significantly, from those expressed or implied by the forward-looking statements in this report. These statements are based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- changes in the financial markets generally and our ability to raise sufficient funding to pay creditors and continue as a going concern; and
- the continued financial support of the Company's debt holders and shareholders.

Readers are cautioned that the lists of risks, uncertainties, assumptions and other factors are not exhaustive. The forward-looking statements are expressly qualified by this cautionary statement.

OVERVIEW

Identillect Technologies Corp. (formerly Quentin Ventures Ltd.) is a Canadian public company which is listed on the TSX Venture Exchange (the "Exchange") under the symbol ID and the OTCQB Markets under the symbol IDTLF. 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.

The Company's wholly owned subsidiary, Identillect Inc. was incorporated under the Nevada Business Corporation Act on August 24, 2010. Identillect Inc. is a software development company that has developed an email encryption software solution. The head office of Identillect Inc. is located at 23686 Birtcher Drive, Lake Forest, California 92630.

On May 18, 2016, Quentin executed a reverse acquisition (the "RTO"), by way of a three-cornered amalgamation with 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 primary activity of Identillect has been the research, design and development of an email encryption solution for use by business and individuals in their day-to-day communication. The result of these efforts has been the creation of its Delivery Trust™ software. Identillect's Delivery Trust™ proprietary e-mail encryption technology targets organizations of all sizes, as well as individuals (i.e. medical professionals, insurance companies, accountants, lawyers, real estate agents, educators) on a monthly subscription basis. Delivery Trust™ can be accessed by professionals on a vast array of electronic communication devices. All messages and their attachments are secured with patented, state-of-the-art encryption technology while providing complete control of the message with the click of a button, ensuring safety and control while in transit. In addition, Identillect's software empowers senders to maintain control of their messages by restricting recipients' printing/forwarding/viewing privileges, audit log, read receipt as well as securing all replies from recipients, without any requirement for them to register.

Identillect sets itself apart from its competition with unique and intuitive customizable security and control capabilities. These controls work with many platforms such as Outlook, O365, and O365 for Apple, Outlook.com, Hotmail.com, Gmail.com, Web Mail, and Mobile applications.

Since commercializing the product, Identillect has quickly grown its subscriber base and is becoming recognized in the security industry as a top e-mail security provider. Visit https://identillect.com/ to learn more.

DEVELOPMENTS

Pursuant to the RTO transaction which completed during the period, shareholders of the shareholders of Identillect received 26,157,139 common shares of the Company and 3,600,000 share purchase warrants exercisable at CDN$0.40 for 18 months.

In connection with the RTO, an additional CDN$2,398,500 was raised and the Company issued an additional 11,992,500 common shares and 11,992,500 share purchase warrants to the private placement investors.

In addition to completing the amalgamation, key and strategic milestones met during the year quarter ended December 2016 included:

- Refined the following features of Delivery Trust™ to be more user-friendly: restrict printing, restrict forwarding, recall sent messages, and complete audit information on every sent email.
- Expanded the administrative product functions of Delivery Trust™, allowing any administrator at any skill level to manage the following items for their users: the ability to suggest or require restrictions on printing, forwarding, email retention, downloading of attachments, and audit log. They can also require security to be required if certain terms, information, or attachments are contained in the email. This allows even the most novice administrator complete control of their business communications. Additionally, administrators can add or remove users with absolute ease.
- Expanded its secure electronic security platform by creating electronic signature templates allowing all users to easily integrate any document for electronic signature coming from company forms and CRM systems.

- Launched a highly successful reseller program with its deployment of Delivery Trust™ email security to Long-Term Care Resources (LTCR) network of agents across the United States. LTCR is the exclusive LTC provider for over 650 affinity organizations. In just two weeks, Identillect educated LTCR independent agents through webinars and has had more than 25% sign-up for the Delivery Trust™ secure email service.
- Delivery Trust™, the Company's HIPAA compliant email security solution ranked #1 in five categories on CrowdReviews.com in July 2016. Delivery Trust™ email encryption solution ranked #1 in all five of the digital security-focused categories on CrowdReviews.com:
    - #1 in Email Management Software
    - #1 in Risk Management Software
    - #1 in Email Encryption Software
    - #1 in Business Security Software
    - #1 in Digital Signature Software
- Launched an Office 365 Plug-in for Delivery Trust™ that possesses all the functionality of the other Delivery Trust™ products, and allows users working directly from the web access of Outlook in Office 365 to work direct.
- Developed a new 'getting started' process which simply allows new users to integrate the Delivery Trust™ system and makes it easy for even the most novice user to secure their organizational or company email with a few easy steps.
- Launched a new corporate website. The new site reflects recent product updates and an enhanced focus on user interface and experience. Development of Gmail version 2, a fully integrated security platform integrated into Gmail platform, expanding the user base Identillect can market to.
- Created European data center for Amazon s3, to allow growth into the European markets with the new expanded GDPR regulation that is going into effect in early 2018, which will affect all European businesses and all United States businesses doing business with European companies.
- Expanded reseller portal allows for more integrated reseller partners and advanced joint marketing campaigns and automation.
- A full-time developer advancing technology to increase the scalability and modularity of Delivery Trust. This will allow faster development time, continuous integration/development practices, and accelerates delivery of new functions.
- Hired Ken Gertsen, Product Manager for Identillect. Mr. Gertsen was previously with Quest Software, and Dell, where he lead his team to win the Gold Stevie® Award in 2014 for "New Product or Service of the Year – Software - Systems Management Solution" from The American Business Awards. Mr. Gertsen has joined Identillect to assist in the continued advancement of Delivery Trust™.

SUBSEQUENT EVENTS

On January 27, 2017, 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 until January 26, 2018.

In connection with the financing, 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 financing are subject to a hold period expiring May 27, 2017.

On March 1, 2017, the Company granted 450,000 stock options, exercisable at $0.11 per share, for a period of five years.

On March 14, 2017, the Company closed 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 financing are subject to a hold period expiring July 15, 2017.

OUTLOOK

The Company’s Delivery Trust™ email encryption solution is fully commercialized and the Company is focussed on growing its subscriber base, both through direct sales and reseller partnerships.

Cyber security vulnerabilities have become a major issue for business communications, and this problem has adversely affected almost every industry doing business today. To cope with the ongoing and increasing vulnerability issues, regulators are implementing new rules and regulations that companies are required to adhere to when communicating any type of personal identifying information with clients or other businesses. These regulations are affecting businesses on a state, federal, and industry level. 48 out of 50 states have regulations in place affecting data handling, there are more than a dozen industry regulations such as HIPAA, and new federal regulations proposed such as HR 2205 which will be pervasive in many industries.

Heath Insurance Portability and Accountability Act (HIPAA) is the medical compliance regulation in the United States; this regulation specifies how all organizations dealing with patient health information must secure it. Currently, HIPAA is performing phase 2 audits requiring all entities affected by the regulation and all companies doing business with those entities to secure data in transit. There have been 1.4 billion records compromised in the medical industry alone in 2016.

Cyber criminals also affect other industries such as financial, legal, real-estate, and retail which are going to be regulated by HR 2205 (Data Security Act), expected to pass in 2017. The United States is the most breached nation in the world, having 1,193% more breaches then the next closest country, which is the United Kingdom. Gemalto indicates 4.5 million records are breached daily with only 4% having adequate encryption which protects the data. Identillect focuses on providing encryption technology to advance the amount of protected information and limit the successful breaches.

With the ever-increasing regulations, data breaches are now one of the largest issues businesses are facing in retaining the security of their clients’ information and consequently insuring the integrity of their businesses reputation. Identillect’s product, Delivery Trust™ with Smart Scan technology allows businesses to enforce compliant employee e-mailing behaviour by requiring the use of encryption when sensitive content is identified.

The Company has greatly expanded its strategic partner network to a wide array of managed information technology (IT), software-as-a-service (SAAS) and compliance organizations. One of the key areas of growth that the Company is currently focused on is in assisting its reseller partners to implement compliance within the many regulated industries to ensure their clients are complying and do not fall victim to substantial fines.

Due to greater exposure in its target markets, Identillect expects to continue to gain the attention of larger organizations such as hospitals, insurance companies and benefits providers in the United States, resulting in significant growth in Identillect's subscriber base.

SELECTED ANNUAL INFORMATION

	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
Total revenue	$642,336	$208,351	$35,728
Net loss and comprehensive loss	$(3,303,463)	$(1,840,117)	$(1,546,086)
Basic and diluted loss per share	$(0.09)	$(0.08)	($0.09)
Total current assets	$267,418	$45,387	$65,628
Total current liabilities	$1,076,774	$1,003,254	$394,274

Over the periods presented, the Company has endeavoured to increase its subscriber base of Delivery Trust™. In the year ended December 31, 2016, the Company completed its RTO transaction and incurred a non-cash listing expense of $1,761,610 resulting in a larger than normal loss for the year.

SUMMARY OF QUARTERLY RESULTS[1]

	4th Quarter Ended Dec 31, 2016	3rd Quarter Ended Sept 30, 2016	2nd Quarter Ended Jun 30, 2016	1st Quarter Ended Mar 31, 2016
Total revenue	$161,410	$175,676	$164,298	$140,952
Net loss and comprehensive loss	$399,629	$322,420	$2,141,243	$440,171
Basic and diluted loss per share	$(0.01)	$(0.01)	$(0.06)	$(0.02)

	4th Quarter Ended Dec 31, 2015	3rd Quarter Ended Sept 30, 2015	2nd Quarter Ended Jun 30, 2015	1st Quarter Ended Mar 31, 2015
Total revenue	$108,341	$49,259	$33,804	$16,947
Net loss and comprehensive loss	$509,268	$468,122	$395,399	$467,328

Basic and diluted loss per share	$(0.02)	$(0.02)	$(0.02)	$(0.02)

[1] The information presented is derived from the respective unaudited condensed interim financial statements which have been prepared by management using accounting policies consistent with IFRS and in accordance with IAS 34-Interim Financial Reporting

Historic results represent the results and operations of Identillect. The expenses and operations of Quentin are included from the date of the RTO on May 18, 2016.

The results of the three months ended June 30, 2016 include a non-cash listing expense of $1,761,611 related to the RTO. Details regarding the expense are included in the accompanying consolidated financial statements for the year ended December 31, 2016.

The revenues of Identillect have increased over time as the Company works to expand its sales. Correspondingly, corporate activity and expenditures have increased.

RESULTS OF OPERATIONS

For the three months ended December 31, 2016

The following is an analysis of the Company’s operating results for the three months ended December 31, 2016, and includes a comparison against the three months ended December 31, 2015.

Sales revenue, which consisted primarily of sales of software for the three months ended December 31, 2016 was $161,410, as compared to $108,341 for the three months ended December 31, 2015. The Company continues to expand its subscriber base.

Cost of sales for the three months ended December 31, 2016 was $34,608, as compared to $15,652 for the three months ended December 31, 2015. The Company’s gross margin for 2016 was 79% in the fourth quarter as opposed to 86% in the comparative quarter; however, the gross margin increased year over year overall.

Consulting fees for the three months ended December 31, 2016 were $41,250 as compared to $61,774 for the three months ended December 31, 2015. The decrease is the result of a reduction in the use of consultants.

General and administrative costs for the three months ended December 31, 2016 were $98,309 as compared to $37,297 for the three months ended December 31, 2015. The increase was due to office relocation costs and increased insurance costs.

Subscriptions and software services for the three months ended December 31, 2016 were $33,461 as compared to $38,885 for the three months ended December 31, 2015.

Professional fees for the three months ended December 31, 2016 were $38,266 as compared to $85,365 for the three months ended December 31, 2015. The decrease is primarily due to additional legal expenses in the comparative period while the Company was restructuring.

Salaries and wages for the three months ended December 31, 2016 were $223,349 as compared to $201,676 for the three months ended December 31, 2015. The significant increase is due to a number of hires made in 2016.

Sales and marketing for the three months ended December 31, 2016 were $7,696 as compared to $5,967 for the three months ended December 31, 2015. The Company is focusing on increasing their awareness through different media channels in order to generate additional sales.

Comprehensive loss for the period
As a result of the activities discussed above, the Company experienced a comprehensive loss for the three months ended December 31, 2016 of $399,629 as compared to comprehensive loss of $509,268 for the three months ended December 31, 2015.

For the year ended December 31, 2016

The following is an analysis of the Company's operating results for the year ended December 31, 2016, and includes a comparison against the year ended December 31, 2015.

Sales revenue, which consisted primarily of sales of software for the year ended December 31, 2016 was $642,336, as compared to $208,351 for the year ended December 31, 2015. The Company continues to expand its subscriber base.

Cost of sales for the year ended December 31, 2016 was $124,268, as compared to $48,510 for the year ended December 31, 2015. The gross margin was 81% for 2016 as opposed to 77% in 2015.

Filing fees for the year ended December 31, 2016 were $31,899 as compared to $nil for the year ended December 31, 2015. The increase is due to the listing of the Company on the TSX-V in 2016.

Consulting fees for the year ended December 31, 2016 were $133,570 as compared to $171,949 for the year ended December 31, 2015. The decrease is due to a reduction in the use of consultants during the year.

General and administrative costs for the year ended December 31, 2016 were $148,801 as compared to $98,232 for the year ended December 31, 2015. The increase…

Subscriptions and software services for the year ended December 31, 2016 were $153,895 as compared to $116,804 for the year ended December 31, 2015. The increase is due to the need for more applications associated with a cloud based infrastructure.

Professional fees for the year ended December 31, 2016 were $119,050 as compared to $109,161 for the year ended December 31, 2015. The increase is primarily due to higher legal expenses.

Salaries and wages for the year ended December 31, 2016 were $990,235 as compared to $950,814 for the year ended December 31, 2015. The increase correlates to an increase in headcount overall during the year.

Sales and marketing expenses for the year ended December 31, 2016 were $78,176 as compared to $43,850 for the year ended December 31, 2015. The Company is focusing on increasing awareness of Delivery Trust™ through various media channels in order to generate additional sales.

Listing expense for the year ended December 31, 2016 was $1,761,610, as compared to $Nil for the year ended December 31, 2015. This non-cash expense relates to reverse acquisition accounting and is detailed in the accompanying consolidated financial statements for the year ended December 31, 2016.

Comprehensive loss for the period
As a result of the activities discussed above, the Company experienced a comprehensive loss for the year ended December 31, 2016 of $3,303,463 as compared to comprehensive loss of $1,840,117 for the year ended December 31, 2015.

LIQUIDITY AND CAPITAL MANAGEMENT

The Company considers the aggregate of its share capital and deficit as capital. The Company's objective, when managing capital, is to ensure sufficient resources are available to meet day to day operating requirements and to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. 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.

At December 31, 2016, the Company has not achieved profitable operations and has accumulated losses 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.

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.

The Company experienced a net loss and comprehensive loss of $3,303,463 for the year ended December 31, 2016 (December 31, 2015 - $1,840,117). The Company has a history of losses and accumulated losses of $6,837,124 since its inception. The Company anticipates further future losses until the Company secures sales contracts to sustain positive cash flows. Identillect has created a product which is efficient, easy to use, and cost effective for people to implement into their day to day communications. With this ease of use and seamless integration into already existing email systems, combined with privacy protection to prevent breaches in confidentiality, Identillect anticipates a high user adoption rate of its Delivery Trust™ product, with a direct impact on the growth of Identillect's sales revenue.

During the year ended December 31, 2016, the Company's operating activities consumed cash of $1,422,425 (2015 - $1,079,572). The Company received $921,995 in connection with the RTO from accumulated cash in Quentin for subscription receipts relating to the concurrent private placement financing. The Company expended $71,212 on costs for the RTO and $2,385 in equipment purchases.

Financing activities generated $583,251 (2015 - $1,033,226) in the period. The Company generated $858,860 (2015 - $607,644) in subscription receipts for the private placement completed in the period and incurred share issuance costs of $33,931 (2015 - $58,813). Around the time of the RTO, the Company restructured debt instruments, including converting the credit facility into convertible debentures. The Company repaid $534,589 (2015 - $87,535) in loans. The Company made additional interest and principal payments in the period. In the comparative period, the Company had generated $415,050 in proceeds for the credit facility and $156,880 from loans. Detailed debt schedules are provided in the accompanying consolidated financial statements for the year ended December 31, 2016.

The Company's financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. See below under liquidity risk for further information regarding the going concern assumption.

TRANSACTIONS WITH RELATED PARTIES

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 year 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 director	**$ 1,529**	$ 163,583
Legal fees payable	To a law firm for which a director is a partner thereof	**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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

a. Fair value of financial instruments

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

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

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

b. Financial Instrument risk

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

i. Credit risk

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

The Company places its cash with institutions of high-credit worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances. As at December 31, 2016, receivables of $223,371 (December 31, 2015 - $33,012) are from subscribers of the Company's

Delivery Trust™ product. The subscribers represent a well-diversified group of individuals and small to mid-sized companies. There is moderate risk that some of these subscribers may fail to make payments, however each individual subscriber amount is not material and the Company actively monitors its monthly collections so as to mitigate the amount of a potential financial impact. During the year ended December 31, 2016, the Company recognized a bad debts allowance of $79,140 (2015 - $14,092). 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 the accompanying consolidated 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 $809,356 (December 31, 2015 - $957,867) and the Company has insufficient working capital to fund its operating requirements for the next 12 months. The Company's continued operations will remain dependent on external sources of financing until such time as it can internally generate sufficient income from software sales to service its on-going operating cost requirements. Future funding may be obtained by means of issuing share capital, the exercise of warrants, the exercise of stock options or debt financing. Based on these facts, the Company is significantly exposed to liquidity risk.

iii. Market risk

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

a. Interest rate risk

As of 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 loans bearing interest at a fixed rate of 10% and 12% and convertible debentures bearing interest at a fixed rate of 7% per annum and as such is not significantly exposed to interest rate fluctuations.

b. Foreign currency risk

At December 31, 2016, $1,143,409 of the Company’s liabilities and $38,821 of its current assets 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. Following the RTO, the Company is increasingly exposed to the Canadian dollar which is the functional currency of Quentin. As at December 31, 2016, the Company is moderately exposed to foreign exchange fluctuations.

SHARE CAPITAL

a. Authorized

Unlimited number of common shares, without par value.
Unlimited number of preferred shares, without par value.

b. Issued and Outstanding Common Shares

	Number of Common shares
Balance as at December 31, 2015	**7,685,015**
Acquisition of Quentin Ventures Ltd.	26,157,139
Private placement	11,992,500
Share issuance cost, shares	300,000
Balance as at December 31, 2016	**46,134,654**
Private placement – January 2017	23,033,334
Private placement – March 2017	3,200,000
Balance as at the date of this MD&A	**72,367,988**

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.

	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	700,000	0.25
Expired	(700,000)	0.25
Issued	2,689,500	0.20
Balance, December 31, 2016	**3,742,000**	**$ 0.20**
Granted	450,000	0.11
Balance, at the date of this MD&A	**4,192,000**	**$ 0.19**

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	4.10
May 24, 2016	2,689,500	1,266,458	$0.20	May 24, 2021	4.10
March 1, 2017	450,000	-	$ 0.11	March 1, 2022	4.80

d. Warrants

	Number of warrants	Weighted average exercise price (Cdn$)
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 private placement – May 2016	11,992,500	0.31
Balance, December 31, 2016	**15,592,500**	**$ 0.33**
Issued with private placement – January 2017	11,516,667	0.15
Balance, at the date of this MD&A	**27,109,167**	**$ 0.25**

Number of Warrants Outstanding	Weighted Average Exercise Price (Cdn$)	Expiry date
3,600,000	$ 0.40	November 18, 2017
10,742,500	0.30	May 18, 2017
1,250,000	0.40	November 18, 2017
11,516,667	0.15	January 26, 2018

e. Broker Warrants

	Number of warrants	Weighted average exercise price (Cdn$)
Balance, December 31, 2015	-	$ -
Granted	794,250	0.34
Balance, December 31, 2016	**794,250**	**$ 0.34**
Issued with private placement – January 2017	804,000	0.15
Balance, at the date of this MD&A	**1,598,250**	**$ 0.12**

Number of Warrants Outstanding	Weighted Average Exercise Price (Cdn$)	Expiry date
300,000	$ 0.30	May 17, 2017
494,250	0.20	May 17, 2017
804,000	0.15	January 26, 2018

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a. Critical accounting judgements

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

a) 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.

b) Share-based payments

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

c) Valuation of financial instruments
The Company is required to determine the valuation of convertible debentures at inception. The convertible notes valuation required discounted cash flow analysis that involved various estimates and assumptions (Note 9 of the December 31, 2016 financial statements).

d) Valuation of equity instruments
The Company is required to make certain estimates regarding equity instruments issued as consideration in the RTO (Note 4 of the December 31, 2016 financial statements).

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 $809,356 (December 31, 2015 - $957,867). The Company likely has insufficient funds from which to finance its operating activities for the next 12 months; consequently, the Company remains dependent on external sources of financing until such time as it can internally generate sufficient income from software sales to service its on-going operating cost requirements.

RISKS AND UNCERTAINTIES

Ongoing Need for Financing

It is intended that the Company will continue to make investments to support business growth and may require additional funds to respond to business challenges, including the need to develop new services or enhance existing services, enhance operating infrastructure and acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of common shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to them, when they require it, their ability to continue to support business growth and to respond to business challenges could be significantly limited.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

Company's Limited Operating History upon which its business can be evaluated

Company's business and prospects must be considered in light of the risk, expenses and difficulties frequently encountered by technology companies in the early stage of product development. Such risks include the unpredictable nature of Company's business, its ability to anticipate and adapt to a dynamic market and the ability to identify, attract and retain qualified personnel. There can be no assurance that Company will be successful in addressing these risks.

Company's History of Net Losses, may incur net losses in the future and may not achieve or maintain profitability

Company has incurred losses in recent periods. Therefore, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. In addition, the Company's operating results in the future may be subject to significant fluctuations due to many factors not within its control, such as the unpredictability of when customers will order products, the size of customers' orders, the demand for its products, and the level of competition and general economic conditions. The Company expects to incur operating losses and negative cash flow until its products gain market acceptance sufficient to generate a commercially viable and sustainable level of sales, and/or additional products are developed and commercially released and sales of such products made so that we are operating in a profitable manner.

Inability to attract new customers or sell additional services or products to its existing customers

To increase the Company's revenues, it must regularly add new customers, sell additional products and/or services to existing customers and encourage existing customers to increase their minimum commitment levels. If the Company's existing and prospective customers do not perceive the Company's products to be of sufficiently high value and quality, the Company may not be able to attract new customers or increase sales to existing customers and its operating results will be adversely affected.

Failure to meet or exceed the expectations of securities analysts or investors

The Company's quarterly results of operations may fluctuate as a result of a variety of factors, many of which are outside of its control. If the Company's quarterly results of operations fall below the expectations of securities analysts or investors, the price of the Company's shares could decline substantially. Fluctuations in quarterly results of operations may be due to a number of factors, including, but not limited to, those listed below:

- the Company's ability to increase sales to existing customers and attract new customers;
- the addition or loss of large customers;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of the Company's business, operations and infrastructure;
- the timing and success of new product introductions by the Company or its competitors;
- changes in the Company's pricing policies or those of competitors;
- limitations of the capacity of the Company's systems;
- the timing of costs related to the development or acquisition of products or businesses;
- general economic, industry and market conditions; and
- Geopolitical events such as war, threat of war or terrorist actions.

The quarterly revenues and results of operations of the Company may vary significantly in the future and that period-to-period comparisons of the Company's operating results may not be meaningful.

Limited Market for Securities
There can be no assurance that an active and liquid market for the Company's common shares will develop or be maintained on the Exchange.

Regulatory Matters

The operations carried on by the Company will be subject to government legislation, policies and controls. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the industry are beyond the control of the Company and could have a material adverse impact on the Company and its business.

Privacy Issues

On behalf of its customers, the Company will collect and use anonymous and personal information and information derived from the activities of consumers. This enables the Company to provide its customers with anonymous or personally identifiable information from and about such consumers. Government bodies and agencies have adopted or are considering adopting laws regarding the collection, use and disclosure of this information. The Company's compliance with privacy laws and regulations and its reputation among the public depend on its customers' adherence to privacy laws and regulations and their use of the Company's services in ways consistent with consumers' expectations. The Company will also rely on representations made to it by its customers that their own use of the Company's services and the information the Company provides to them via its services do not violate any applicable privacy laws, rules and regulations or their own privacy policies. If these representations are false or if the Company's customers do not otherwise comply with applicable privacy laws, the Company could face potential adverse publicity and possible legal or other regulatory action.

Competition

The Company will compete in a rapidly evolving and highly competitive market, and failure to compete effectively may adversely affect its ability to generate revenues. Some of the Company's potential competitors have longer operating histories, greater name recognition, access to larger customer bases and substantially greater resources, including sales and marketing, financial and other resources. As a result, these competitors may be able to:

- absorb costs associated with providing their products at a lower price;
- devote more resources to new customer acquisitions;
- respond to evolving market needs more quickly than the Company; and
- finance more research and development activities to develop better products.

In addition, larger email encryption technology companies may enter the market, either by developing competing products, acquiring existing competitors or offering a broader product line which may provide a more comprehensive solution than the Company's current solutions, and compete against the Company effectively as a result of their significant resources. Moreover, many of these companies may have pre-existing relationships with the Company's current and potential customers. If the Company is not able to compete successfully against its current and future competitors, it will be difficult to acquire and retain customers, and the Company may experience limited revenue growth, reduced revenues and operating margins and loss of market share.

Incapacity to Cope with Rapid Technological Development

The Company's software business is characterized by rapidly changing technology and evolving industry standards. The Company believes that its success will depend on its ability to continuously develop products, to enhance current products and to introduce them promptly into the market. The Company can make no assurance that its technology or systems will not become obsolete due to the introduction of alternative technologies. If the Company is unable to continue to develop and introduce new products to meet technology changes and changes in market demands, its business and operating results, including its ability to generate revenues, could be adversely affected.

Ability to Manage Growth Effectively

Early stage technology companies face many risks. While management is unable to eliminate risks, the Company will intend on identifying and mitigating such risks as much as is reasonably possible. Many early stage technology companies are unsuccessful in achieving operational growth due to external factors that cannot be predicted, anticipated, or controlled by management, and even one such factor may result in the economic viability of a particular project being detrimentally impacted to the point where it is not feasible nor economical to proceed. The Company will frequently evaluate and monitor its activities and the risk factors which could impact those activities, and will make timely decisions in regard to risk management. Management will occasionally seek the assistance of experienced professionals when appropriate to address risks.

Any accelerated growth of the Company's revenue will place a strain on managerial and financial resources. Company's recent expansion has resulted in substantial growth in the number of its employees, and the scope of its operating and financial systems, resulting in increased responsibility for both existing and new management personnel. As such, the Company's future growth will depend upon a number of factors, including the ability to:

- build and train staff to create an expanding presence in the evolving marketplace for the Company's solutions, and to keep staff informed regarding the technical features, issues and key selling points of the Company's solutions;
- attract and retain qualified technical personnel to continue to develop reliable and scalable solutions and services that respond to evolving customer needs and technological developments; and
- expand the Company's internal management and enhance financial controls significantly to maintain control over operations and provide support to other functional areas within the Company.

The Company's inability to achieve any of these objectives could harm its business, financial condition and operating results.

Failure to Effectively Expand Sales and Marketing Capabilities

Increasing the Company's customer base and achieving broader market acceptance of its products will depend to a significant extent on its ability to expand its sales and marketing operations and attract new distribution channel partners. It is expected that the Company will be substantially dependent on its direct sales force and distribution channel partners to obtain new customers. There is significant competition for direct sales personnel and channel partners with the sales skills that the Company requires. The Company's ability to achieve significant growth in revenues in the future will depend, in large part, on its success in recruiting, training and retaining sufficient numbers of channel partners and of direct sales personnel. New hires require significant training and, in most cases, take a significant period of time before they achieve full productivity. The Company's hires may not become as productive as it would like, and the Company may be unable to hire or retain sufficient numbers of qualified individuals or partners in the future in the markets where it does business. The Company's business will be seriously harmed if these expansion efforts do not generate a corresponding significant increase in revenues.

Reliance on Intellectual Property

The Company will require continuous technological improvements in order to remain competitive. There can be no assurance that the Company will be successful in its efforts in this regard. While Company anticipates that its research and development experience will allow it to explore additional business opportunities, there is no guarantee that such business opportunities will be presented or realized. The commercial advantage of the Company may depend to an extent on its intellectual property and its ability to prevent others from copying its products. In the future, the Company may seek patents or other similar protections in respect of a particular technology or process; however, there can be no assurance that any future patent applications will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Moreover, the process of seeking patent protection can itself be long and expensive. In the meantime, competitors may develop products that are similar or superior to the products of the Company or design around the patents owned by the Company, thereby adversely affecting the Company's competitive advantage in one or more of its businesses. Despite the efforts of the Company, its intellectual property rights may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps it may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement of such technologies.

Infringement of Intellectual Property

From time to time the Company may receive notices from third parties alleging that it has infringed upon their intellectual property rights. Responding to any such claim, regardless of its merit, may be time-consuming, result in costly litigation, divert management's attention and resources and cause the Company to incur significant expenses. Any meritorious claim of intellectual property infringement against the Company may potentially result in a temporary or permanent injunction, prohibiting it from marketing or selling certain products or requiring it to pay royalties to a third party. In the event of a meritorious claim, failure of the Company to develop or license substitute technology, its business and results of operations may be materially adversely affected.

Potential Conflicts of Interest

Certain directors or officers of the Company are also directors, officers, shareholders and/or Promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the BCBCA.

Reliance on Others and Dependence on Key Personnel

The success of the Company will be strongly dependent upon the performance and technical expertise of its management and key employees, as well as the talents of its outside consultants and suppliers. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, as the Company will encounter risks that are inherent in doing business in several countries.

Moreover, the Company may not have any "key man" insurance policies, and therefore there is a risk that the death or departure of any one or more members of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

Litigation

All industries are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

Possible Dilution to Present and Prospective Shareholders

The Company may be required to complete additional equity financings and issue securities on less than favourable terms in order to raise sufficient capital to fund its business plan in a timely manner. Any future transaction involving the issuance of equity securities or securities convertible into common shares or issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective shareholders of the Company.

Lack of Dividend Policy

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

ADOPTION OF ACCOUNTING POLICIES

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

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.

Preferred shares

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

FUTURE ACCOUNTING PRONOUNCEMENTS

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2016, and have not been applied in preparing the 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.

- 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com