IDENTILLECT TECHNOLOGIES CORP.

(Formerly Quentin Ventures Ltd.)

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

As at and for the three months ended March 31, 2017 and 2016

IDENTILLECT TECHNOLOGIES CORP.

(Formerly Quentin Ventures Ltd.)
(the “Company” or “Identillect”)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the three months ended March 31, 2017 and 2016

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

		March 31, 2017		December 31, 2016
Assets				
Current Assets				
Cash and cash equivalents	**$**	**479,987**	$	21,700
Receivables		**240,877**		223,371
Prepaid expenses		**9,576**		22,347
		730,440		267,418
Furniture and equipment (Note 7)		**11,197**		13,202
Total Assets	**$**	**741,637**	$	280,620
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**373,962**	$	521,204
Deferred revenue		**124,737**		116,699
Loans payable (Note 9)		**188,296**		438,871
		686,995		1,076,774
Convertible debentures (Note 10)		**409,217**		409,387
		1,096,212		1,486,161
Shareholders' Deficiency				
Share capital (Note 12)		**5,722,099**		4,482,798
Share-based payment reserve (Note 12)		**412,363**		368,026
Warrants reserve (Note 12)		**788,067**		771,772
Equity component of convertible debt (Note 10)		**18,648**		18,648
Accumulated other comprehensive loss		**(15,136)**		(9,661)
Deficit		**(7,280,616)**		(6,837,124)
		(354,575)		(1,205,541)
Total Liabilities and Shareholders' Deficiency	**$**	**741,637**	$	280,620

Nature and Continuance of Operations – Note 1

Approved on behalf of the Board:

"Jeff Durno"
Director

"Todd Sexton"
Director

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

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

	For the three months ended March 31, **2017**	2016
Revenues	**$ 182,717**	$ 140,952
Cost of Sales	**49,838**	27,289
	132,879	**113,663**
Expenses		
Amortization (Note 6 and 7)	**2,292**	70,047
Finance and interest costs (Note 9 and 10)	**15,836**	14,998
General and administrative	**21,355**	15,970
Operating costs	**41,821**	56,946
Marketing	**127,547**	38,459
Professional fees	**80,059**	71,919
Rent	**18,697**	15,670
Salaries and wages	**330,472**	224,704
Share-based compensation (Note 11)	**44,337**	-
	682,416	508,713
Loss before other items	**(549,537)**	(395,050)
Other items		
Foreign exchange gain (loss)	**106,045**	(45,121)
	106,045	(45,121)
Loss for the period	**(443,492)**	(440,171)
Translation adjustment	**(5,475)**	-
Comprehensive loss for the period	**$ (448,967)**	$ (440,171)
Weighted average number of shares outstanding	**62,846,991**	28,712,695
Basic and diluted loss per share	**$ (0.01)**	$ **(0.02)**

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

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

	Number of Common Shares	Number of Preferred Shares	Share Capital Amount	Warrant reserve	Share-based payment reserve	Equity portion of convertible debt	Accumulated other comprehensive loss	Deficit	Shareholders' Deficiency
Balance, December 31, 2015	**26,157,139**	**-**	**$ 2,509,840**	**$ -**	**$ 193,600**	**$ -**	**$ -**	**$ (3,543,322)**	**$ (839,882)**
Private placement	10,000,000	-	192,750	-	-	-	-	-	192,750
Net comprehensive loss for the period	-	-		-	-	-	-	(440,171)	(440,171)
Balance, March 31, 2016	36,157,1139	-	$2,702,590	$ -	$ 193,600	$ -	$ -	$ (3,983,493)	$ (1,087,303)
Balance, December 31, 2016	46,134,654	5,000,000	$ 4,482,798	$ 771,772	$ 368,026	$ 18,648	$ (9,661)	$ (6,837,124)	$ (1,205,541)
Expiry of preferred shares	-	(5,000,000)	-	-	-	-	-	-	**-**
Private placements	26,233,334	-	1,292,424	-	-	-	-	-	**1,292,424**
Broker warrants	-	-	(16,295)	16,295	-	-	-	-	**-**
Share issuance costs	-	-	(36,828)	-	-	-	-	-	**(36,828)**
Share based payments	-	-	-	-	44,337	-	-	-	**44,337**
Currency translation adjustment	-	-	-	-	-	-	(5,475)	-	**(5,475)**
Net comprehensive loss for the period	-	-	-	-	-	-	-	(443,492)	**(443,492)**
Balance, March 31, 2017	**72,367,988**	-	**$ 5,722,099**	**$ 788,067**	**$ 412,363**	**$ 18,648**	**$ (15,136)**	**$ (7,280,616)**	**$ (354,575)**

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

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

	For the three months ended March 31, 2017	2016
Cash provided by (used for):		
Operating Activities:		
Loss for the period	**$ (443,492)**	$ (440,171)
Items not affecting cash:		
Amortization	**2,292**	70,047
Interest accrued	**15,891**	14,998
Share-based payments	**44,337**	-
Foreign exchange	**(4,178)**	-
Changes in non-cash working capital items:		
Account receivable	**(17,177)**	(61,988)
Prepaid expenses	**13,045**	-
Accounts payable and accrued liabilities	**(151,026)**	(24,122)
Deferred revenue	**8,038**	7,172
	(532,270)	(434,064)
Investing Activities:		
Additions to furniture, fixtures and equipment	**(287)**	(470)
	(287)	(470)
Financing Activities:		
Proceeds from share issuance	**1,292,424**	192,750
Share issuance costs	**(36,828)**	-
Proceeds from notes payable	**-**	238,132
Repayment of credit facility	**-**	(20,386)
Repayment of loan	**(210,171)**	(16,438)
Interest on loans	**(48,248)**	-
Interest paid on debentures	**(7,562)**	-
	989,615	394,058
Impact of foreign exchange on cash	**1,229**	36,726
Change in cash for the period	**458,287**	(3,750)
Cash, beginning of the period	**21,700**	12,375
Cash, end of the period	**$ 479,987**	$ 8,625

Significant non-cash transactions (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At March 31, 2017, the Company has not achieved profitable operations and has accumulated losses of $7,280,616 (December 31, 2016 – $6,837,124) since inception and expects to incur further losses in the development of its business. This material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standard Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using accounting policies that the Company expects to adopt in its annual consolidated financial statements for the year ended December 31, 2017. These condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements and should be read in conjunction with the Company's most recent audited annual consolidated financial statements for the year ended December 31, 2016.

2. BASIS OF PREPARATION (continued)

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.

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

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

The financial statements of the Company were authorized for issue by the Board of Directors on May 30, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2016 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34. There has been no material impact on these financial statements from changes in accounting standards during the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Critical accounting estimates

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 10).

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

b. Critical accounting judgements

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

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

ii. Going Concern
The preparation of these financial statements requires management to make judgments regarding the going concern of the Company. As at March 31, 2017, the Company had working capital of $43,445 (December 31, 2016 – $809,356 deficiency). The Company likely has insufficient funds from which to finance its operating activities for the next 12 months; consequently, the Company remains dependent on external sources of financing until such time as it can internally generate sufficient income from software sales to service its on-going operating cost requirements.

(Expressed in US dollars)

5. ACQUISITION OF QUENTIN VENTURES LTD.

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

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

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

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

Consideration consists of the following:

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

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

(ii) The preferred shares convert to common shares in the event that Identillect 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)

5. ACQUISITION OF QUENTIN VENTURES LTD. (continued)

In accordance with reverse acquisition accounting:

i) The assets and liabilities of Quentin Ventures Ltd. are included in the statement of financial position at their carrying values.
ii) The net assets (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)

6. DEVELOPMENT COSTS

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

	December 31, 2015	Additions 2016	December 31, 2016	**Additions 2017**	**March 31, 2017**
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	(605,975)	(103,329)	(709,304)	-	**(709,304)**
Net book Value	$ 103,329	-	$ -	-	**$ -**

7. FURNITURE AND EQUIPMENT

	Furniture and Equipment	**Computer Equipment**	**Total**
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**
Additions	-	287	287
Amortization	(1,383)	(909)	(2,292)
Net book value, March 31, 2016	**$ 7,459**	**$ 3,738**	**$ 11,197**

(Expressed in US dollars)

8. RELATED PARTY TRANSACTIONS

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

Type of Service	**Nature of Relationship**	**For the three months ended March 31,**	
		2017	2016
Consulting fees	To a Company related to a director	**$16,996**	$ 23,320
Salaries and wages	To officers of the Company	**55,286**	85,620
Legal	To a law firm for which a Director is a partner thereof	**15,547**	-
Share-based compensation expense	Officers/ Directors	**27,416**	-
		$115,245	$ 108,940

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

Type of Service	**Nature of Relationship**	**March 31, 2017**	December 31 2016
Other payables	To directors and companies related to a director	**$ -**	$ 1,529
Legal Fees payable	To a law firm for which a director is a partner	**-**	35,106
Salaries and wages	To an officer of the Company	**47,008**	110,250
		$ 47,008	$ 146,885

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)

9. LOANS PAYABLE AND CREDIT FACILITY

Loans payable	Principal	Accumulated Interest	Total Debt
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**
Repayment	(210,171)	(48,248)	(258,419)
Interest accrued	-	4,321	4,321
Translation adjustment	2,847	**676**	3,523
March 31, 2017	**$ 162,802**	**$ 25,494**	**$ 188,296**

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 bared interest at 12% per annum, is unsecured was repaid during the period ending March 31, 2017.

10. CONVERTIBLE DEBENTURES

Convertible Debenture	Total Debt
December 31, 2015	$ -
Transfer from credit facility and accounts payable	429,319
Accretion	7,282
Translation adjustment	(27,214)
December 31, 2016	**$ 409,387**
Accretion	4,008
Translation adjustment	(4,178)
Net convertible debentures payable, March 31, 2017	**$ 409,217**
Equity component of convertible debentures	**$ 18,648**

The convertible debentures are payable on November 17, 2018, 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.

11. SIGNIFICANT NON CASH TRANSACTIONS

During the period ended March 31, 2017, the Company issued 804,000 broker warrants in connection with the private placement at a value of $16,295 (Note 12(e)).

There were no significant non-cash transactions for the period ending March 31, 2016.

12. SHARE CAPITAL AND RESERVES

a. Authorized

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

b. Issued and outstanding

For the period ended March 31, 2017:

The preferred shares issued in connection with the RTO, have expired as of January 1, 2017 as the milestone was not reached.

On January 26, 2017, the Company completed a non-brokered private placement, raising aggregate proceeds of $1,055,123 (Cdn$1,382,000) by issuing 23,033,334 units at a price of Cdn$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 Cdn$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 $36,830 and issued 804,000 broker warrants. Each broker warrant entitles the holder to acquire one common share, at a price of Cdn$0.15 until January 26, 2018 (Note 12 (e)).

On March 14, 2017, the Company completed a non-brokered private placement, raising aggregate proceeds of $237,301 (Cdn$320,000) by issuing 3,200,000 common shares at a price of Cdn$0.10 per share.

(Expressed in US dollars)

12. SHARE CAPITAL AND RESERVES (continued)

b. Issued and outstanding (continued)

For the year ended December 31, 2016:

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

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

The Company issued 300,000 broker units consisting of one common share and one share purchase warrant exercisable at Cdn$0.30 for a period of one year valued at $46,341 in connection with the financing. Additionally, the Company paid cash commissions of $73,911, other transaction costs of $31,663 and issued 494,250 broker warrants at a value of $35,292 (Note 12(e)).

c. Stock Options

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

	Number of Options	Weighted Average Exercise Price (Cdn$)
Balance, December 31, 2015	**1,212,500**	**$ 0.20**
Cancelled	(160,000)	0.20
Granted for RTO (Note 5)	700,000	0.25
Expired	(700,000)	0.25
Issued	2,689,500	0.20
Balance, December 31, 2016	**3,742,000**	**$ 0.20**
Cancelled	(10,000)	0.20
Granted	1,140,000	0.12
Balance, March 31, 2017	**4,872,000**	**$ 0.18**

At March 31, 2017, a summary of stock options outstanding and exercisable is as follows:

	Number of Options Outstanding	Number of Options Exercisable	Exercise Price (Cdn$)	Expiry date	Remaining contractual life (years)
May 24, 2016	3,732,000	2,338,563	$0.20	May 24, 2021	4.15
November 23, 2016	540,000	135,000	$0.13	November 23, 2021	4.65
March 1, 2017	450,000	-	$0.11	March 1, 2022	4.92
March 14, 2017	150,000	-	$0.13	March 14, 2022	4.96

(Expressed in US dollars)

12. SHARE CAPITAL AND RESERVES (continued)

c. Stock Options (continued)

Share-based payments

During the period ended March 31, 2017, the Company granted 1,140,000 (2016 - nil) stock options with a weighted average fair value of $0.05 (2016 - $0.10). Total share-based payments expensed for options granted and vesting during the period was $44,337 (2016 - $nil).

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

	2017
Risk-free interest rate	0.77%
Expected life of options	5 years
Expected annualized volatility	100%
Dividend yield	- %

d. Share purchase warrants

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

	Number of warrants	Weighted average exercise price (Cdn$)
Balance, December 31, 2015	**3,600,000**	**0.40**
Warrants cancelled on RTO	(3,600,000)	0.40
Issued with RTO	3,600,000	0.40
Issued with subscriptions – May 2016	11,992,500	0.31
Balance, December 31, 2016	**15,592,500**	**$ 0.33**
Issued with subscriptions – January 2017	11,516,667	0.15
Balance, March 31, 2017	**27,109,167**	**$0.25**

A summary of share purchase warrants outstanding at March 31, 2017 is as follows:

Number of Warrants Outstanding	Weighted Average Exercise Price (Cdn$)	Expiry date	Remaining contractual life (years)
3,600,000	$ 0.40	November 18, 2017	0.64
10,742,500	$ 0.30	May 18, 2017(i)	0.13
1,250,000	$ 0.40	November 18, 2017	0.64
11,516,667	$ 0.15	January 28, 2018	0.82

(i) These warrants have expired unexercised subsequent to the period end.

(Expressed in US dollars)

12. SHARE CAPITAL AND RESERVES (continued)

e. Broker warrants

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

	Number of warrants	Weighted average exercise price (Cdn$)
Balance, December 31, 2015	**-**	**$ -**
Granted	794,250	0.24
Balance, December 31, 2016	794,250	0.24
Granted – January 2017	804,000	0.15
Balance, March 31, 2017	**1,598,250**	**$ 0.19**

A summary of broker warrants outstanding at March 31, 2017 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	0.13
494,250(ii)	$ 0.20	May 17, 2017	0.13
804,000(iii)	$ 0.15	January 26, 2018	0.82

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

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

(iii) The fair value of the broker was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 0.63%, a dividend yield of 0%, an expected volatility of 100% and an expected life of 12 months. The total value was $16,295.

(Expressed in US dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Fair value of financial instruments

As at March 31, 2017 and December 31, 2016, 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
March 31, 2017				
Cash	$ 479,987	$ -	$ -	$ 479,987
Convertible debentures	-	409,217	-	409,217
	$ 479,987	**$ 409,217**	**$ -**	**$ 889,204**
December 31, 2016				
Cash	$ 21,700	$ -	$ -	$ 21,700
Convertible debentures	-	409,387	-	409,387
	$ 212,700	**$ 409,387**	**$ -**	**$ 431,087**

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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a. 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 March 31, 2017, receivables of $240,877 (December 31, 2016 - $223,371) 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 14 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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a. Financial Instrument risk (continued)

ii. Liquidity risk (continued)

At March 31, 2017, the Company has working capital of $43,445 (December 31, 2016 – deficiency of $809,356) 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 March 31, 2017, 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 March 31, 2017, 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 March 31, 2017, $763,171 of the Company's liabilities and $512,114 of its current assets are denominated in Canadian funds. A 1% change in the Canadian/US dollar exchange rate would result in a $2,511 net impact on the Company's foreign exchange gain or loss. As at March 31, 2017, the Company is moderately exposed to foreign exchange fluctuations.

(Expressed in US dollars)

14. CAPITAL MANAGEMENT

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach given the relative size of the Company is reasonable. The Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the period ended March 31, 2017.

15. COMMITMENTS

The Company entered into an office lease agreement during the period. 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