

**IDENTILLECT TECHNOLOGIES CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017**

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**Dated: August 29, 2017**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

This interim management's discussion and analysis ("MD&A") reports on the operating results and financial condition of Identillect Technologies Corp. ("Identillect" or the "Company") for the three and six months ended June 30, 2017 and is prepared as at August 29, 2017. This interim MD&A serves as an update from the Company's annual MD&A as at and for the year ended December 31, 2016. Additionally, this interim 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") as issued by the International Accounting Standard Board ("IASB"), together with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2017, which were prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting (collectively referred to as 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 this interim MD&A does not contain any untrue statement 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 periods reported. The Financial Statements together with the other financial information included in this interim MD&A 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 Interim MD&A. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing. The Board of Directors has approved the interim Financial Statements and MD&A, as well as ensured that management has discharged its financial responsibilities as at August 29, 2017.

**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.

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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 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, successfully 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 the Company's 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. (formally Quentin Ventures Ltd.) is a Canadian public company that is listed on the TSX Venture Exchange (the "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.

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 Dr., Lake Forest, CA 92630.

On May 18, 2016, 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.

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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**

The following key and strategic milestones met during the quarter ended June 30, 2017 included:

- 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.
- Launched beta version of Office 365 Secure scan technology, Secure Scan technology coupled with Delivery Trust™ email security eliminates the ability for users to inadvertently send out sensitive information in an unsecured message.
- 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.

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- 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™.
- 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.
- Identillect’s common shares are now dual-listed on the TSX Venture Exchange and the Frankfurt Stock Exchange, one of the largest stock exchanges in the world. Additionally, the Company successfully commenced trading on the OTCQB Marketplace under the symbol IDTLF.

## **OUTLOOK**

As the growing threat of cyber-attacks fuels the growth of the cyber security industry, the email encryption market is growing as well, estimated to be worth more than 4.21 Billion USD by 2020.

Identillect Technologies, with its Delivery Trust™ email encryption solution, is poised to expand its brand as the leader in email security with the Company’s focus on a growing subscriber base in a variety of industries, both through direct sales and reseller partnerships.

Email-borne cyber-attacks have become a major issue for business communications, and it’s a problem that has adversely affected almost every industry. The most recent estimates of the average cost of a data breach is \$3.62 million. To ensure that companies protect the sensitive data of their customers and, in the healthcare industry, their patients, lawmakers are imposing 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 and there are more than a dozen industry regulations such as Health Insurance Portability and Accountability Act (HIPAA), and new federal regulations proposed such as HR 2205, which will hold retailers responsible for implementing security measures to protect consumer data.

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

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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 than 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 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.

As underscored by recent partnerships Identillect has announced with IT companies throughout North America, businesses moving their IT operations to the cloud face a growing need for a trusted, brand-defining tool that protects their communications from email-borne cyber-attacks and provides them with a roadmap to protect their sensitive customer data from cybercriminals. With Delivery Trust™, Identillect will grow its brand as the leader in email encryption and email safety.

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**SUMMARY OF QUARTERLY RESULTS<sup>1</sup>**

	<b>2<sup>nd</sup> Quarter Ended June 30, 2017</b>	<b>1<sup>st</sup> Quarter Ended Mar 31, 2017</b>	<b>4<sup>th</sup> Quarter Ended Dec 31, 2016</b>	<b>3<sup>rd</sup> Quarter Ended Sept 30, 2016</b>
Total revenue	\$223,309	\$182,717	\$161,410	\$175,676
Net loss and comprehensive loss	\$681,019	\$448,967	\$399,629	\$322,420
Basic and diluted loss per share	\$0.01	\$0.01	\$0.01	\$0.01

	<b>2<sup>nd</sup> Quarter Ended Jun 30, 2016</b>	<b>1<sup>st</sup> Quarter Ended Mar 31, 2016</b>	<b>4<sup>th</sup> Quarter Ended Dec 31, 2015</b>	<b>3<sup>rd</sup> Quarter Ended Sept 30, 2015</b>
Total revenue	164,298	140,952	78,147	30,943
Net loss and comprehensive loss	2,141,243	440,171	509,268	468,122
Basic and diluted loss per share	0.06	0.02	0.02	0.02

<sup>1</sup> 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 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 June 30, 2017**

The following is an analysis of the Company's operating results for the three months ended June 30, 2017, and includes a comparison against the three months ended June 30, 2016.

**Sales revenue**, which consisted primarily of sales of software for the three months ended June 30, 2017 was \$223,309, as compared to \$164,298 for the three months ended June 30, 2016. The Company continues to expand its subscriber base.

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**Cost of sales** for the three months ended June 30, 2017 was \$44,796, as compared to \$19,803 for the three months ended June 30, 2016. Costs have increased with sales and the addition of supplemental software.

**Filing fees** for the three months ended June 30, 2017 were \$nil as compared to \$31,899 for the three months ended June 30, 2016. The decrease is due to the fact that the Company was listed on the TSX-V as a result of the reverse take-over in Q2 2016.

**Operating costs** for the three months ended June 30, 2017 were \$43,363 as compared to \$41,341 for the three months ended June 30, 2016. Operating costs are comparable period over period.

**Professional fees** for the three months ended June 30, 2017 were \$78,454 as compared to \$16,525 for the three months ended June 30, 2016. The increase is primarily due to investor relations and listing expenses in the period.

**Salaries and wages** for the three months ended June 30, 2017 were \$230,204 as compared to \$284,008 for the three months ended June 30, 2016. The expense in the prior period was higher due to recruiting fees, as the Company ramped up its staffing subsequent to the closing of the reverse takeover with Quentin Ventures Ltd..

**Sales and marketing** for the three months ended June 30, 2017 were \$239,931 as compared to \$17,850 for the three months ended June 30, 2016. The Company is focusing on increasing its awareness through different media channels..

**Listing expense** for the three months ended June 30, 2017 was \$nil, as compared to \$1,761,611 for the three months ended June 30, 2016. The non-cash expense in 2016 relates to reverse acquisition accounting and is detailed in the accompanying unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2017.

#### **Comprehensive loss for the period**

As a result of the activities discussed above, the Company experienced a comprehensive loss for the three months ended June 30, 2017 of \$681,019 as compared to comprehensive loss \$2,141,136 for the three months ended June 30, 2016.

#### **For the six months ended June 30, 2017**

The following is an analysis of the Company's operating results for the six months ended June 30, 2017, and includes a comparison against the six months ended June 30, 2016.

**Sales revenue**, which consisted primarily of sales of software for the six months ended June 30, 2017 was \$406,026, as compared to \$305,250 for the six months ended June 30, 2016. The Company continues to expand its subscriber base.

**Cost of sales** for the six months ended June 30, 2017 was \$94,634, as compared to \$47,092 for the six months ended June 30, 2016. Costs have increased with sales and the addition of supplemental software.

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**Filing fees** for the six months ended June 30, 2017 were \$nil as compared to \$31,899 for the six months ended June 30, 2016. The expense in the prior period was due to the newly listed shares on the TSX-V.

**Operating costs** for the six months ended June 30, 2017 were \$85,184 as compared to \$98,287 for the six months ended June 30, 2016. Operating costs are comparable in the periods.

**Professional fees** for the six months ended June 30, 2017 were \$158,513 as compared to \$17,874 for the six months ended June 30, 2016. The increase is primarily due to investor relations and listing expenses in the period.

**Salaries and wages** for the six months ended June 30, 2017 were \$560,676 as compared to \$508,712 for the six months ended June 30, 2016. The increase correlates to the increase in headcount due to the increased operations.

**Sales and marketing** for the six months ended June 30, 2017 were \$367,478 as compared to \$56,309 for the six months ended June 30, 2016. The Company is focusing on increasing its awareness through different media channels.

**Listing expense** for the six months ended June 30, 2017 was \$nil, as compared to \$1,761,611 for the six months ended June 30, 2016. This non-cash expense relates to reverse acquisition accounting and is detailed in the accompanying unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2017.

**Comprehensive loss for the period**

As a result of the activities discussed above, the Company experienced a comprehensive loss for the six months ended June 30, 2017 of \$1,129,986 as compared to comprehensive loss of \$2,581,414 for the six months ended June 30, 2016.

**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 June 30, 2017, 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

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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 six months ended June 30, 2017.

The Company experienced a net loss and comprehensive loss of \$1,129,986 for the six months ended June 30, 2017 (June 30, 2016 - \$2,581,414). The Company has a history of losses and accumulated losses of \$7,935,497 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 six months ended June 30, 2017, the Company's operating activities consumed cash of \$1,125,056 (2016 - \$923,412).

Financing activities generated \$1,368,861 (2016 - \$593,253) in the period. The Company generated \$1,673,217 (2016 - \$858,860) in subscription receipts for the private placements and funds received for warrants not yet issued in the period. The Company incurred share issuance costs of \$36,826 (2016 - \$33,931). The Company repaid \$284,530 (2016 - \$464,109) in loans and interest. The Company made additional interest and principal payments in the period. In the comparative period, the Company had generated \$269,087 in proceeds from loans. Detailed debt schedules are provided in the accompanying unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2017.

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.

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**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 six months ended June 30,	
		2017	2016
Consulting fees	To a Company related to a director	\$33,725	\$ 41,296
Salaries and wages	To officers of the Company	144,397	172,740
Legal	To a law firm for which a Director is a partner thereof	25,474	-
Share-based compensation expense	Officers/ Directors	82,004	24,129
		<b>\$285,600</b>	<b>\$ 238,255</b>

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

Type of Service	Nature of Relationship	June 30, 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 thereof	-	35,106
Salaries and wages	To an officer of the Company	<b>84,508</b>	110,250
		<b>\$ 84,508</b>	<b>\$ 146,885</b>

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.

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Receivables are classified as loans and are 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 June 30, 2017, receivables of \$317,443 (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 the condensed consolidated interim financial statements for the three and six months ended June 30, 2017 and 2016. 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 June 30, 2017, the Company has a working capital deficiency of \$182,148 (December 31, 2016 – \$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

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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 June 30, 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 June 30, 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 June 30, 2017, \$820,214 of the Company's liabilities and \$245,668 of its current assets are denominated in Canadian funds. A 1% change in the Canadian/US dollar exchange rate would result in a \$5,745 net impact on the Company's foreign exchange gain or loss. As at June 30, 2017, 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**

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.

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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.

On March 14, 2017, the Company completed of 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.

	Number of Common shares
<b>Balance as at December 31, 2015</b>	<b>7,685,015</b>
Acquisition of Quentin Ventures Ltd.	26,157,139
Private placement	11,992,500
Share issuance cost, shares	300,000
<b>Balance as at December 31, 2016</b>	<b>46,134,654</b>
Private placements	26,233,334
<b>Balance as at June 30, 2017</b>	<b>72,367,988</b>
Warrants exercised	13,126,268
<b>Balance as of the date of this MD&amp;A</b>	<b>85,494,256</b>

**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 (Cdn\$)
<b>Balance, December 31, 2015</b>	<b>1,212,500</b>	<b>\$ 0.20</b>
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
<b>Balance, December 31, 2016</b>	<b>3,742,000</b>	<b>\$ 0.20</b>
Cancelled	(120,000)	0.13
Granted	1,140,000	0.12
<b>Balance, June 30, 2017 and the date of this MD&amp;A</b>	<b>4,762,000</b>	<b>\$ 0.18</b>

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	Number of Options Outstanding	Number of Options Exercisable	Exercise Price (Cdn\$)	Expiry date
May 24, 2016	3,722,000	2,712,250	\$0.20	May 24, 2021
November 23, 2016	440,000	257,500	\$0.13	November 23, 2021
March 1, 2017	450,000	-	\$0.11	March 1, 2022
March 14, 2017	150,000	37,500	\$0.13	March 14, 2022

**d. Warrants**

	Number of warrants	Weighted average exercise price (Cdn\$)
<b>Balance, December 31, 2015</b>	<b>3,600,000</b>	<b>\$ 0.40</b>
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
<b>Balance, December 31, 2016</b>	<b>15,592,500</b>	<b>\$ 0.33</b>
Issued with subscriptions – January 2017	11,516,667	0.15
<b>Balance, June 30, 2017 and the date of this MD&amp;A</b>	<b>27,109,167</b>	<b>\$ 0.25</b>
Expired	(10,742,500)	0.30
Exercised	(13,126,268)	0.10
<b>Balance, as at the date of this MD&amp;A</b>	<b>3,240,399</b>	<b>\$ 0.34</b>

Number of Warrants Outstanding	Weighted Average Exercise Price (Cdn\$)	Expiry date
2,407,065	\$ 0.40	November 18, 2017
833,334	\$ 0.15	January 26, 2018

**e. Broker Warrants**

	Number of warrants	Weighted average exercise price (Cdn\$)
<b>Balance, December 31, 2016</b>	<b>794,250</b>	<b>\$ 0.24</b>
Granted	804,000	0.15
Expired	(794,250)	0.24
<b>Balance, June 30, 2017 and the date of this MD&amp;A</b>	<b>804,000</b>	<b>\$ 0.15</b>

Number of Warrants Outstanding	Weighted Average Exercise Price (Cdn\$)	Expiry date
804,000	\$ 0.15	January 26, 2018

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**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 10 of the June 30, 2017 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 5 of the June 30, 2017 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

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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 June 30, 2017, the Company had a working capital deficiency of \$210,316 (December 31, 2016 - \$809,356). 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**

The significant risks and uncertainties of the Company are detailed in management's discussion and analysis for the year ended December 31, 2016. There have been no material changes in the period.

## **FUTURE ACCOUNTING PRONOUNCEMENTS**

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the period ended June 30, 2017, 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](http://www.sedar.com)