IDENTILLECT TECHNOLOGIES CORP.

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

As at and for the three and nine months ended September 30, 2019 and 2018

IDENTILLECT TECHNOLOGIES CORP.

(the “Company” or “Identillect”)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the three and nine months ended September 30, 2019 and 2018

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.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in US dollars)
As at

		September 30, 2019		December 31, 2018
Assets				
Current Assets				
Cash	**$**	**17,641**	$	87,385
Receivables		**117,333**		197,707
Prepaid expenses		**5,623**		5,623
		140,597		290,715
Furniture and equipment (Note 5)		**4,029**		8,533
Total Assets	**$**	**144,626**	$	299,248
Liabilities and Shareholders' Equity (Deficiency)				
Current Liabilities				
Accounts payable and accrued liabilities (Note 6)	**$**	**455,811**	$	270,056
Deferred revenue		**252,001**		194,821
Loans payable (Notes 6,7)		**432,364**		343,044
Convertible debenture (Note 8)		**233,191**		216,321
		1,373,367		1,024,242
Shareholders' Equity (Deficiency)				
Share capital (Note 10)		**8,172,371**		8,172,371
Share-based payment reserve (Note 10)		**707,542**		683,220
Warrants reserve (Note 10)		**681,365**		681,365
Equity component of convertible debt (Note 8)		**9,324**		9,324
Accumulated other comprehensive loss		**(41,368)**		(36,384)
Deficit		**(10,757,975)**		(10,234,890)
		(1,228,741)		(724,994)
Total Liabilities and Shareholders' Equity (Deficiency)	**$**	**144,626**	$	299,248

Nature and Continuance of Operations – Note 1

Approved on behalf of the Board on November 28, 2019:

"Jeff Durno"
Director

"Todd Sexton"
Director

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

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

	For the three months ended September 30, **2019**	2018	For the nine months ended September 30, **2019**	2018
Revenues	**$ 175,339**	$ 278,535	**$ 667,151**	$ 821,265
Cost of Sales	**12,743**	57,328	**95,799**	177,155
	162,596	221,207	**571,352**	644,110
Expenses				
Filing fees	**728**	1,978	**7,344**	11,346
Amortization (Note 5)	**1,501**	1,501	**4,504**	4,504
Consulting fees	**-**	6,934	**-**	20,951
Finance costs (Notes 7, 8)	**10,682**	10,018	**36,071**	25,393
General and administrative	**20,639**	14,436	**59,584**	58,788
Operating costs	**41,449**	43,390	**117,839**	105,375
Professional fees	**31,477**	42,273	**108,965**	118,475
Rent	**18,770**	19,208	**58,209**	62,128
Salaries and wages	**150,711**	205,699	**453,308**	722,675
Sales and marketing	**21,762**	7,444	**30,901**	79,490
Share-based payments (Note 10)	**2,138**	14,165	**24,322**	95,562
Bad debt expense	**93,196**	61,740	**181,131**	263,216
	(393,053)	(428,786)	**(1,082,178)**	(1,567,903)
Loss before other items	**(230,457)**	(207,579)	**(510,826)**	(923,793)
Other items				
Foreign exchange gain (loss)	**479**	(6,159)	**(12,259)**	(2,042)
Loss for the period	**(229,978)**	(213,738)	**(523,085)**	(925,835)
Translation adjustment	**4,054**	3,060	**(4,984)**	(6,257)
Comprehensive loss for the period	**$ (225,924)**	$ (210,678)	**$ (528,069)**	$ (932,092)
Weighted average number of shares outstanding	**97,215,961**	97,215,961	**97,215,961**	97,213,580
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.00)

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

Identillect Technologies Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited – Prepared by Management)

(Expressed in US dollars)

	Number of Common Shares	Share Capital Amount	Obligation to issue shares	Warrant reserve	Share-based payment reserve	Equity portion of convertible debt	Accumulated other comprehensive loss	Deficit	Shareholders' Equity (Deficiency)
Balance, December 31, 2017	97,115,961	$ 8,155,655	$ 6,024	$ 681,365	$ 511,332	$ 9,324	$ (35,659)	$ (8,815,714)	$ 512,327
Options exercised	50,000	10,733	(6,024)	-	(4,709)	-	-	-	-
Warrants exercised	50,000	5,983	-	-	-	-	-	-	5,983
Share based payments	-	-	-	-	95,562	-	-	-	95,562
Currency translation adjustment	-	-	-	-	-	-	(6,257)		(6,257)
Comprehensive loss for the period	-	-	-	-	-	-	-	(925,835)	(925,835)
Balance, September 30, 2018	**97,215,961**	**$ 8,172,371**	**$ -**	**$ 681,365**	**$ 602,185**	**$ 9,324**	**$ (41,916)**	**$ (9,741,549)**	**$ (318,220)**
Balance, December 31, 2018	97,215,961	$ 8,172,371	$ -	$ 681,365	$ 683,220	$ 9,324	$ (36,384)	$ (10,234,890)	$ (724,994)
Share based payments	-	-	-	-	24,322	-	-	-	24,322
Currency translation adjustment	-	-	-	-	-	-	(4,984)	-	(4,984)
Net comprehensive loss for the period	-	-	-	-	-	-	-	(523,085)	(523,085)
Balance, September 30, 2019	**97,215,961**	**$ 8,172,371**	**$ -**	**$ 681,365**	**$ 707,542**	**$ 9,324**	**$ (41,368)**	**$ (10,757,975)**	**$ (1,228,741)**

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

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

	For the nine months ended September 30, 2019	2018
Cash provided by (used for):		
Operating Activities:		
Loss for the period	$ **(523,085)**	$ (925,835)
Items not affecting cash:		
Amortization	**4,504**	4,504
Bad debts	**181,131**	263,216
Interest accrued	**35,648**	25,919
Share-based payments	**24,322**	95,562
Foreign exchange	**16,900**	(8,288)
Changes in non-cash working capital items:		
Accounts receivable	**(99,337)**	(245,343)
Prepaid expenses	**-**	5,453
Accounts payable and accrued liabilities	**183,893**	(7,650)
Deferred revenue	**57,180**	54,018
	(118,844)	(738,444)
Investing Activities:		
Additions to furniture, fixtures and equipment	-	(368)
	-	(368)
Financing Activities:		
Proceeds from share issuance	-	5,983
Proceeds from notes payable	**114,884**	228,922
Repayment of loan	**(53,793)**	(62,831)
Interest on loans	**(7,449)**	(2,418)
Interest paid on debentures	-	(12,069)
	53,642	157,587
Impact of foreign exchange on cash	**(4,542)**	(6,675)
Change in cash for the period	**(69,744)**	(587,900)
Cash, beginning of the period	**87,385**	861,025
Cash, end of the period	**$ 17,641**	$ 273,125

Significant non-cash transactions (Note 9)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Identillect Technologies Corp. ("Identillect" or the "Company") 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. is a wholly-owned subsidiary of the Company, which was incorporated under the Nevada Business Corporation Act on August 24, 2010. Identillect Technologies Inc. is a software 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.

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 September 30, 2019, the Company has not achieved profitable operations and has accumulated losses of $10,757,975 (December 31, 2018 – $10,234,890) 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 in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements are prepared using accounting policies consistent with the Company's annual audited consolidated financial statements issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2018 except as disclosed in Note 3.

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, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the adoption of IFRS 16, 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, 2018 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

New standard adopted - IFRS 16 *Leases*

IFRS 16 is 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 *Leases*, and instead introduces a single lessee accounting model. The Company adopted IFRS 16 on January 1, 2019. The Company's accounting policy under IFRS 16 is as follows:

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight line basis over the lease term.

The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On the initial application, the Company has elected to apply a practical expedient whereby leases with lease terms ending within 12 months of the initial application of IFRS 16 shall be accounted for in the same way as short term leases. Accordingly, the adoption of IFRS 16 did not have a material impact. The disclosure of the short term lease obligation is included in Note 13.

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) Expected credit losses
Expected credit losses ("ECLs") on trade receivables are calculated based on the expected credit loss for clients with an accounts receivable balance greater than 90 days past due. When determining ECLs, the Company considers the historic credit losses observed by the Company, customer-specific payment history and economic conditions.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and forward-looking information.

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.

(Expressed in US dollars)

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

a. Critical accounting judgements

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 8).

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 September 30, 2019, the Company had a working capital deficit of $1,238,394 (December 31, 2018 – deficit $739,150). 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.

5. FURNITURE AND EQUIPMENT

	Furniture and Equipment	Computer Equipment	Total
Net book value, December 31, 2017	**$ 5,931**	**$ 8,239**	**$ 14,170**
Additions	-	369	369
Amortization	(2,911)	(3,095)	(6,006)
Net book value, December 31, 2018	**3,020**	**5,513**	**8,533**
Amortization	(2,183)	(2,321)	(4,504)
Net book value, September 30, 2019	**$ 837**	**$ 3,192**	**$ 4,029**

(Expressed in US dollars)

6. 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 nine months ended September 30,**	
		2019	2018
Professional fees	Emprise Capital Corp, a company related to the CFO and a director of the Company	**$88,023**	$90,847
Salaries and wages	Todd Sexton, CEO, and Einar Mykletun, CTO	**158,759**	154,261
Legal	Cassels Brock & Blackwell LLP, a law firm in which a director of the Company is a partner	**1,733**	12,540
Share-based payments expense	Officers/Directors	**12,199**	46,778
		$ 260,714	$304,426

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

Type of Service	**Nature of Relationship**	**September 30, 2019**	December 31 2018
Promissory note payable (Note 7)	The Emprise Special Opportunities Fund (2017) LP, a fund related to the CFO and a director of the Company	**$ 279,602**	$ 197,846
Other payables	Emprise Capital Corp, a company related to the CFO and a director of the Company	**72,151**	19,765
Legal Fees payable	Cassels Brock & Blackwell LLP, a law firm in which a director of the Company is a partner	**4,065**	2,178
Salaries and wages	Todd Sexton, CEO	**196,616**	132,716
		$ 552,434	$ 352,505

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)

7. LOANS PAYABLE

Loans payable	Principal	Accumulated Interest	Total Debt
December 31, 2017	**$ 170,199**	**$ 12,728**	**$ 182,927**
Proceeds	260,645	-	260,645
Repayments	(104,164)	(2,403)	(106,567)
Interest accrued	-	21,008	21,008
Translation adjustment	(14,565)	(404)	(14,969)
December 31, 2018	**312,115**	**30,929**	**343,044**
Proceeds	114,884	-	114,884
Repayments	(53,793)	(7,449)	(61,242)
Interest accrued	-	28,034	28,034
Translation adjustment	6,712	932	7,644
September 30, 2019	**$ 379,918**	**$ 52,446**	**$ 432,364**

On August 14, 2018, the Company issued a promissory note with a principal amount of Cdn$260,000 to a private company with common directors. The promissory note accrues interest at a simple rate of 10% per annum, payable quarterly, and is due on demand. The promissory note is unsecured.

The loans payable of the Company are unsecured, bear interest at 10% per annum, and are due on demand.

8. CONVERTIBLE DEBENTURES

Convertible Debenture	Total Debt
December 31, 2017	**$ 228,281**
Finance expense	16,501
Interest paid	(17,185)
Translation adjustment	(11,276)
December 31, 2018	**216,321**
Finance expense	7,613
Translation adjustment	9,257
Net convertible debentures payable, September 30, 2019	**$ 233,191**
Equity component of convertible debentures	**$ 9,324**

The convertible debentures are due on demand, 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.

(Expressed in US dollars)

9. SIGNIFICANT NON-CASH TRANSACTIONS

There were no significant non-cash transactions for the period ended September 30, 2019.

During the period ended September 30, 2018, the Company reclassified $6,024 obligation to issue shares and $4,709 of share-based payment reserve to share capital in connection with exercising of 50,000 stock options (Note 10).

10. 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 September 30, 2019:

There were no share issued during the period ended September 30, 2019.

For the year ended December 31, 2018:

During the year ended December 31, 2018, 50,000 common shares were issued for exercised stock options for which $6,024 had been received as at December 31, 2017. Upon exercise of the options $4,709 share-based payment reserve was reclassified as share capital. During the year ended December 31, 2018, 50,000 warrants were exercised into common shares for proceeds of $5,983.

c. Stock Options

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

	Number of Options	Weighted Average Exercise Price (Cdn$)
Balance, December 31, 2017	**6,246,875**	**$ 0.17**
Issued	400,000	0.14
Exercised	(50,000)	0.16
Balance, December 31, 2018 and September 30, 2019	**6,596,875**	**$ 0.17**

(Expressed in US dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

c. Stock Options (continued)

At September 30, 2019, a summary of stock options outstanding and exercisable is as follows:

Grant Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price (Cdn$)	Expiry date	Remaining contractual life (years)
May 24, 2016	3,000,625	3,000,625	$0.200	May 24, 2021	1.65
November 23, 2016	286,250	286,250	$0.130	November 23, 2021	2.15
March 1, 2017	250,000	250,000	$0.110	March 1, 2022	2.42
November 3, 2017	2,550,000	2,550,000	$0.155	November 3, 2022	3.10
November 22, 2017	100,000	75,000	$0.220	November 22, 2022	3.15
November 22, 2017	10,000	7,500	$0.200	November 22, 2022	3.15
January 12, 2018	150,000	112,500	$0.270	January 12, 2023	3.29
August 14, 2018	250,000	125,000	$0.065	August 14, 2021	1.87
	6,596,875	**6,406,875**			

Share-based payments

During the period ended September 30, 2019, the Company granted Nil (2018 – 400,000) stock options with a weighted average fair value per option of Cdn$Nil (2018 - Cdn$0.08). Total share-based payments expensed for options granted and vesting during the period was $24,322 (2018 - $95,562). The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted and vesting during the year:

	2019	2018
Risk-free interest rate	-	2.11%
Expected life of options	-	3.75 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, 2017	**50,000**	**$0.15**
Exercised	(50,000)	0.15
Balance, December 31, 2018 and September 30, 2019	**-**	**$ -**

(Expressed in US dollars)

10. 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, 2017	291,000	$ 0.12
Expired	(291,000)	0.12
Balance, December 31, 2018 and September 30, 2019	**-**	**$ -**

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Fair value of financial instruments

As at September 30, 2019 and December 31, 2018, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, loans, and convertible debenture. Cash and receivables are classified as amortized cost. Accounts payable and accrued liabilities, loans, and convertible debentures are classified as 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 September 30, 2019, accounts receivable had a balance of $63,036 (December 31, 2018 - $148,154) 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 subscriber amount taken individually is not material and the Company actively monitors its monthly collections so as to mitigate the amount of a potential financial impact.

(Expressed in US dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b. Financial Instrument risk (continued)

i. Credit risk (continued)

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables are assessed primarily based on days past due. The total provision as at September 30, 2019 was $27,447.

For the nine months ended September 30, 2019, no significant changes were noted for the expected loss rates.

The loss allowance provision for trade receivables as at September 30, 2019 reconciles to the opening loss allowance provision as follows:

Loss allowance provision	
December 31, 2017	**$ 14,092**
Changes in the year	484,122
Written off as not recoverable	(231,844)
December 31, 2018	**$ 266,370**
Changes in the period	181,131
Written off as not recoverable	(420,054)
September 30, 2019	**$27,447**

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 11 of these 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.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c. Financial Instrument risk (continued)

ii. Liquidity risk (continued)

At September 30, 2019, the Company has negative working capital of $1,238,394 (December 31, 2018 – negative $739,150) 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 September 30, 2019, 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 September 30, 2019, the Company had loans bearing interest at a fixed rate of 10% 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 September 30, 2019, $405,906 of Identillect Technologies Inc.'s liabilities and $56,906 of its current assets are denominated in Canadian funds. A 1% change in the Canadian/US dollar exchange rate would result in a $4,633 net impact on the Company's foreign exchange gain or loss. As at September 30, 2019, the Company is moderately exposed to foreign exchange fluctuations.

(Expressed in US dollars)

12. 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 September 30, 2019.

13. COMMITMENTS

The Company entered into an office lease agreement during 2016. The lease term ends on October 31, 2019 with remaining lease payments of $52,824.

Short-term lease obligation		
December 31, 2018	**$**	**52,824**
Lease payments		(47,541)
September 30, 2019	**$**	**5,283**

Subsequent to September 30, 2019, the Company extended the lease to October 2021 for total undiscounted payments of $145,176.