IDENTILLECT TECHNOLOGIES CORP.

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

As at and for the three months ended March 31, 2022 and 2021

IDENTILLECT TECHNOLOGIES CORP.

(the “Company” or “Identillect”)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the three months ended March 31, 2022 and 2021

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.

(Expressed in US dollars)

		March 31, 2022		December 31, 2021
Assets				
Current Assets				
Cash	$	90,936	$	41,595
GST receivable		84,730		81,117
Prepaid expenses		131		131
		175,797		122,843
Property and equipment (Note 4)		3,562		7,418
Total Assets	**$**	**179,359**	**$**	**130,261**
Liabilities and Shareholders' Deficiency				
Current Liabilities				
Accounts payable and accrued liabilities (Note 5, 11)	$	414,041	$	699,101
Deferred revenue		261,521		282,628
Loans payable (Notes 5, 6)		591,200		791,318
Lease liabilities (Note 8)		1,325		5,235
Convertible debentures (Notes 5, 7)		173,345		285,218
Total Liabilities		1,441,432		2,063,500
Shareholders' Deficiency				
Share capital (Note 10)		9,322,621		8,534,456
Reserves (Note 10)		1,085,867		1,081,527
Warrants reserve (Note 10)		685,288		685,288
Equity component of convertible debt (Note 7)		4,984		9,324
Accumulated other comprehensive loss		(70,905)		(62,622)
Deficit		(12,289,928)		(12,181,212)
Total Shareholders' Deficiency		(1,262,073)		(1,933,239)
Total Liabilities and Shareholders' Deficiency	**$**	**179,359**	**$**	**130,261**

Nature and continuance of operations – Note 1

Approved on behalf of the Board on May 30, 2022:

" 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 March 31,		**2022**		**2021**
Revenues	**$**	158,148	**$**	151,659
Cost of sales		(5,150)		(5,769)
Gross profit		152,998		145,890
Expenses				
Consulting fees		12,500		-
Depreciation (Note 4)		3,856		434
Filing fees		10,904		5,226
Finance costs (Notes 6 and 7)		17,480		18,346
General and administrative		7,991		7,979
Operating costs		28,154		27,416
Professional fees (Note 5)		33,538		32,779
Rent (Note 5)		2,144		5,701
Salaries and wages (Note 5)		148,558		121,555
Sales and marketing		1,375		585
Share-based payments (Note 5, 10)		-		371,719
		(266,500)		(591,740)
Operating loss		(113,502)		(445,850)
Foreign exchange gain (loss)		4,851		(4,003)
Lease accretion (Note 8)		(65)		-
Gain on termination of lease (Note 8)		-		24,028
Forgiveness of accounts payable		-		13,313
Loss for the period		(108,716)		(412,512)
Translation adjustment		(8,283)		(7,225)
Comprehensive loss for the period	$	(116,999)	$	(419,737)
Weighted average number of shares outstanding – basic and diluted		213,882,627		147,215,961
Basic and diluted loss per share	$	(0.00)	$	(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' Deficiency
(Unaudited – Prepared by Management)
(Expressed in US dollars)

	Number of Common Shares	Share Capital Amount	Warrant reserve	Reserves	Equity portion of convertible debt	Accumulated other comprehensive loss	Deficit	Shareholders' Deficiency
Balance, December 31, 2020	**147,215,961**	**$ 8,534,456**	**$ 685,288**	**$ 709,808**	**$ 9,324**	**$ (62,863)**	**$ (11,500,146)**	**$ (1,624,133)**
Share based payments	-	-	-	371,719	-	-	-	371,719
Currency translation adjustment	-	-	-	-	-	(7,225)	-	(7,225)
Loss for the period	-	-	-	-	-	-	(412,512)	(412,512)
Balance, March 31, 2021	**147,215,961**	**$ 8,534,456**	**$ 685,288**	**$ 1,081,527**	**$ 9,324**	**$ (70,088)**	**$ (11,912,658)**	**$ (1,672,151)**
Balance, December 31, 2021	**147,215,961**	**$ 8,534,456**	**$ 685,288**	**$ 1,081,527**	**$ 9,324**	**$ (62,622)**	**$ (12,181,212)**	**$ (1,933,239)**
Private placement	66,666,666	788,165	-	-	-	-	-	788,165
Settlement of convertible debentures	-	-	-	4,340	(4,340)	-	-	-
Currency translation adjustment	-	-	-	-	-	(8,283)	-	(8,283)
Loss for the period	-	-	-	-	-	-	(108,716)	(108,716)
Balance, March 31, 2022	**213,882,627**	**$ 9,322,621**	**$ 685,288**	**$ 1,085,867**	**$ 4,984**	**$ (70,905)**	**$ (12,289,928)**	**$ (1,262,073)**

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 three months ended March 31, 2022	2021
Cash provided by (used for):		
Operating Activities:		
Loss for the period	$ (108,716)	$ (412,512)
Items not affecting cash:		
Depreciation	3,856	434
Interest accrued	17,479	18,233
Share-based payments	-	371,719
Lease accretion	65	-
(Gain) loss on termination of lease	-	(24,028)
Foreign exchange	2,387	4,050
Changes in non-cash working capital items:		
Accounts receivable	1,213	10,065
GST receivable	(3,613)	(2,821)
Accounts payable and accrued liabilities	(288,877)	(100,924)
Deferred revenue	(21,107)	(16,016)
Prepaid expenses	-	(131)
	(397,313)	(151,931)
Financing Activities:		
Proceeds from share issuance, net of share issuance costs	788,165	-
Proceeds from loans payable	17,019	201,483
Repayment of loans payable	(236,825)	(1,700)
Repayment of convertible debentures	(117,730)	-
Payments towards lease liabilities	(3,975)	-
	446,654	199,783
Impact of foreign exchange on cash	-	-
Change in cash for the period	**49,341**	47,852
Cash, beginning of the period	41,595	24,858
Cash, end of the period	**$ 90,936**	$ 72,710
Cash paid for interest	**$ 40,760**	$ **-**
Cash paid for taxes	**$ -**	$ **-**

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 principal 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 34197 Pacific Coast Hwy, Suite 103, Dana Point, CA, 92629-3801.

These condensed consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at March 31, 2022, the Company has not achieved profitable operations has a working capital deficiency of $1,265,635 (December 31, 2021 - $1,940,657) and has an accumulated deficit of $12,289,928 (December 31, 2021 – $12,181,212) since inception and expects to incur further losses in the development of its business. This material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

On March 11, 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

consolidated financial statements issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2021.

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, 2020. The Company's condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 30, 2022.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Critical accounting estimates

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

i. <u>Share-based payments</u>
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.

ii. <u>Valuation of financial instruments</u>

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 7).

iii. <u>Deferred income taxes</u>
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. These factors may affect the final amount or the timing of tax payments.

(Expressed in US dollars)

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

a. Critical accounting estimates *(continued)*

iv. Useful lives of property and equipment
Management is required to assess the useful economic lives and residual values of the assets. These estimates are based on historical experience and are reviewed annually for changes.

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, 2022, the Company had a working capital deficit of $1,265,635 (December 31, 2021 - $1,940,657). 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.

4. PROPERTY AND EQUIPMENT

Costs

	Furniture & Equipment	Computer Equipment	Right-of-Use Asset	Total
Balance, December 31, 2020	**$ 15,855**	**$ 9,653**	**$ -**	**$25,508**
Additions	-	-	17,121	17,121
Balance, December 31, 2021, and March 31, 2022	**$ 15,855**	**$ 9,653**	**$ 17,121**	**$ 42,629**

(Expressed in US dollars)

4. PROPERTY AND EQUIPMENT (continued)

Accumulated Depreciation

	Furniture & Equipment	Computer Equipment	Right-of-Use Asset	Total
Balance, December 31, 2020	**$ 14,557**	**$ 9,284**	**$ -**	**$ 23,841**
Depreciation	260	369	10,741	11,370
Balance, December 31, 2021	**14,817**	**9,653**	**10,741**	**35,211**
Depreciation	65	-	3,791	3,856
Balance, March 31, 2022	**$ 14,882**	**$ 9,653**	**$ 14,532**	**$ 39,067**

The right-of-use asset consists of leased office premises (Note 8).

Net Book Value

	Furniture Equipment	Computer Equipment	Right-of-Use Asset	Total
Net book value, December 31, 2021	**$ 1,038**	**$ -**	**$ 6,380**	**$ 7,418**
Net book value, March 31, 2022	**$ 973**	**$ -**	**$ 2,589**	**$ 3,562**

5. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. 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**	**March 31, 2022**	March 31, 2021
Professional fees	Emprise Capital Corp, a company related to the CFO and a director of the Company	**$ 32,380**	$ 30,805
Salaries and wages	Todd Sexton, CEO, and Einar Mykletun, CTO	**49,775**	41,898
Rent	Todd Sexton, CEO	**1,575**	2,100
Share-based payments	Officers/Directors	**-**	309,441
		$ 83,730	$ 384,244

(Expressed in US dollars)

5. RELATED PARTY TRANSACTIONS *(continued)*

The following represents amounts due to related parties included in liabilities:

Type of Service	Nature of Relationship		March 31, 2022		December 31, 2021
Included in loans payable					
Loan payable (Note 6)	The Emprise Special Opportunities Fund (2017) LP, a fund related to the CFO and a director of the Company	**$**	**377,725**	$	511,786
Loan payable (Note 6)	Natgar Capital Corp., a company related to a director of the Company		**26,858**		25,835
Loan payable (Note 6)	Todd Sexton, CEO		**1,224**		-
Included in convertible debentures					
Convertible debenture payable (Note 7)	Natgar Capital Corp., a company related to a director of the Company.		**152,275**		147,527
Included in accounts payable and accrued liabilities					
Other payables	Emprise Capital Corp, a company related to the CFO and a director of the Company		**191,381**		241,836
Legal Fees payable	Cassels Brock & Blackwell LLP, a law firm in which a director of the Company is a partner		**-**		7,159
Legal Fees payable	Anfield Sujir Kennedy & Durno, a law firm in which a director of the Company is a partner		**12,304**		12,128
Salaries and wages	Todd Sexton, CEO		**62,712**		256,322
		$	**824,479**	$	1,202,593

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)

6. LOANS PAYABLE

Loans payable		Principal		Accumulated Interest		Total Debt
December 31, 2020	$	372,304	$	108,691	$	480,995
Proceeds		261,520		-		261,520
Repayments		(12,600)		-		(12,600)
Interest accrued		-		62,158		62,158
Translation adjustment		(485)		(270)		(755)
December 31, 2021	**$**	**620,739**	**$**	**170,579**	**$**	**791,318**
Proceeds		17,019		-		17,019
Repayments		(207,911)		(28,914)		(236,825)
Interest accrued		-		13,521		13,521
Translation adjustment		4,394		1,773		6,167
March 31, 2022	**$**	**434,241**	**$**	**156,959**	**$**	**591,200**

Loans payable

As at March 31, 2022, the following loans were owed to related parties:

- $377,724 (December 31, 2021 - $511,786) is owing to a Company related to the CFO and director of the Company (Note 5). The loans payables are unsecured, bear interest at 10% per annum, and are due on demand. During the period ended March 31, 2022, the Company received additional proceeds of $7,898 (December 31, 2021 - $154,765), repaid $157,954 (December 31, 2021 - $nil), recorded $10,396 (December 31, 2021 - $45,614) in interest expense and $5,598 (December 31, 2021 – $928) in foreign exchange translation.

- $26,858 (December 31, 2021 - $25,835) is owing to a Company related to a director (Note 5). The loans payable are unsecured, bear interest at 10% per annum, and are due on demand. During the period ended March 31, 2022, the Company recorded $638 (December 31, 2021 - $2,457) in interest expense and $385 (December 31, 2021 – recovery of $72) in foreign exchange translation.

- $1,224 (December 31, 2021 - $nil) is owing to a Company related to the CEO of the Company (Note 5). The loans payables payable are unsecured, non-interest bearing, and are due on demand. During the period ended March 31, 2022, the Company received $1,224 (December 31, 2021 - $11,750) in additional proceeds and repaid $nil (December 31, 2021 - $12,600).

As at March 31, 2022, the following loans were owed to third parties:

- The Company owed a third party $82,306 (December 31, 2021 - $158,692). The loans payable are unsecured, bear interest at 10% per annum, and are due on demand. During the period ended March 31, 2022, the Company repaid $78,871 (December 31, 2021 - $nil), recorded $2,487 (December 31, 2021 - $14,087) in interest expense and recovery of $3 (December 31, 2021 - $101) in foreign exchange translation.

(Expressed in US dollars)

6. LOANS PAYABLE (continued)

- The Company owed a third party $5,602 (December 31, 2021 - $5,520). The loan payables is unsecured, non-interest bearing, and due on demand. During the period ended March 31, 2022, the Company received proceeds of $nil (December 31, 2021 - $5,520), recorded $nil (December 31, 2021 - $nil) in interest expense and $82 (December 31, 2021 - $nil) in foreign exchange translation.

- The Company owed a third party $8,002 (December 31, 2021 - $nil). The loan payables is unsecured, non-interest bearing, and due on demand. During the period ended March 31, 2022, the Company received proceeds of $7,897 (December 31, 2021 - $nil), recorded $nil (December 31, 2021 - $nil) in interest expense and $105 (December 31, 2021 - $nil) in foreign exchange translation.

<u>Pay-check protection plan</u>

During the year ended December 31, 2020, the Company received a paycheck protection loan provided by the U.S. Small Business Administration in the amount of $89,995. The Company met the criteria for loan forgiveness and made an application to have the entire amount forgiven. The application was approved, and the Company wrote the balance of $89,995 off as a gain through the statement of loss and comprehensive loss. During the year ended December 31, 2021, the Company received another paycheck protection loan in the amount of $89,485. The amount may be forgiven in fiscal 2022 if the Company meets the eligibility requirements.

7. CONVERTIBLE DEBENTURES

Convertible Debenture		**Total Debt**
Balance, December 31, 2020	**$**	**264,862**
Finance expense		19,447
Translation adjustment		909
Balance, December 31, 2021		**285,218**
Finance expense		3,958
Repayments		(117,730)
Translation adjustment		1,899
Balance, March 31, 2022	**$**	**173,345**
Equity component of convertible debentures	**$**	**4,984**

During the year ended December 31, 2016, the Company issued CDN $580,000 (USD $429,319) in convertible debentures. The convertible debentures bear 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 with similar terms. The convertible debentures were originally due on November 17, 2018 but the outstanding balances were extended to May 31, 2020. The convertible debentures are currently past due.

(Expressed in US dollars)

7. CONVERTIBLE DEBENTURES *(continued)*

During the period ended March 31, 2022, the Company made repayments in the amount of CDN $150,000 ($117,730), representing repayments of principal of CDN $135,000 ($105,957) and interest of CDN $15,000 ($11,773). On settlement, the Company reclassified $4,340 related to the equity component of convertible debentures to reserves.

8. LEASE LIABILITIES

As at December 31, 2020, the Company had no leases outstanding, but $24,028 recognized as payable to a former lessor. During the year ended December 31, 2021, these payments were forgiven, and the Company recognize a gain of $24,028 to the statement of loss and comprehensive loss.

During the year ended December 31, 2021, the Company entered into a lease with a term of 12.5 months and total lease payments of $17,121. Using a discount rate of 10%, the Company recognized additions to lease liabilities of $15,796. The Company paid a deposit of $1,325 on the lease which will be returned at the end of the lease term. The following summarizes the undiscounted minimum lease payments under the lease liabilities as at March 31, 2022:

Fiscal year		**Payment**
2022		1,325
Amount representing future lease accretion		-
		1,325
Lease liabilities, current portion		(1,325)
Lease liabilities, non-current portion	$	-

The following is a reconciliation of the changes in the lease liabilities:

Lease Liability		
Balance, December 31, 2020	**$**	24,028
Lease accretion		24,028
Lease accretion		701
Payments		(11,262)
Termination of office lease		(24,028)
Balance, December 31, 2021		5,235
Lease accretion		65
Payments		(3,975)
Balance, March 31, 2022	**$**	**1,325**

(Expressed in US dollars)

9. SIGNIFICANT NON-CASH TRANSACTIONS

There were no non-cash transactions for the periods ended March 31, 2022 and 2021.

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 March 31, 2022:

During the period ended March 31, 2022, the Company closed a private placement by issuing 66,666,666 common shares at a price of CDN $0.015 per common share for gross proceeds of CDN $1,000,000 ($788,165).

For the year ended December 31, 2021:

The Company did not issue any shares during the year ended December 31, 2021.

c. Stock Options

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

	Number of Options	Weighted Average Exercise Price (Cdn$)
Balance, December 31, 2020	**5,059,375**	**$ 0.07**
Expired / Cancelled	(2,859,375)	0.18
Granted	9,550,000	**0.05**
Balance, December 31, 2021	**11,750,000**	**$ 0.07**
Expired / Cancelled	(250,000)	0.11
Balance, March 31, 2022	**11,500,000**	**$ 0.07**

As at March 31, 2022, 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)
November 3, 2017	1,950,000	1,950,000	$0.155	November 3, 2022	0.59
February 12, 2021	9,550,000	9,550,000	$0.050	February 12, 2026	3.87
	11,500,000	**11,500,000**			

(Expressed in US dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

c. Stock Options *(continued)*

Share-based payments

During the period ended March 31, 2022, the Company granted nil(December 31, 2021 – 9,550,000) stock options with a weighted average fair value per option of CDN $nil (December 31, 2021 - $0.05). Total share-based payments expensed for options granted and vested during the period was $nil (2021 - $371,719).

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

	March 31, 2022	December 31, 2021
Risk-free interest rate	N/A	0.49%
Expected life of options	N/A	5 years
Expected annualized volatility	N/A	228.53%
Dividend yield	N/A	0%

10. SHARE CAPITAL AND RESERVES *(continued)*

d. Share purchase warrants

The Company did not have any outstanding share purchase warrants as at March 31, 2022, or December 31, 2021.

e. Broker warrants

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

	Number of warrants	**Weighted average exercise price (Cdn$)**	
Balance, December 31, 2020	**900,000**	**$**	**0.05**
Expired/Cancelled	(900,000)		-
Balance, December 31, 2021 and March 31, 2022	**-**	**$**	**0.05**

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Fair value of financial instruments

As at March 31, 2022 and December 31, 2021, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, loans payable and convertible debentures.

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

a. Fair value of financial instruments *(continued)*

Cash is measured at FVTPL using Level 1 fair value inputs.

The Company's accounts receivable, accounts payable and accrued liabilities, loans payable and convertible debentures 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 March 31, 2022, receivables had a balance of $nil (December 31, 2021 - $nil), therefore, there is limited credit risk as at March 31, 2022.

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 provisions recorded during the period ended March 31, 2022 were $nil.

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 12 of these condensed 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)*

b. Financial instrument risk *(continued)*

ii. Liquidity risk *(continued)*

As at March 31, 2022, the Company has a working capital deficiency of $1,265,635 (December 31, 2021 – $1,940,657) 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 at March 31, 2022, 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, 2022, 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

As at March 31, 2022, $849,932 (December 31, 2021 - $362,564) of Identillect Technologies Inc.'s liabilities and $84,730 (December 31, 2021 - $84,083) of its current assets are denominated in Canadian funds. A 1% change in the Canadian/US dollar exchange rate would result in a $7,652 net impact on the Company's foreign exchange gain or loss. As at March 31, 2022, the Company is moderately exposed to foreign exchange fluctuations.

(Expressed in US dollars)

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

c. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities is comprised of the following:

	March 31, 2022	December 31, 2021
	$	$
Trade payables	**343,984**	435,435
Payroll liabilities	**70,057**	263,666
Accounts payable and accrued liabilities	**414,041**	699,101

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 March 31, 2022.