

IDENTILLECT TECHNOLOGIES CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE PERIOD ENDED JUNE 30, 2025

Dated: August 26, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of Identillect Technologies Corp. ("Identillect" or the "Company") for the period ended June 30, 2025, and is prepared as at August 26, 2025. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the period ended June 30, 2025 and the audited consolidated financial statements for the year ended December 31, 2024 (together the "Financial Statements"), and the notes thereto which were prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). 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 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 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 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 consolidated financial statements and MD&A, as well as ensured that management has discharged its financial responsibilities as at August 26, 2025.

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 our ability to raise sufficient funding to pay creditors and continue as a going concern; and
- the continued financial support of the Company's debt holders and shareholders.

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

OVERVIEW

Identillect 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 principal address is 515 – 701 West Georgia Street, Vancouver, BC V7Y 1C6 and its registered and records office is 2200 – 885 West Georgia Street, Vancouver, BC V6C 3E8.

The Company's wholly owned subsidiary, Identillect Technologies Inc. ("Identillect Technologies") was incorporated under the Nevada Business Corporation Act on August 24, 2010. Identillect Technologies is a software development company that has developed an email encryption software solution.

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. Delivery Trust® proprietary email 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

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attachments are secured with patented, state-of-the-art encryption and blockchain technology while providing complete control of the message with the click of a button, ensuring safety and control while in transit. In addition, Identillect 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. All this coupled with advanced administrative controls and reporting to ensure compliance to regulatory requirements.

Delivery Trust® integrates multi-factor authentication ("MFA") for account login as well as recipient verification. MFA combines two or more independent credentials: what the user knows (password), what the user possesses (token) or what the user is like (biometric verification). The goal of MFA is to create a layered defense and make it more difficult for an unauthorized person to access a target such as a physical location, computing device, network, or database. If one factor is compromised or broken, the attacker still has at least one more barrier to breach before successfully breaking into the target.

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, Office 365, and Office 365 for Apple, Outlook.com, Hotmail.com, Gmail.com, Web Mail, and Mobile applications.

Since commercializing the product, Identillect has continued to grow its subscriber base and is becoming recognized in the security industry as a top email security provider. Visit <https://identillect.com/> to learn more.

DEVELOPMENTS

The following key and strategic milestones met during the period ended June 30, 2025, included:

- In Q1 2025, Identillect Technologies successfully launched the redesigned Delivery Trust® add-in for Microsoft products, delivering unified, seamless user experience across Outlook (Windows and Web), O365 for Mac and PC, and Outlook.com. The new add-in aligns closely with Microsoft's native interface, featuring an intuitive, user-friendly design that simplifies encrypted email workflows, streamlined support diagnostics, and robust deployment across devices. Enhanced diagnostics provide faster, more accurate troubleshooting, while military-grade AES-256 encryption and built-in two-factor authentication ensure that sensitive communications remain protected without added complexity.

OUTLOOK

Identillect, with its Delivery Trust® email encryption solution, is focussed on growing the subscriber base in a variety of industries, both through direct sales and reseller partnerships. The reseller partnership program has been significantly improved since the inception of Identillect.

The majority of Identillect's new partnerships are with Managed Service Providers ("MSP's"). These are companies who serve their customers by providing any and all IT services required. Most MSPs serve clients in regulated industries requiring secure email services. Many of the new MSP's Identillect is partnering with have previously used another secure email service but for a myriad of reasons have now chosen Identillect.

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There have been significant changes in the cyber-security markets over the past several years. COVID-19 brought a significant increase in email volume, with 55% of surveyed businesses increasing their email use significantly since COVID-19. With the expansion of email usage, the market has seen an increase in cybercrime as well. The rate of cybercrime increased by 600% during the COVID-19 pandemic.

Therefore, with cybercrime increasing and with damages of epic proportions being seen, services such as Delivery Trust® have been more sought out than ever before. This is most apparent in regulated industries such as medical, financial, legal and real estate. North America is seeing the greatest number of breaches in the world. In the U.S., Canada, Mexico, and Central America, 86% of all the breaches occurred worldwide come from North America. Identillect focuses on providing encryption technology to advance the amount of protected information and limit the successful breaches.

HIPAA is the medical compliance regulation in the United States; this regulation specifies how all organizations dealing with patient health information must secure it. Currently, HIPAA is performing phase 2 audits requiring all entities affected by the regulation and all companies doing business with those entities to secure data in transit. With [over 29 million medical records breached in 2020](#) alone, the healthcare industry is consistently one of the most targeted sectors for cybercriminals.

As of January 2021, there were more than 92 million internet users in Mexico, representing about 71 percent of the population. This number has risen by 4 percent since 2020 and has seen a significant jump from just 43.5 percent of the population with internet access in 2013. The [U.S. Trade Commission](#) views the Mexican market as one largest growth opportunities for U.S. businesses in cybersecurity. Therefore, this is a significant reason Identillect has expanded into Mexico.

With ever-increasing regulations, data breaches are now one of the largest issue's businesses are facing in retaining the security of their clients' information and consequently ensuring the integrity of their business' reputation. Delivery Trust® with Smart Scan technology allows businesses to enforce compliant employee emailing behaviour by requiring the use of encryption when sensitive content is identified.

Identillect has taken a progressive approach toward serving the legal security needs of Bar Associations across the U.S. Identillect is now the most recognized security provider for the legal community in the U.S. Identillect has partnered 19 state Bar associations who are now recommending Identillect as their membership's cyber-security provider. Identillect is now partnered with state Bars representing more than 600,000 members and anticipates this number to continue to grow moving forward.

Unites States Outlook:

Over the next decade, the U.S. email encryption market is expected to triple, growing from USD 1.13 billion in 2025 to USD 3.85 billion by 2033, with a strong 16.6% compound annual growth rate "CAGR", driven by the rising frequency of cyberattacks, data breaches, and stricter regulatory compliance requirements like HIPAA, GLBA, and GDPR. In the first half of 2024, over 6.8 billion records were breached across 2,741 incidents, highlighting the urgent need for secure communications, especially in healthcare, finance, and government sectors. As businesses shift to cloud platforms like Microsoft 365 and Google Workspace, the demand for cloud-based encryption solutions offering scalability, flexibility, and real-time protection continues to surge. Advancements in encryption technologies, AI integration, and a growing focus on digital transformation are fueling market expansion and ensuring stronger protection for sensitive information.

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Latin America Outlook:

In Latin America, the email encryption and cybersecurity market are expanding rapidly as cyberattacks grow more frequent and costly, with the average cost of a data breach reaching USD 3.69 million in 2024. Cloud-based solutions are leading the region's growth, projected to rise by 15% between 2024 and 2029, fueled by the widespread adoption of cloud services and digital transformation initiatives. Government entities have become one of the most targeted sectors for cyberattacks, prompting urgent investments in stronger cybersecurity frameworks to protect sensitive data and critical infrastructure. In Mexico, the market is evolving quickly, especially across financial, retail, and manufacturing sectors, where private organizations are driving security advancements amid the absence of a national cybersecurity plan. As international technology companies invest in cybersecurity hubs and strategic partnerships across the country, Mexico is emerging as a key player in the region's growing demand for advanced, scalable email encryption solutions.

SUMMARY OF QUARTERLY RESULTS¹

	2 nd Quarter Ended June 30, 2025	1 st Quarter Ended March 31, 2025	4 th Quarter Ended December 31, 2024	3 rd Quarter Ended September 30, 2024
Total revenue	\$ 139,869	\$ 142,510	\$ 145,244	\$ 147,833
Net loss and comprehensive loss	\$ (115,733)	\$ (55,328)	\$ (29,739)	\$ (83,978)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

	2 nd Quarter Ended June 30, 2024	1 st Quarter Ended March 31, 2024	4 th Quarter Ended December 31, 2023	3 rd Quarter Ended September 30, 2023
Total revenue	\$ 154,165	\$ 158,439	\$ 153,844	\$ 162,469
Net loss and comprehensive loss	\$ (52,206)	\$ (27,043)	\$ (109,448)	\$ (64,270)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

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

RESULTS OF OPERATIONS

For the three months ended June 30, 2025

The following is an analysis of the Company's operating results for the three months ended June 30, 2025, and includes a comparison against the three months ended June 30, 2024.

Sales revenue, which consisted primarily of sales of software, for the three months ended June 30, 2025, was \$139,869, as compared \$154,165 for the three months ended June 30, 2024. This number fluctuates based upon the new customers, less customers not renewing the service.

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Cost of sales for the three months ended June 30, 2025, was \$6,950, compared to \$5,275 for the three months ended June 30, 2024, and is comparable period over period.

Consulting fees for the three months ended June 30, 2025, were \$10,816 compared to \$13,236 for the three months ended June 30, 2024, and was consistent period over period.

Filing fees for the three months ended June 30, 2025, were \$892 compared to \$5,091 for the three months ended June 30, 2024. The decreased was due to a timing difference in receipt of the annual TSX listing fee, otherwise the fees are consistent period over period.

Finance costs for the three months ended June 30, 2025, were \$16,453 compared to \$14,834 for the three months ended June 30, 2024, and included interest on the Company's loans payable and convertible debentures.

General and administrative costs for the three months ended June 30, 2025, were \$4,135 as compared to \$5,091 for the three months ended June 30, 2024, and are comparable period over period.

Operating costs for the three months ended June 30, 2025, were \$19,790 as compared to \$20,669 for the three months ended June 30, 2024, and are comparable period over period.

Professional fees for the three months ended June 30, 2025, were \$39,170 as compared to \$37,757 for the three months ended June 30, 2024 and are comparable period over period.

Rent expense for the three months ended June 30, 2025, was \$4,600 compared to \$4,420 for the three months ended June 30, 2024, and was comparable period over period.

Salaries and wages for the three months ended June 30, 2025, were \$97,838 as compared to \$109,338 for the three months ended June 30, 2024, and are comparable period over period.

Sales and marketing costs for the three months ended June 30, 2025, were \$276 as compared to \$362 for the three months ended June 30, 2024, and was comparable period over period.

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, 2025, of \$115,733 as compared to comprehensive loss \$52,206 for the three months ended June 30, 2024.

For the six months ended June 30, 2025

The following is an analysis of the Company's operating results for the six months ended June 30, 2025, and includes a comparison against the six months ended June 30, 2024.

Sales revenue, which consisted primarily of sales of software, for the six months ended June 30, 2025, was \$282,379, as compared \$312,604 for the six months ended June 30, 2024. This number fluctuates based upon the new customers, less customers not renewing the service.

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Cost of sales for the six months ended June 30, 2025, was \$13,393, compared to \$14,280 for the six months ended June 30, 2024, and are comparable period over period.

Consulting fees for the six months ended June 30, 2025, were \$24,052 compared to \$26,568 for the six months ended June 30, 2024, and are comparable period over period.

General and administrative costs for the six months ended June 30, 2025, were \$10,193 as compared to \$11,883 for the six months ended June 30, 2024, and are comparable period over period.

Operating costs for the six months ended June 30, 2025, were \$40,041 as compared to \$41,295 for the six months ended June 30, 2024, and are comparable period over period.

Professional fees for the six months ended June 30, 2025, were \$72,440 as compared to \$72,233 for the six months ended June 30, 2024, and were considered comparable period over period.

Salaries and wages for the six months ended June 30, 2025, were \$205,701 as compared to \$208,150 for the six months ended June 30, 2024, and are comparable period over period.

Sales and marketing for the six months ended June 30, 2025, were \$368 as compared to \$421 for the six months ended June 30, 2024, and are comparable period over period.

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, 2025, of \$171,061 as compared to comprehensive loss \$79,249 for the six months ended June 30, 2024.

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.

As at June 30, 2025, the Company has not achieved profitable operations and has accumulated losses and expects to incur further losses in the development of its business. This material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed

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capital requirements or debt covenants. There was no change to the Company's approach to capital management during the period ended June 30, 2025.

The Company experienced a net loss and comprehensive loss of \$171,061 for the period ended June 30, 2025 (2024 - \$79,249). The Company has a history of losses and accumulated losses of \$13,344,234 (December 31, 2024 - \$13,220,221) since its inception. The Company anticipates further future losses until the Company secures sales contracts to sustain positive cash flows. Identillect Technologies 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.

Cash used in operating activities for the period ended June 30, 2025, was \$7,468 (2024 – \$48,972).

The Company did not have any investing activities during the periods ended June 30, 2025 and 2024.

Financing activities generated net cash of \$12,771 (2024 - \$61,460) in the period ended June 30, 2025, and in the prior period was comprised of loans received.

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

TRANSACTIONS WITH RELATED PARTIES

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

Type of Service	Nature of Relationship	For the six-months ended June 30,	
		2025	2024
Salaries and wages	Todd Sexton, CEO, and Einar Mykletun, CTO	71,084	98,586
Rent	Todd Sexton, CEO	7,172	7,172
Legal and share issuance costs	Cassels Brock & Blackwell LLP, a law firm in which a former director of the Company is a partner	-	357
		\$ 78,256	\$ 106,115

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

Type of Service	Nature of Relationship	June 30, 2025	December 31, 2024
Included in loans payable			
Loan payable – accrues interest at 10% per annum	The Emprise Special Opportunities Fund (2017) LP (“LP2017”), a fund related to the CFO and a former director of the Company	\$ 497,467	\$ 437,348
Loan payable – accrues interest at 10% per annum	Natgar Capital Corp. (“Natgar”), a company related to a former director of the Company	33,918	30,623
Included in convertible debentures			
Convertible debenture payable – accrues interest at 7% per annum	Natgar	109,543	100,330
Included in accounts payable and accrued liabilities			
Legal Fees payable	Cassels, Brock & Blackwell, a law firm in which a former director of the Company is a partner	15,001	7,459
Legal Fees payable	Anfield Sujir Kennedy & Durno, a law firm in which a former director of the Company is a partner	11,270	10,686
Salaries and wages	Todd Sexton, CEO	195,320	149,320
		\$ 862,519	\$ 735,765

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 RISK MANAGEMENT

a. Fair value of financial instruments

As at June 30, 2025 and December 31, 2024, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, loans payable and convertible debentures.

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

The Company's 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.

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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.

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.

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.

As at June 30, 2025, the Company has a working capital deficiency of \$1,686,583 (December 31, 2024 – \$1,516,626) 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 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, 2025, 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.

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As at June 30, 2025, 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 June 30, 2025, \$158,948 (December 31, 2024 - \$145,139) of Identillect Technologies Inc.'s liabilities and \$nil (December 31, 2024 - \$ nil) of its current assets are denominated in Canadian funds. A 10% change in the Canadian/US dollar exchange rate would result in a \$15,895 net impact on the Company's foreign exchange gain or loss. As at June 30, 2025, 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

As at the date of this MD&A, there are 294,382,627 (December 31, 2024 - 294,382,627) shares issued and outstanding.

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\$)
December 31, 2023	9,550,000	\$ 0.05
Cancelled	(2,600,000)	0.05
December 31, 2024, June 30, 2025, and the date of this report	6,950,000	\$ 0.05

As at the date of this report, 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
February 12, 2021	6,950,000	6,950,000	\$0.05	February 12, 2026
	6,950,000	6,950,000		

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CHANGES IN ACCOUNTING POLICIES

IFRS 18 Presentation and disclosure in financial statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements. This standard aims to improve the consistency and clarity of financial statement presentation and disclosures by providing updated guidance on the structure and content of financial statements. Key changes include enhanced requirements for the presentation of financial performance, financial position, and cash flows, as well as additional disclosures to improve transparency and comparability. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact that the adoption of IFRS 18 will have on its financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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) Present value of financial instruments

The Company is required to determine the present value of convertible debentures and lease liabilities at inception. The valuation requires the use of discounted cash flow analyses which involve various estimates and assumptions such as the determination of discount rates. The estimated rates involve consideration of market conditions, risk premiums, modeling assumptions and company specific factors. The discount rates used in the initial recognition of the convertible debentures and lease liabilities represent management's best estimate of the cost of debt obtainable by the Company at the time of issuance.

b) Deferred income taxes

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.

c) 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.

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:

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a) 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.

b) Going Concern

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company. As at June 30, 2025, the Company had a working capital deficit of \$1,686,583 (December 31, 2024 - \$1,516,626). 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.

c) Revenue recognition

Revenue recognition of license sales is recorded on a monthly basis. Cash received in advance for annual licenses are recorded as deferred revenue based on the proportion of time remaining under the license as at the reporting date. Management applies judgement in determining the timing and recognition of revenue streams and when assessing its collectability.

RISKS AND UNCERTAINTIES

Ongoing Need for Financing

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

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Issuance of Debt

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

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

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

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

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

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

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

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

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

- the Company's ability to increase sales to existing customers and attract new customers;
- the addition or loss of large customers;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of the Company's business, operations and infrastructure;

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- the timing and success of new product introductions by the Company or its competitors;
- changes in the Company's pricing policies or those of competitors;
- limitations of the capacity of the Company's systems;
- the timing of costs related to the development or acquisition of products or businesses;
- general economic, industry and market conditions; and
- geopolitical events such as war, threat of war or terrorist actions.

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

Limited Market for Securities

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

Lack of Trading

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price

Market prices for shares of companies on the TSX Venture Exchange are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's shares.

Regulatory Matters

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

Privacy Issues

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

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with applicable privacy laws, the Company could face potential adverse publicity and possible legal or other regulatory action.

Competition

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

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

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

Incapacity to Cope with Rapid Technological Development

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

Ability to Manage Growth Effectively

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

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

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

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

Failure to Effectively Expand Sales and Marketing Capabilities

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

Reliance on Intellectual Property

The Company will require continuous technological improvements in order to remain competitive. There can be no assurance that the Company will be successful in its efforts in this regard. While Company anticipates that its research and development experience will allow it to explore additional business opportunities, there is no guarantee that such business opportunities will be presented or realized. The commercial advantage of the Company may depend to an extent on its intellectual property and its ability to prevent others from copying its products. In the future, the Company may seek patents or other similar protections in respect of a particular technology or process; however, there can be no assurance that any future patent applications will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Moreover, the process of seeking patent protection can itself be long and expensive. In the meantime, competitors may develop products that are similar or superior to the products of the Company or design around the patents owned by the Company, thereby adversely affecting the Company's competitive advantage in one or more

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of its businesses. Despite the efforts of the Company, its intellectual property rights may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps it may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement of such technologies.

Infringement of Intellectual Property

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

Potential Conflicts of Interest

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

Reliance on Others and Dependence on Key Personnel

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

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

Litigation

All industries are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation

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process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

Possible Dilution to Present and Prospective Shareholders

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

Lack of Dividend Policy

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

Changes in Laws

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

SUBSEQUENT EVENTS

There were no subsequent events for the period ended June 30, 2025.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found at www.sedarplus.ca