**IDENTILLECT TECHNOLOGIES CORP.**

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

As at and for the three and six months ended June 30, 2025 and 2024

**IDENTILLECT TECHNOLOGIES CORP.**
(the "Company" or "Identillect")

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**As at and for the three and six months ended June 30, 2025, and 2024**

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

| | | June 30, 2025 | | December 31, 2024 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | | | | |
| Cash | $ | 17,440 | $ | 12,074 |
| GST receivable | | 4,120 | | 94,683 |
| | | 21,560 | | 106,757 |
| Property and equipment (Note 4) | | 1,591 | | 2,695 |
| **Total Assets** | **$** | **23,151** | **$** | **109,452** |
| **Liabilities and Shareholders' Deficiency** | | | | |
| Current Liabilities | | | | |
| Accounts payable and accrued liabilities (Note 5 and 10) | $ | 765,496 | $ | 737,596 |
| Deferred revenue | | 207,336 | | 228,198 |
| Loans payable (Note 5 and 6) | | 610,280 | | 543,073 |
| Convertible debentures (Note 5 and 7) | | 125,031 | | 114,516 |
| **Total Liabilities** | | 1,708,143 | | 1,623,383 |
| Shareholders' Deficiency | | | | |
| Share capital (Note 9) | | 9,907,897 | | 9,907,897 |
| Share-based payment reserve (Note 9) | | 1,086,246 | | 1,086,246 |
| Warrants reserve | | 685,288 | | 685,288 |
| Equity component of convertible debt (Note 7) | | 4,605 | | 4,605 |
| Accumulated other comprehensive loss | | (24,794) | | 22,254 |
| Deficit | | (13,344,234) | | (13,220,221) |
| **Total Shareholders' Deficiency** | | (1,684,992) | | (1,513,931) |
| **Total Liabilities and Shareholders' Deficiency** | **$** | **23,151** | **$** | **109,452** |

Nature and continuance of operations – Note 1

Approved on behalf of the Board on August 26, 2025:

*" Scott Ackerman"* — 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 Financial Position
For the periods ended June 30, 2025 and 2024
(Unaudited – Prepared by Management)
(Expressed in US dollars)

| | For the three months ended June 30, 2025 | 2024 | For the six months ended June 30, 2025 | 2024 |
|---|---|---|---|---|
| **Revenues** | $ 139,869 | $ 154,165 | $ 282,379 | $ 312,604 |
| **Cost of sales** | (6,950) | (5,275) | (13,393) | (14,280) |
| **Gross profit** | 132,919 | 148,890 | 268,986 | 298,324 |
| **Expenses** | | | | |
| Consulting fees | 10,816 | 13,236 | 24,052 | 26,568 |
| Depreciation (Note 4) | 552 | 65 | 1,104 | 130 |
| Filing fees | 892 | 2,069 | 5,699 | 6,961 |
| Finance costs (Notes 6 and 7) | 16,453 | 14,834 | 31,487 | 28,636 |
| General and administrative | 4,135 | 5,091 | 10,193 | 11,883 |
| Operating costs | 19,790 | 20,669 | 40,041 | 41,295 |
| Professional fees (Note 5) | 39,170 | 37,757 | 72,440 | 72,233 |
| Rent (Note 5) | 4,600 | 4,420 | 9,201 | 8,841 |
| Salaries and wages (Note 5) | 97,838 | 109,338 | 205,701 | 208,150 |
| Sales and marketing | 276 | 362 | 368 | 421 |
| | (194,522) | (207,841) | (400,286) | (405,118) |
| **Operating loss** | (61,603) | (58,951) | (131,300) | (106,794) |
| Foreign exchange gain (loss) | (8,027) | 1,042 | (7,747) | 4,834 |
| Recovery of GST receivable | 270 | - | 15,034 | - |
| **Loss for the period** | (69,360) | (57,909) | (124,013) | (101,960) |
| Translation adjustment | (46,373) | 5,703 | (47,048) | 22,711 |
| **Comprehensive loss for the period** | $ (115,733) | $ (52,206) | $ (171,061) | $ (79,249) |
| **Weighted average number of shares outstanding – basic and diluted** | 294,382,627 | 294,382,627 | 294,382,627 | 294,382,627 |
| **Basic and diluted loss per share** | $ (0.00) | $ (0.00) | $ (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 | Warrants reserve | Share-based payment reserve | Equity component of convertible debt | Accumulated other comprehensive loss | Deficit | Shareholders' deficiency |
|---|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2023** | **294,382,627** | **$ 9,907,897** | **$ 685,288** | **$ 1,086,246** | **$ 4,605** | **$ (40,902)** | **$ (12,964,099)** | **$ (1,320,965)** |
| Currency translation adjustment | - | - | - | - | - | 22,711 | - | 22,711 |
| Loss for the period | - | - | - | - | - | - | (101,960) | (101,960) |
| **Balance, June 30, 2024** | **294,382,627** | **9,907,897** | **685,288** | **1,086,246** | **4,605** | **(18,191)** | **(13,066,059)** | **(1,400,214)** |
| Currency translation adjustment | - | - | - | - | - | 40,445 | - | 40,445 |
| Loss for the period | - | - | - | - | - | - | (154,162) | (154,162) |
| **Balance, December 31, 2024** | **294,382,627** | **9,907,897** | **685,288** | **1,086,246** | **4,605** | **22,254** | **(13,220,221)** | **(1,513,931)** |
| Currency translation adjustment | - | - | - | - | - | (47,048) | - | (47,048) |
| Loss for the period | - | - | - | - | - | - | (124,013) | (124,013) |
| **Balance, June 30, 2025** | **294,382,627** | **$ 9,907,897** | **$ 685,288** | **$ 1,086,246** | **$ 4,605** | **$ (24,794)** | **$ (13,344,234)** | **$ (1,684,992)** |

*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 six-months ended June 30, 2025 | 2024 |
|---|---|---|
| **Cash provided by (used for):** | | |
| **Operating Activities:** | | |
| Loss for the period | $ (124,013) | $ (101,960) |
| Items not affecting cash: | | |
| Depreciation | 1,104 | 130 |
| Finance costs | 31,487 | 28,636 |
| Foreign exchange | 8,125 | (4,971) |
| Changes in non-cash working capital items: | | |
| GST receivable | 92,674 | (2,825) |
| Accounts payable and accrued liabilities | 4,017 | 58,020 |
| Deferred revenue | (20,862) | (26,002) |
| | **(7,468)** | **(48,972)** |
| **Financing Activities:** | | |
| Proceeds from loans payable | 12,771 | 61,460 |
| | **12,771** | **61,460** |
| Impact of foreign exchange on cash | 63 | - |
| **Change in cash for the period** | 5,366 | 12,488 |
| Cash, beginning of the period | 12,074 | 9,932 |
| **Cash, end of the period** | **$ 17,440** | $ 22,420 |
| Cash paid for interest | $ - | $ - |
| Cash paid for taxes | $ - | $ - |

Significant non-cash transactions (Note 8)

*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 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.

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.

These condensed consolidated interim 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. During the period ended June 30, 2025, the Company incurred a net loss of $124,013 (2024 - $106,794) and as at June 30, 2025, the Company had a working capital deficiency of $1,686,583 (December 31, 2024 - $1,516,626) and an accumulated deficit of $13,344,234 (December 31, 2024 - $13,220,221). The Company expects to incur further losses in the development of its business. These circumstances comprise a material uncertainty which 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 AND MATERIAL ACCOUNTING POLICY DISCLOSURE INFORMATION

### a. Statement of compliance with IFRS

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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's financial statements were authorized for issue by the Board of Directors on August 26, 2025.

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, 2024.

## 2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY DISCLOSURE INFORMATION *(continued)*

### b. New accounting standards and interpretations issued but not yet adopted

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.

## 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. 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 (Note 7).

ii. 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.

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

(Expressed in US dollars)

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

### b. Critical accounting judgements

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

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

ii. Going concern
The preparation of these financial statements requires management to make judgments regarding the going concern of the Company. As at 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.

iii. 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.

## 4. PROPERTY AND EQUIPMENT

**Costs**

| | Furniture & Equipment | Computer Equipment | Right-of-Use Asset | Total |
|---|---|---|---|---|
| **Balance, December 31, 2023** | **$ 15,855** | **$ 9,653** | **$ 33,293** | **$ 58,801** |
| Additions | - | 2,924 | - | 2,924 |
| Disposals | - | | (33,293) | (33,293) |
| **Balance, December 31, 2024 and June 30, 2025** | **$ 15,855** | **$ 12,577** | **$ -** | **$ 28,432** |

(Expressed in US dollars)

## 4. PROPERTY AND EQUIPMENT *(continued)*

**Accumulated Depreciation**

| | Furniture & Equipment | Computer Equipment | Right-of-Use Asset | Total |
|---|---|---|---|---|
| **Balance, December 31, 2023** | **$ 15,337** | **$ 9,653** | **$ 33,293** | **$ 58,283** |
| Depreciation | 260 | 487 | - | 747 |
| Disposals | - | - | (33,293) | (33,293) |
| **Balance, December 31, 2024** | **15,597** | **10,140** | **-** | **25,737** |
| Depreciation | 130 | 974 | - | 1,104 |
| **Balance, June 30, 2025** | **$ 15,727** | **$ 11,114** | **$ -** | **$ 26,841** |

**Net Book Value**

| | Furniture Equipment | Computer Equipment | Right-of-Use Asset | Total |
|---|---|---|---|---|
| **Net book value, December 31, 2024** | **$ 258** | **$ 2,437** | **$ -** | **$ 2,695** |
| **Net book value, June 30, 2025** | **$ 128** | **$ 1,463** | **$ -** | **$ 1,591** |

## 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 | 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** |

(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 | | June 30, 2025 | | December 31, 2024 |
|---|---|---|---|---|---|
| **Included in loans payable** | | | | | |
| Loan payable (Note 6) | 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 (Note 6) | Natgar Capital Corp. ("Natgar"), a company related to a former director of the Company | | **33,918** | | 30,622 |
| **Included in convertible debentures** | | | | | |
| Convertible debenture payable (Note 7) | 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 was a partner | | **11,270** | | 10,686 |
| Salaries and wages | Todd Sexton, CEO | | **195,320** | | 149,320 |
| | | **$** | **862,519** | **$** | **735,765** |

## 6. LOANS PAYABLE

| **Loans payable** | | **Principal** | | **Accumulated Interest** | | **Total Debt** |
|---|---|---|---|---|---|---|
| **Balance, December 31, 2023** | **$** | **415,583** | **$** | **52,887** | **$** | **468,470** |
| Proceeds | | 87,561 | | - | | 87,561 |
| Repayments | | (26,603) | | - | | (26,603) |
| Interest accrued | | - | | 51,449 | | 51,449 |
| Translation adjustment | | (31,861) | | (5,943) | | (37,804) |
| **Balance, December 31, 2024** | | **444,680** | | **98,393** | | **543,073** |
| Proceeds | | 12,771 | | - | | 12,771 |
| Interest accrued | | - | | 27,370 | | 27,370 |
| Translation adjustment | | 21,587 | | 5,479 | | 27,066 |
| **Balance, June 30, 2025** | **$** | **479,038** | **$** | **131,242** | **$** | **610,280** |

(Expressed in US dollars)

## 6. LOANS PAYABLE *(continued)*

During the period ended June 30, 2025 and the year ended December 31, 2024 the following loans were outstanding:

- $497,468 (December 31, 2024 - $437,347) is owed to LP2017 (Note 5). The loans payable are unsecured, bear interest at 10% per annum, and are due on demand. During the period ended June 30, 2025, the Company received additional proceeds of $12,771 (December 31, 2024 - $60,958) and recorded $22,274 (December 31, 2024 - $41,793) in interest expense and $25,076 (December 31, 2024 - $(34,792)) in foreign exchange translation.

- $33,920 (December 31, 2024 - $30,623) is owed to Natgar (Note 5). The loans payable are unsecured, bear interest at 10% per annum, and are due on demand. During the period ended June 30, 2025, the Company recorded $1,570 (December 31, 2024 - $3,033) in interest expense and $1,724 (December 31, 2024 - $(2,584)) in foreign exchange translation.

- The Company owed a third party $73,766 (December 31, 2024 - $70,240). The loans payable are unsecured, bear interest at 10% per annum, and are due on demand. During the period ended June 30 2025, the Company recorded $3,526 (December 31, 2024 - $6,623) in interest expense.

- The Company owed a third party $5,126 (December 31, 2024 - $4,863). The loan is unsecured, non-interest bearing, and due on demand. During the period ended June 30, 2025, the Company recorded $266 (December 31, 2024 - $(428)) in foreign exchange translation.

## 7. CONVERTIBLE DEBENTURES

| **Convertible Debentures** | | **Total Debt** |
|---|---|---|
| **Balance, December 31, 2023** | **$** | **116,186** |
| Finance expense | | 8,110 |
| Translation adjustment | | (9,780) |
| **Balance, December 31, 2024** | | **114,516** |
| Finance expense | | 4,117 |
| Translation adjustment | | 6,398 |
| **Balance, June 30, 2025** | **$** | **125,031** |
| **Equity component of convertible debentures** | **$** | **4,065** |

During the year ended December 31, 2016, the Company issued CDN $580,000 ($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.

## 8. SIGNIFICANT NON-CASH TRANSACTIONS

There were no non-cash transactions for the periods ended June 30, 2025 and 2024.

(Expressed in US dollars)

## 9. 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

**During the period ended June 30, 2025:**

There were no shares issued during the period ended June 30, 2025.

**During the year ended December 31, 2024:**

There were no shares issued during the year ended December 31, 2024.

### 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, 2023** | **9,550,000** | **$0.05** |
| Cancelled | (2,600,000) | 0.05 |
| **Balance, December 31, 2024 and June 30, 2025** | **6,950,000** | **$0.05** |

As at June 30, 2025, 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** | | |

The Company did not grant any stock options during the period ended June 30, 2025 or the year ended December 31, 2024. The weighted average remaining life of the stock options was 0.62 years (December 31, 2024 - 1.12 years).

## 10. 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.

(Expressed in US dollars)

## 10. 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 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.

The Company's accounts payable and accrued liabilities are comprised of the following:

| | | June 30, 2025 | | December 31, 2024 |
|---|---|---|---|---|
| Trade payables | $ | **526,258** | $ | 544,358 |
| Payroll liabilities | | **239,238** | | 193,238 |
| Accounts payable and accrued liabilities | $ | **765,496** | $ | 737,596 |

### 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.

The Company manages liquidity risk through the management of its capital structure as outlined in Note 11 of these condensed consolidated interim 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.

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 (Note 1).

## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*continued*)

### b . Financial Instrument risk *(continued)*

#### ii. Liquidity risk *(continued)*

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 at 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.

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.

## 11. 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 reserves, 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.

**11. CAPITAL MANAGEMENT (*continued*)**

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 June 30, 2025.