

QUANTUM NUMBERS CORP.

Interim Management Discussion and Analysis

As at March 31, 2017

QUANTUM NUMBERS CORP.

1. SCOPE OF MANAGEMENT'S FINANCIAL ANALYSIS

The following analysis should be read in conjunction with the annual financial statements, including accompanying notes, of Quantum Numbers Corp. ("the Company") for the year ended December 31, 2016. The unaudited condensed interim financial statements for the quarter ended March 31, 2017, including comparative figures, have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. All amounts are in Canadian dollars unless otherwise indicated.

1.1 FORWARD LOOKING STATEMENTS

The sections of this management discussion and analysis ("MD&A") on the Company's strategy and action plan, its exploration activities and financial reporting reflecting Management's current expectations contain "forward looking statements". Such statements should be understood in context, particularly statements that reflect the Company's opinions, estimates and expectations with regard to future events or results. Such forward-looking statements are subject to certain factors and involve a number of risks and uncertainties. There can be no assurance that such statements will prove to be accurate. Factors that could cause future results, activities and events to differ materially from those expressed or implied by such forward-looking statements include, but not limited to, uranium price volatility, risks inherent in the mining industry, uncertainty in the estimation of mineral resources and additional financial requirements, as well as the Company's ability to meet such requirements. These risks and uncertainties are described in this MD&A and in the annual information form filed on SEDAR.

1.2 INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN

Quantum Numbers Corp. was incorporated under the *Business Corporations Act* of Ontario on July 19, 2007. The Company's name was changed from Active Growth Capital Inc. on December 6, 2016.

The head office, principal address and records office of the Company are located at 3755 E Blvd Matte, suite 201, Brossard, Québec, J4Y 2P4. The Company is an advanced developer of a new generation of cryptographic solutions pursuant to the acquisition of intellectual property. Prior to the acquisition of intellectual property, the Company was a mining exploration company with exploration assets in Quebec.

The business of technology involves a high degree of risk and there can be no assurance that projects under research and development will proceed through to achieve commercialization. Risks related to the value of the Company's intangible assets, completing proof of concept studies, protecting intellectual property rights, the ability of the Company to raise alternative financing, and risks inherent to new technologies, such as risk of obsolescence, slow adoption and competing technological advances. Changes in future conditions could require material impairment of investments.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. The Company reported a net loss of \$192,631 (2016 - \$13,226) and has a deficit of \$3,527,958 (2016 - \$3,072,314) as at March 31, 2017.

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1.2 INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN (Continued)

The Company's ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or obtain profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain discretionary expenses. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

1.3 OVERVIEW

As at March 31, 2017, the Company had a working capital of \$1,310,447 compared to a working capital of \$919,448 on December 31, 2016.

During the three-month period, the Company reported a net loss and comprehensive loss of \$192,631 in 2017 compared to \$13,226 in 2016.

1.4 SENIOR MANAGEMENT CHANGES

On February 6, 2017, Mr. Jean-Charles Phaneuf was appointed as the new acting President and Chief Executive Officer. Mr. Pierre C. Miron resigned from his position as President and Chief Executive Officer and was appointed as the new CFO in replacement of Mr. Patrick J. Power. Marc Labrecque and Maxime Lemieux remained on the Board and Pierre C. Miron, Dr. Bertrand Reulet and Luc Paquet were appointed to the Board.

- Jean-Charles Phaneuf, President and Chief Executive Officer
- Pierre C. Miron, Chief Financial Officer
- Marc Labrecque, Secretary

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1.5 INTANGIBLE ASSETS

The carrying amount can be analyzed as follows :

	Balance as at December 31 2016	Additions	Balance as at March 31 2017
	\$	\$	\$
Gross carrying amount	446,112	-	446,112
Additions	-	60,370	60,370
	<u>446,112</u>	<u>60,370</u>	<u>506,482</u>
Accumulated depreciation	-	-	-
Depreciation	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>446,112</u>	<u>60,370</u>	<u>506,482</u>

1.6 SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

	Three-month periods ended March 31	
	2017	2016
	\$	\$
Expenses		
Consulting fees	74,791	-
Salaries	56,938	-
Travel expenses	23,896	-
Professional fees	20,796	10,049
Filing and listing fees	10,464	3,146
	<u>192,631</u>	<u>13,226</u>
Net loss and comprehensive loss for the period	<u>(192,631)</u>	<u>(13,226)</u>
Basic and diluted loss per share	<u>(0.004)</u>	<u>(0.001)</u>
Weighted average number of common shares outstanding	<u>47,234,116</u>	<u>11,388,338</u>

1.7 BALANCE SHEET

	March 31, 2017	December 31, 2016
	\$	\$
Total assets	1,906,663	1,472,708
Total liabilities	88,784	106,198
Total equity	1,817,879	1,366,510

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1.8 SUMMARY OF QUARTER RESULTS

The following table sets forth selected quarterly financial information for each of the eight most recently completed quarters.

<u>Three-month period ended</u>	<u>Net loss and comprehensive loss for the period</u>	<u>Basic and diluted loss per share</u>
	\$	\$
March 31, 2017	(192,631)	(0.004)
December 31, 2016	(283,534)	(0.01)
September 30, 2016	(32,147)	(0.003)
June 30, 2016	(15,332)	(0.001)
March 31, 2016	(13,226)	(0.001)
December 31, 2015	(309,067)	(0.027)
September 30, 2015	(10,675)	(0.001)
June 30, 2015	(32,470)	(0.003)

1.9 FINANCIAL SITUATION

LIQUIDITY

As of March 31, 2017, the Company had a working capital of \$1,310,447 compared to a working capital of \$919,448 on December 31, 2016.

CASH FLOWS

The Company's operating activities used \$220,146 in the three-month period ended March 31, 2017 and used \$24,707 for the same period in 2016. The increase in cash flows used results mainly from the increase in net loss.

The Company's investing activities used \$60,370 in the three-month period ended March 31, 2017 and used \$nil for the same period in 2016. The increase in cash flows used results from the intellectual property additions.

The Company's financing activities generated \$644,000 in the three-month period ended March 31, 2017 and \$nil for the same period in 2016. The increase in cash flows results from the exercise of warrants.

RESULTS OF OPERATION

The main expenses for the three-month period ended March 31, 2017 were consulting fees for an amount of \$74,791, salaries for amount of 56,938, travel fees for an amount of \$23,896 and professional fees for an amount of \$20,796. For the three-month period ended March 31, 2016, the main expenses were professional fees for an amount of \$10,049 and filing and listing fees for an amount of \$3,146.

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1.10 POST-REPORTING DATE EVENTS

Subsequent to March 31, 2017, a total of 431,500 warrants with an exercise price of \$0.10 per warrant were exercised for gross proceeds of \$43,150.

Subsequent to March 31, 2017, a total of 2,000,000 stock options were issued to a member of key management of the Company. The options expire 10 years from the grant date and have an exercise price of \$0.30 per share. The options are subject to semesterly vesting over a period of 24 months.

Subsequent to March 31, 2017, the Company issued 200,000 common shares at an exercise price of \$0.10 per share for the exercise of stock options.

1.11 STOCK OPTIONS

The Company's share options are as follows for the reporting periods:

	<u>March 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Number</u>	<u>Weighted</u>	<u>Number</u>	<u>Weighted</u>
	<u>of options</u>	<u>average</u>	<u>of options</u>	<u>average</u>
		<u>exercise</u>		<u>exercise</u>
		<u>price</u>		<u>price</u>
		<u>\$</u>		<u>\$</u>
Balance outstanding, beginning of period	1,430,000	0.10	320,000	0.31
Granted	-	-	1,250,000	0.10
Expired	-	-	(90,000)	0.80
Cancelled	-	-	<u>(50,000)</u>	0.125
Balance outstanding, end of period	<u>1,430,000</u>	0.10	<u>1,430,000</u>	0.10

The weighted average remaining contractual life for options outstanding at March 31, 2017 is 4.25 (2016 - 4.62) years.

Outstanding and exercisable options are as follows:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of shares</u>		<u>Remaining life</u>
		<u>Outstanding</u>	<u>Exercisable</u>	
	<u>\$</u>			
September 30, 2019	0.125	180,000	180,000	1.50
November 22, 2021	0.10	<u>1,250,000</u>	<u>1,250,000</u>	4.65
		<u>1,430,000</u>	<u>1,430,000</u>	

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1.12 SHARE PURCHASE WARRANTS

The changes in warrants are as follows:

		2017		2016
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of period	30,940,500	0.10	5,000,000	0.10
Exercised	(6,440,000)	0.10	-	0.10
Balance outstanding, end of period	24,500,500	0.10	5,000,000	0.10

Outstanding warrants are as follows:

Expiry date	Exercise price	2017	2016
		Number	Number
	\$		
February 23, 2017	0.10	-	4,840,000
November 22, 2017	0.10	23,345,500	23,845,500
February 3, 2018	0.10	1,155,000	2,255,000
		<u>24,500,500</u>	<u>30,940,500</u>

The weighted average contractual life of warrants outstanding is 0.67 (2016 - 0.79) years.

1.13 OUTSTANDING SHARE DATA

	May 30, 2017
Common shares	50,240,838
Stock options	1,230,000
Warrants	24,269,000
	<u>75,739,838</u>

1.14 RISK AND UNCERTAINTIES

Risk factors are discussed in detail in the Company's Financial Statements and MD&A contained in the annual report for the year ended December 31, 2016.

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1.15 EVALUATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Management maintains a system of internal control over financial reporting to provide reasonable assurance that assets are safeguarded from any loss or unauthorized use and that financial information is reliable and available in a timely manner. They have also designed or had designed internal controls over financial reporting to provide reasonable assurance that financial reporting is reliable and that the financial statements are designed to report financial information in accordance with IFRS.

There were no important changes in the internal control over financial reporting during the three-month period ended March 31, 2017, that had or could reasonably be expected to materially affect the internal control over financial reporting ("ICFR").

1.16 RELATED PARTY TRANSACTIONS

The Company's related parties include companies under common control and joint key management, as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

1.16.1 Transactions with key management

The key management of the Company are the members of senior management and the Board. The remuneration for the period of key management include the following expenses:

	<u>2017</u>	<u>2016</u>
	\$	\$
Consulting fees	35,600	-
Salaries	57,011	-
Professional fees	<u>12,826</u>	<u>-</u>
	<u>105,437</u>	<u>-</u>

As at March 31, 2017 and 2016, trade and other payables include an amount payable to key management, respectively of \$nil and \$7,683.

An amount of \$7,600 (2016 - \$nil) is due to a director for unpaid consulting fees and is included in accounts payable and accrued liabilities.

1.17 ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A is dated May 30, 2017, and complies with Canadian Securities Administrators' *Regulation 51-102 respecting continuous disclosure obligations, c. V-1.1, r. 24*. The purpose of this MD&A is to help the reader understand and assess the material changes and trends in the Company's results and financial position. It presents Management's perspective on the Company's current and past activities and financial results, as well as an outlook of activities planned for the coming months. The Company regularly discloses additional information through press releases and other reports filed on the Company (www.quantumnumberscorp.com), and SEDAR (www.sedar.com) websites.

(s) Jean-Charles Phaneuf, President and Chief Executive Officer

(s) Pierre Miron, Chief Financial Officer

Montreal (Quebec), May 30, 2017