

QUANTUM NUMBERS CORP.
(Formerly Active Growth Capital Inc.)

Management's Discussion and Analysis

December 31, 2016

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The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Quantum Numbers Corp. (Formerly Active Growth Capital Inc.) (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2016 compared to the year ended December 31, 2015 prepared with information available as of April 27, 2017.

Further information regarding the Company and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval ("SEDAR") in Canada and can be obtained from www.sedar.com

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 \$344,239 (2015 - \$402,368) for the year ended December 31, 2016 and has a deficit of \$3,335,327 (2015 - \$3,059,088) as at December 31, 2016.

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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.

1.3 ASSET ACQUISITION

On August 3, 2016, the Company entered into an Intellectual Property Assignment Agreement with Societe de Commercialisation des Produits de la recherche appliquee SOCPRA Sciences et Genie SEC ("SOCPRA") and its inventors by issuing a total of 6,000,000 common shares of the Company at a fair value of \$0.05 per share, representing a total value of \$300,000. The Company also paid SOCPRA an amount of \$13,838 in reimbursement of the professional fees associated with the protection of the patent ("Acquisition"). The Acquisition represented the change in business of the Company. The intellectual property relates to a new generation of cryptographic solutions.

As at December 31, 2016, the patent has not been issued. Until the expiry of the last patent rights, the Company will pay to SOCPRA a royalty of 5% calculated on the net sales price of products sold by the Company. The royalty shall be calculated on a 12-month basis starting on the effective date and shall be paid by the Company to SOCPRA within 90 days following the expiry of each reference year. The Company may decide, during the three years following the closing date, to pay SOCPRA an amount of \$1,500,000 or at SOCPRA's option, to issue to SOCPRA 10,000,000 common shares of the Company valued at \$0.05 per share. In such case, any further royalties will cease to be due and SOCPRA shall not be entitled to any further payment from the Company in consideration for the intellectual property. If the Company does not find or develop a commercial application within 3 years, 50% of the intellectual property shall be transferred back to SOCPRA.

The Acquisition was not considered to be a business combination and was accounted for as an asset acquisition. Total purchase price of \$300,000, finder's fees of \$30,000 and transaction cost of \$116,112, which includes the reimbursement of \$13,838, totalling \$446,112, were capitalized to intangible assets.

1.4 OVERVIEW

As of December 31, 2016, the Company had a net working capital of \$919,448 (2015 – working capital deficiency of \$2,090).

During the year, the Company completed two private placements totaling 25,221,000 units at a price of \$0.05 per unit for a total amount of \$1,261,050.

The Company wrote down its existing mineral rights for an amount of \$131,287 (\$69,415 in 2015) and exploration and evaluation assets for an amount of \$nil (\$246,977 in 2015) as it changed its focus from mining technology to technology development.

The Company reported a net loss and comprehensive loss of \$344,239 in 2016 compared to a net loss and comprehensive loss of \$402,368 in 2015.

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1.5 SELECTED ANNUAL INFORMATION

	Fiscal year ended December 31		
	2016	2015	2014
	\$	\$	\$
Net loss and comprehensive loss for the year	(344,239)	(402,368)	(117,720)
Basic and diluted loss per share	(0.02)	(0.04)	(0.02)
Cash	36,495	37,180	4,726
Cash held in trust	951,483	-	-
Total assets	1,472,708	184,314	332,734
Total liabilities	106,198	52,654	142,456
Equity	1,366,510	131,660	190,278

1.6 OPERATING ACTIVITIES

The 2016 net loss and comprehensive loss decreased to \$344,239 from a net loss and comprehensive loss of \$402,368 in 2015 due mainly to a decrease in impairment of exploration and evaluation assets for an amount of \$185,105 offset by an increase in share-based payments for an amount of \$59,660.

1.7 SENIOR MANAGEMENT CHANGES

On November 23, 2016, in connection with the Transaction, Victor Dario stepped down from the Company's board of directors (the "**Board**"). Marc Labrecque and Maxime Lemieux remained on the Board and Pierre C. Miron, Dr. Bertrand Reulet and Luc Paquet were appointed to the Board. Messrs. Labrecque, Paquet and Lemieux, comprise the Company's Audit Committee going forward. In addition, Mr. Labrecque stepped down as President and CEO, and Maxime Lemieux stepped down as Secretary, and the following individuals were appointed as officers of the Company:

- Pierre C. Miron, President and Chief Executive Officer
- Pierre Cardinal, Vice-President Development and Commercialization
- Patrick J. Power, Chief Financial Officer
- Marc Labrecque, Secretary

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.

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1.8 EXPLORATION ACTIVITIES

Portage-du-Fort Property

The Property is composed of two contiguous map-designated mineral claims (31F/10) covering a total area of 120.39 ha., situated just 1.5 km northeast of the village of Portage-du-Fort, some 75 km northwest of the city of Ottawa in the southwest corner of the Outaouais region of Quebec, Canada. The Property lies on the eastern shore of the Ottawa River, in proximity to the Quebec- Ontario border and easily accessed via paved and secondary gravel roads.

The Company changed its focus from mining to technology development and has ceased development of its mining rights. Accordingly, during the year ended December 31, 2016, the Company impaired the mining rights in the amount of \$128, 750.

Saguenay Property

On April 18, 2016, the Company entered into an option and joint venture agreement to acquire up to a 75% interest in the Saguenay property through two options. To acquire 50% interest, the Company is required to issue 1,500,000 common shares. To acquire 25% interest, the Company is required to incur an aggregate of \$200,000 in work cost on the property on or before the second anniversary of the execution date.

The Company changed its focus from mining to technology development and has ceased development of its mining rights. Accordingly, during the year ended December 31, 2016, the Company impaired the mining rights in the amount of \$2,537.

1.9 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>
	\$	\$
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)
March 31, 2015	(50,156)	(0.006)

1.10 LIQUIDITY

As of December 31, 2016, the Company had a net working capital of \$919,448 (2015 – working capital deficiency of \$2,090). Refer to “Share Capital” for a summary of proceeds received from the issuance of common shares.

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1.11 CASH FLOWS

The Company's operating activities used \$114,032 in 2016 compared to \$101,646 in 2015. The increase in cash flows used resulted mainly from an increase in administration expenses.

The Company's investing activities used \$124,599 in 2016 compared to \$10,900 in 2015. The increase in cash flows used resulted mainly from an increase in exploration and evaluation assets and intellectual property acquisition.

The Company's financing activities generated \$1,189,429 in 2016 compared to \$145,000 in 2015. The increase in cash flows is mainly due to an increase in proceeds from private placements.

1.12 FOURTH QUARTER

During the three month period ended December 31, 2016, the Company recorded a net loss and comprehensive loss of \$283,534 compared to \$309,067 for the same period in 2015, which represents a decrease of \$25,533. The variance is mainly due to a decrease in the impairment of exploration and evaluation assets and an increase in share-based payment and administration expenses.

1.13 SHARE CAPITAL

During the year ended December 31, 2016, the following share transactions occurred:

On August 3, 2016, the Company completed a private placement financing for a total of \$112,750. The Company issued 2,255,000 units at a price of \$0.05 per share and each unit consists of one common share and one transferable share purchase warrant. Each warrant entitles the holder to subscribe to one additional common share at a price of \$0.10, expiring February 3, 2018.

On November 23, 2016, the Company completed a private placement financing for a total of \$1,148,300. The Company issued 22,966,000 units at a price of \$0.05 per share and each unit consists of one common share and one transferable share purchase warrant. Each warrant entitles the holder to subscribe to one additional common share at a price of \$0.10, expiring November 23, 2017.

Finder's fees of \$64,275 and 879,500 finder's warrants were issued. Each warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of 12 months, expiring on November 23, 2017. The finder warrants were valued at \$15,559 using the Black-Scholes valuation model with an expected life of 1 year, volatility of 140.81%, risk-free interest rate of 0.66%, dividend yield of 0% and forfeiture rate of 0%.

On November 23, 2016, the Company issued 6,000,000 common shares at a fair value of \$0.05 per share for the acquisition of the intellectual property (note 4). The Company also issued 600,000 finder's shares totalling \$30,000.

On December 9, 2016, the Company issued 160,000 common shares at a price of \$0.10 per share following the exercise of warrants.

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1.14 SHARE-BASED PAYMENTS

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

	Number of options	2016 Weighted average exercise price	Number of options	2015 Weighted average exercise price
		\$		\$
Balance outstanding, beginning of year	320,000	0.31	500,000	0.25
Granted	1,250,000	0.10	-	-
Expired	<u>(140,000)</u>	0.56	<u>(180,000)</u>	0.125
Balance outstanding and exercisable, end of year	<u>1,430,000</u>	0.10	<u>320,000</u>	0.31

The weighted average remaining contractual life for options outstanding at December 31, 2016 is 4.62 (2015 – 2.88) years.

Options outstanding and exercisable as at December 31, 2016 are detailed as follows :

Expiry date	Exercise price	2016 Number	2015 Number
	\$		
September 1, 2016	0.80	-	90,000
September 30, 2019	0.125	180,000	230,000
November 22, 2021	0.10	1,250,000	-
		<u>1,430,000</u>	<u>320,000</u>

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1.15 WARRANTS

The changes in warrants during the years ended December 31, 2016 and 2015 are as follows:

		2016		2015
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of year	5,000,000	0.10	1,800,000	0.15
Granted	26,100,500	0.10	5,000,000	0.10
Expired	-	-	(1,800,000)	0.15
Exercised	(160,000)	0.10	-	-
Balance outstanding, end of year	30,940,500	0.10	5,000,000	0.10

Outstanding warrants are as follows:

Expiry date	Exercise price	2016	2015
		Number	Number
	\$		
February 23, 2017	0.10	4,840,000	5,000,000
February 3, 2018	0.10	2,255,000	-
November 23, 2017	0.10	23,845,500	-
		<u>30,940,500</u>	<u>5,000,000</u>

The weighted average remaining contractual life for options outstanding is 0.79 (2015 – 1.15) years.

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1.16 POST-REPORTING DATE EVENTS

Subsequent to the year ended December 31, 2016, a total of 6,671,500 warrants with an exercise price of \$0.10 per warrant were exercised for gross proceeds of \$667,150. Each warrant allows the holder to purchase one common share.

Subsequent to the year ended December 31, 2016, 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 issue date and have an exercise price of \$0.30 per share. The options are subjected to quarterly vesting over a period of 24 months.

Subsequent to December 31, 2016, the Company issued 200,000 common shares at an exercise price of \$0.10 per share for the exercise of stock options.

1.17 OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

1.18 FINANCIAL INSTRUMENTS

All financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

Please refer to Note 12 of the financial statements for an extended description of the Company's financial instruments and their fair values.

1.19 FINANCIAL RISK MANAGEMENT

In the normal course of operations, the Company is exposed to various financial risks. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes. Please refer to Note 12 of the financial statements for an extended description of the Company's main financial risks.

1.20 MANAGEMENT OF CAPITAL

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued capital, share options reserves and deficit. The Company's objectives when managing capital are to: (i) preserve capital; (ii) obtain the best available net return; and (iii) maintain liquidity.

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. There were no changes to the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

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1.21 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.

TRANSACTIONS WITH KEY MANAGEMENT

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Management fees	18,000	5,438
Salaires	11,538	-
Share-based payments	59,660	-
	<u>89,198</u>	<u>5,438</u>

There were no amounts due from a shareholder (2015 - \$11,717 included in advance to related party).

An amount of \$6,780 (2015 - \$7,683) is due to a director for unpaid consulting fees and is included in accounts payable and accrued liabilities.

An amount of \$6,973 (2015 - \$nil) is due to a director for unpaid salaries and is included in accounts payable and accrued liabilities.

An amount of \$3,293 (2015 - \$nil) is due to a director for reimbursement of expenses incurred during the year ended December 31, 2016 and is included in accounts payable and accrued liabilities.

1.22 OTHER

Disclosure of Outstanding Securities as at April 27, 2017.

Outstanding common shares : **50,240,838**
Outstanding options : **1,230,000**
Outstanding share purchase warrants : **24,300,500**
Outstanding share purchase finder warrants : **848,000**

(s) Marc Labrecque, Director

(s) Pierre Miron, Director

Montreal (Quebec), April 27, 2017