

QUANTUM NUMBERS CORP.
(Formerly ACTIVE GROWTH CAPITAL INC.)

Management's Discussion and Analysis

December 31, 2017

QUANTUM NUMBERS CORP.

(Formerly Active Growth Capital Inc.)

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, 2017 compared to the year ended December 31, 2016 prepared with information available as of April 27, 2018.

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 intellectual properties, development 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 about future events or results. Such forward-looking statements are subject to certain factors and involve some 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, possibility or not to obtain the patent, time required to obtain such patent, risks inherent in the hi-tech industry, and the time it will take for the industry to be ready to move to quantic solutions. These risks and uncertainties are described in this MD&A and also the annual information form filed on SEDAR.

1.2 INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN

Quantum Numbers Corp. (Formerly Active Growth Capital Inc.) (the "Company" or "Quantum") 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 a developer of a new generation of cryptographic solutions pursuant to the acquisition of intellectual property.

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.

Management routinely plans future activities including forecasting cash flows. Management has reviewed their plan with the Directors and has collectively formed a judgment that the Company has adequate resources to continue as a going concern for the foreseeable future, which Management and the Directors have defined as being at least the next 12 months.

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1.3 COMPANY OVERVIEW AND STRATEGY

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 fair value of \$300,000. The Company also reimbursed \$13,838 to SOCPRA for the professional fees associated with the protection of the patent ("Acquisition").

As of December 31, 2017, 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. 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 three 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 costs of \$116,112, which includes the reimbursement of \$13,838 above, totalling \$446,112, were capitalized to intellectual property in 2016. The Company has capitalized an additional \$146,377 as project development costs in 2017 for a total amount capitalized of \$592,489.

INTELLECTUAL ACTIVITIES

Since Quantum Numbers Corp. changed to quantum hi-tech Intellectual Property, the primary management objective was to strengthen the Company in the following three sectors of activities:

Patent

We are at the stage of Patent Pending in Canada, USA, European Community ("EC") and ten other strategic countries. As it is imperative for us to obtain our patent to pass the introduction level with potentials clients, it was then decided to work with our Patent Agent and to the best of their abilities, have then review all patents requests issued in our field to assess the patentability of our technology. We received the final report that indicates that we should continue the National Phase as planned. By doing the legwork and research at the stage of patentability report, we were able to answer rapidly to the EC investigator. Furthermore, that research, also allowed us to develop a second Patent that we filed under a Patent Cooperation Treaty ("PCT") for the moment.

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1.3 COMPANY OVERVIEW AND STRATEGY (Continued)

INTELLECTUAL ACTIVITIES (Continued)

Technology

Our objective is to make our technology accessible, as rapidly as possible, to potential clients and partners and secured regarding its effectiveness and ensuring that the Intellectual Property is well protected. For the first part, the collaboration agreement with the École de Technologie Supérieure (“ÉTS”) is still ongoing, on certain aspects of the Company’s technology to maximize its overall potentiality. The first phase of this collaboration focuses on facilitating the integration in the vertical market of the Company’s technology and, to the migration of our technology in potential client equipment. The combined knowledge of the ÉTS and Dr Bertrand Reulet, who is now our Chief Technology Officer, will help us in our approach towards the market. For the second part, we filed a new PCT application that will secure our first one even more. As the quantum computerization will evolve, the need for our technology should increase. The end user will need more secure ways to encrypt their data, messages, etc.

Market

For the last twelve months, our resources and energy were focused on developing a strategic plan to best position the Company for success in an emerging Quantum Random Number Generator market. The intelligence gathered, through our recent participation in numerous trade shows, combined with a series of meetings with potential customers and partners, have reaffirmed our conviction of a real potential niche on the market for our technology. Although we plan to reduce our presence to trade shows, we will strategically attend the ones where potential partners and clients will be present. In a nutshell, we work closely with the ETS in regards to the technology and the adaptation to the needs of potential clients. After reaching some milestones on that front, we will be in position to propose a specific solution to potential clients. We have also strengthened our Board of Directors by bringing in four new members with diversified fields of expertise, which can help into going forward in the Company.

1.4 HIGHLIGHTS

The Company reported a net loss and comprehensive loss of \$1,431,441 in 2017 compared to a net loss and comprehensive loss of \$344,239 in 2016.

As at December 31, 2017, the Company had a net working capital of \$1,050,812 (2016 - \$919,448).

During the year, the Company issued 11,991,500 common shares for total proceeds of \$1,199,150 following the exercise of warrants. The fair value of the exercised warrants amounted to \$557.

During the year, the Company issued 4,650,000 stock options to directors or officers.

On April 25, 2017, the Company issued 200,000 common shares for a total of \$20,000 following the exercise of stock options. The fair value of the exercised stock options amounted to \$9,546.

On November 10, 2017, the Company sold the Saguenay Property in counterpart of \$2,500 in cash, a 1.5% NSR of which 1% is redeemable for \$1.5 million and the issuance of 500,000 common shares of St-Georges Platinum & Base Metals Ltd.

On November 14, 2017, the TSX Venture Exchange accepted the extension of the expiry date of 19,256,000 warrants from November 23, 2017 to March 31, 2018.

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1.5 SELECTED ANNUAL INFORMATION

	Year ended December 31		
	2017	2016	2015
	\$	\$	\$
Net loss and comprehensive loss for the year	(1,431,441)	(344,239)	(402,368)
Basic and diluted loss per share	(0.03)	(0.02)	(0.04)
Cash and cash equivalents	1,189,371	987,978	37,180
Total assets	1,973,091	1,472,708	184,314
Total liabilities	157,487	106,198	52,654
Equity	1,815,604	1,366,510	131,660

The increase on total assets is mainly due to the increase in cash and cash equivalents, investments and capitalization of development costs regarding the intellectual property.

The increase in equity is mainly due to the share-based payments regarding options granted and the exercise of warrants.

1.6 OPERATING ACTIVITIES

The 2017 net loss and comprehensive loss increased to \$1,431,441 from a net loss and comprehensive loss of \$344,239 in 2016 mainly due to an increase in share-based payments for an amount of \$601,725, salaries for an amount of \$377,798, consulting fees for an amount of \$162,228, travel fees for an amount of \$110,851 and development costs of \$84,856 offset by an increase in the change in fair value of financial assets and liabilities at fair value through profit or loss of \$145,000.

1.7 BOARD OF DIRECTORS AND SENIOR MANAGEMENT CHANGES

On December 11, 2017, Dr. Bertrand Reulet was appointed Chief Technology Officer.

On September 7, 2017, Mr. Pascal Fortin, Marc Rousseau and Pierre Paul Samson were appointed to the Board. Dr. Bertrand Reulet, Maxime Lemieux and Ted Colivas stepped down from the Board. Mr. Maxime Lemieux was re-appointed Corporate Secretary.

On June 6, 2017, Mr. Ted Colivas was appointed as a Director and Executive Chairman for the Company. Mr. Luc Paquet stepped down from the Chairman role and remained as Director.

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.

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1.8 INTELLECTUAL PROPERTY

The carrying amount can be analyzed as follows:

	Balance as at December 31 2016	Additions	Balance as at December 31 2017
	\$	\$	\$
Cost			
Acquisition of SOCPRA license	446,112	-	446,112
Development costs	-	146,377	146,377
	<u>446,112</u>	<u>146,377</u>	<u>592,489</u>
Accumulated amortization			
Amortization	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>446,112</u>	<u>146,377</u>	<u>592,489</u>

1.9 SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

	December 31	
	2017	2016
	\$	\$
Expenses		
Share-based payments	661,385	59,660
Salaries	390,665	12,867
Consulting fees	177,736	15,508
Travel expenses	119,836	8,985
Legal and audit fees	100,735	53,380
Development costs	84,856	-
Filing and listing fees	32,711	27,073
Management fees	-	18,000
Net loss and comprehensive loss for the period	<u>1,431,441</u>	<u>344,239</u>
Basic and diluted loss per share	<u>0.03</u>	<u>0.02</u>
Weighted average number of common shares outstanding	<u>51,542,664</u>	<u>15,402,798</u>

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1.10 SUMMARY OF QUARTERLY 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, 2017	(593,910)	(0.011)
September 30, 2017	(380,017)	(0.007)
June 30, 2017	(264,883)	(0.005)
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)

1.11 LIQUIDITY

As of December 31, 2017, the Company had a net working capital of \$1,050,812 (2016 - \$919,448). Refer to "Share Capital" for a summary of proceeds received from the issuance of common shares.

1.12 CASH FLOWS

The Company's operating activities used \$868,957 in 2017 compared to \$125,749 in 2016. The increase in cash flows used resulted mainly from an increase in administration expenses.

The Company's investing activities used \$148,800 in 2017 compared to \$112,882 in 2016. The increase in cash flows used resulted mainly from an increase in intellectual property acquisition.

The Company's financing activities generated \$1,219,150 in 2017 compared to \$1,189,429 in 2016. The increase in cash flows is mainly due to an increase in proceeds from exercise of warrants.

1.13 FOURTH QUARTER

During the three-month period ended December 31, 2017, the Company recorded a net loss and comprehensive loss of \$593,910 compared to \$283,534 for the same period in 2016, which represents an increase of \$310,376. The variance is mainly due to an increase in share-based payment and administration expenses.

1.14 SHARE CAPITAL

During the year ended December 31, 2017, the following share transactions occurred:

During the year, the Company issued 11,991,500 common shares for a total amount of \$1,199,150 following the exercise of warrants. The fair value of the exercised warrants amounted to \$557.

On April 25, 2017, the Company issued 200,000 common shares for a total of \$20,000 following the exercise of options. The fair value of the exercised options amounted to \$9,546.

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1.15 SHARE-BASED PAYMENTS

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

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of year	1,430,000	0.10	320,000	0.31
Granted	4,650,000	0.20	1,250,000	0.10
Exercised	(200,000)	0.10	-	-
Expired	(1,000,000)	0.15	(90,000)	0.80
Cancelled	-	-	(50,000)	0.125
Balance outstanding and exercisable, end of year	<u>4,880,000</u>	0.19	<u>1,430,000</u>	0.10
Balance exercisable, end of year	<u>3,380,000</u>	0.14	<u>1,430,000</u>	0.10

The weighted average remaining contractual life for options outstanding at December 31, 2017 is 6.29 (2016 – 4.62) years.

Outstanding and exercisable options are as follows:

Expiry date	Exercise price	2017		2016	
		Number	Exercisable	Number	Exercisable
	\$				
September 30, 2019	0.125	180,000	180,000	180,000	180,000
November 22, 2021	0.10	1,050,000	1,050,000	1,250,000	1,250,000
December 18, 2022	0.12	1,650,000	1,650,000	-	-
January 26, 2027	0.30	2,000,000	500,000	-	-
		<u>4,880,000</u>	<u>4,380,000</u>	<u>1,430,000</u>	<u>1,430,000</u>

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1.16 WARRANTS

The changes in warrants during the years ended December 31, 2017 and 2016 are as follows:

		2017		2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price	
		\$		\$	
Balance outstanding, beginning of year	30,940,500	0.10	5,000,000	0.10	
Granted	-	-	26,100,500	0.10	
Expired	(848,000)	0.10	-	-	
Exercised	(11,991,500)	0.10	(160,000)	0.10	
Balance outstanding, end of year	18,101,000	0.10	30,940,500	0.10	

Outstanding warrants are as follows:

Expiry date	Exercise price	2017	2016
		Number	Number
	\$		
February 23, 2017	0.10	-	4,840,000
February 3, 2018	0.10	755,000	2,255,000
March 31, 2018	0.10	17,346,000	23,845,500
		18,101,000	30,940,500

The weighted average remaining contractual life of warrants outstanding is 0.24 (2016 - 0.79) years.

1.17 POST-REPORTING DATE EVENTS

Subsequent to December 31, 2017, the Company issued 4,967,000 common shares for a total amount of \$496,700 following the exercise of warrants.

1.18 OFF-BALANCE SHEET ARRANGEMENTS

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

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1.19 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 14 of the financial statements for an extended description of the Company's financial instruments and their fair values.

1.20 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 14 of the financial statements for an extended description of the Company's main financial risks.

1.21 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.

1.22 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.

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1.22 RELATED PARTY TRANSACTIONS (Continued)

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>2017</u>	<u>2016</u>
	\$	\$
Management fees	-	18,000
Consulting fees	31,550	-
Legal fees	41,343	-
Salaries	358,769	11,538
Share-based payments	661,385	59,660
	<u>1,093,047</u>	<u>89,198</u>

An amount of \$1,070 (2016 - \$nil) is due from a director for expense advances and is included in advance to related party.

An amount of \$34,887 (2016 - \$6,780; \$nil) is due to directors for unpaid consulting fees and legal and audit fees and is included in accounts payable and accrued liabilities.

An amount of \$12,000 (2016 - \$6,973) is due to directors for unpaid salaries and is included in accounts payable and accrued liabilities.

An amount of \$6,511 (2016 - \$3,293) is due to directors for reimbursement of expenses incurred during the year ended December 31, 2017 and is included in accounts payable and accrued liabilities.

1.23 OTHER

Disclosure of Outstanding Securities as at April 27, 2018.

Outstanding common shares: **60,527,838**
Outstanding options: **4,880,000**
Outstanding share purchase warrants: **nil**

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

(s) Pierre Miron, Chief Financial Officer

Montreal (Quebec), April 27, 2018