

# QUANTUM NUMBERS CORP.

## UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

Condensed Interim Statements of Financial Position	2
Condensed Interim Statements of Net loss and Comprehensive loss	3
Condensed Interim Statements of Changes in Equity	4
Condensed Interim Statements of Cash Flows	5
Notes to Condensed Interim Financial Statements	6 - 10

These condensed interim financial statements for the nine-month period ended September 30, 2019 have not been reviewed by the Company's external auditors.

**QUANTUM NUMBERS CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**(Unaudited, in Canadian dollars)**

	Notes	September 30, 2019	December 31, 2018
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		424,026	909,500
Taxes receivable		6,056	51,871
Prepaid expenses		8,488	16,218
Deposit on contract		20,000	-
		458,570	977,589
<b>Non-current</b>			
Deposits		950	950
Intellectual Property	4	620,489	620,489
		621,439	621,439
<b>Total assets</b>		1,080,009	1,599,028
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		25,710	62,750
<b>Total liabilities</b>		25,710	62,750
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital		6,334,571	6,334,571
Reserves	6	782,829	801,080
Deficit		(6,063,101)	(5,599,373)
<b>Total shareholders' equity</b>		1,054,299	1,536,278
<b>Total liabilities and shareholders' equity</b>		1,080,009	1,599,028

The accompanying notes are an integral part of these condensed interim financial statements.

On the behalf of the Board,

(s) Jean-Charles Phaneuf  
 President and CEO

(s) Pierre Miron  
 CFO

**QUANTUM NUMBERS CORP.****CONDENSED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS (Unaudited,  
in Canadian dollars)**

	<b>Three-months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	\$	\$	\$	\$
<b>EXPENSES</b>				
Salaries	80,898	87,347	246,454	254,537
Travel expenses	18,456	23,640	84,407	81,293
Development costs	23,488	24,675	69,921	75,686
Professional fees	5,420	23,903	34,503	63,123
Share-based payments	-	25,442	20,074	121,345
Filing and listing fees	2,988	10,151	12,183	22,971
Rent	3,600	3,600	10,800	10,050
Insurance	3,461	3,508	10,279	10,374
Promotion expenses	-	-	6,000	-
Office expenses	1,890	1,477	4,219	4,362
Consulting fees	-	1,600	3,200	8,193
Telecommunication	646	658	3,336	2,569
Taxes and permits	88	87	88	87
Bank charges	203	141	526	481
	<u>(141,138)</u>	<u>(206,229)</u>	<u>(505,990)</u>	<u>(655,071)</u>
<b>Other Expenses</b>				
Impairment of exploration and evaluation assets	-	-	-	3,120
Change in fair value of financial assets and liabilities at fair value through profit or loss	-	-	-	48,155
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,275)</u>
Other income				
Interest	831	2,158	3,936	6,011
Gain on disposal of mineral rights	-	-	1	-
	<u>831</u>	<u>2,158</u>	<u>3,937</u>	<u>6,011</u>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>				
	<u>(140,307)</u>	<u>(204,071)</u>	<u>(502,053)</u>	<u>(700,335)</u>
<b>LOSS PER SHARE</b>				
Basic and diluted loss per share	<u>(0.002)</u>	<u>(0.003)</u>	<u>(0.008)</u>	<u>(0.012)</u>
Weighted average number of common shares outstanding	<u>60,527,838</u>	<u>60,527,838</u>	<u>60,527,838</u>	<u>60,293,699</u>

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

**QUANTUM NUMBERS CORP.****CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (Unaudited, in Canadian dollars)**

For the nine-month period ended September 30, 2019

	Notes	Issued capital		Options Reserve	Deficit	Total equity
		Shares	Amount			
			\$	\$	\$	\$
<b>Balance as at January 1, 2019</b>		60,527,838	6,334,571	801,080	(5,599,373)	1,536,278
Share-based payments	6	-	-	20,074	-	20,074
Expiry of options		-	-	(38,325)	38,325	-
Net loss and comprehensive loss for the period		-	-	-	(502,053)	(502,053)
<b>Balance as at September 30, 2019</b>		<u>60,527,838</u>	<u>6,334,571</u>	<u>782,829</u>	<u>(6,063,101)</u>	<u>1,054,299</u>

	Notes	Issued capital		Options Reserve	Deficit	Total equity
		Shares	Amount			
			\$	\$	\$	\$
<b>Balance as at January 1, 2018</b>		55,560,838	5,837,871	682,769	(4,705,036)	1,815,604
Exercise of warrants	7	4,967,000	496,700	-	-	496,700
Expiry of options	6	-	-	(21,705)	21,705	-
Share-based payments	6	-	-	121,345	-	121,345
Net loss and comprehensive loss for the period		-	-	-	(700,335)	(700,335)
<b>Balance as at September 30, 2018</b>		<u>60,527,838</u>	<u>6,334,571</u>	<u>782,409</u>	<u>(5,383,666)</u>	<u>1,733,314</u>

The accompanying notes are an integral part of these condensed interim financial statements.

**QUANTUM NUMBERS CORP.**

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (Unaudited, in Canadian dollars)**

	Three-months ended September 30		Nine-months ended September 30	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Operating Activities</b>				
Net loss	(140,307)	(204,071)	(502,053)	(700,335)
Adjustments to net loss for non-cash items				
Share-based payments	-	25,442	20,074	121,345
Change in fair value of financial assets	-	-	-	48,155
Gain on disposal of mining rights	-	-	(1)	-
Net changes in non-cash working capital items				
Taxes receivable	1,912	4,722	45,815	(30,192)
Prepaid expenses	4,835	5,570	7,730	(6,381)
Deposit on contract	-	-	(20,000)	-
Accounts payable and accrued liabilities	(2,653)	(37,116)	(37,040)	(103,052)
<b>Net operating cash flows</b>	<b>(136,213)</b>	<b>(205,453)</b>	<b>(485,475)</b>	<b>(670,460)</b>
<b>Investing Activity</b>				
Intellectual property acquisition	-	-	-	(28,000)
Deposits	-	-	-	1,353
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,647)</b>
<b>Financing Activity</b>				
Exercise of warrants	-	-	-	496,700
Proceeds from sale of investments	-	-	-	121,845
Proceeds from sale of mining rights	-	-	1	-
<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>618,545</b>
Net change	(136,213)	(205,453)	(485,474)	(78,562)
Cash, beginning of period	560,239	1,316,262	909,500	1,189,371
Cash, end of period	424,026	1,110,809	424,026	1,110,809

The accompanying notes are an integral part of these condensed interim financial statements.

## **QUANTUM NUMBERS CORP.**

### **Notes to Condensed Interim Financial Statements (Unaudited, in Canadian dollars)**

For the nine-month period ended September 30, 2019

---

#### **1. INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN**

Quantum Numbers Corp. (the “Company” or “Quantum”) was incorporated under the *Business Corporations Act* of Ontario on July 19, 2007.

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.

The Company's financial year ends on December 31.

#### **2. BASIS OF PREPARATION AND ADOPTION OF IFRS**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The interim condensed financial statements must be read in conjunction with the most recent annual financial statements and the accompanying notes as at December 31, 2018 and for the period then ended.

The condensed interim financial statements for the reporting period ended September 30, 2019 (including comparatives) were approved and authorized for issue by the Board of Directors on November 21, 2019.

## QUANTUM NUMBERS CORP.

### Notes to Condensed Interim Financial Statements (Unaudited, in Canadian dollars)

For the nine-month period ended September 30, 2019

---

#### 3. CHANGES IN SIGNIFICANT ACCOUNTING POLICES

These interim condensed financial statements were prepared in accordance with standard IAS 34 - Interim Financial Reporting and do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They, however, include specific complimentary notes in order to provide information necessary to assess the financial situation of the Company at period end since its last annual financial statements dated December 31, 2018.

Except for the changes below, the accounting policies used to prepare these interim unaudited condensed financial statements are those described in the last annual financial statements of the Company and have been applied throughout the period unless otherwise stated. Changes to significant accounting policies are described hereinafter.

##### IFRS 16 Leases

In January 2016, the IASB published IFRS 16 which replaces IAS 17 Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statements of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. The Company adopted IFRS 16 on January 1, 2019. There was no material impact from its adoption.

#### 4. INTELLECTUAL PROPERTY

The carrying amount can be analyzed as follows:

	Balance as at December 31 2018	Additions	Balance as at September 30 2019
	\$	\$	\$
<b>Cost</b>			
Acquisition of SOCPRA license	446,112	-	446,112
Development costs	174,377	-	174,377
	<u>620,489</u>	-	<u>620,489</u>
<b>Accumulated amortization</b>			
Amortization	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Carrying amount</b>	<u>620,489</u>	<u>-</u>	<u>620,489</u>

## QUANTUM NUMBERS CORP.

### Notes to Condensed Interim Financial Statements (Unaudited, in Canadian dollars)

For the nine-month period ended September 30, 2019

---

#### 5. MINERAL RIGHTS

On February 20, 2019, the Company sold its right, title and interest in the Portage-du-Fort Property for cash consideration of \$1. The Company will hold a 1.5% net smelter return ("NSR") and a 10% commission will be payable by the purchaser if the property is sold.

#### 6. STOCK OPTIONS

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

	September 30, 2019		December 31, 2018	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance outstanding, beginning of period	4,480,000	0.20	4,880,000	0.19
Granted	150,000	0.15	-	-
Expired	(380,000)	0.12	(400,000)	0.10
Balance outstanding, end of period	<u>4,250,000</u>	0.20	<u>4,480,000</u>	0.20
Balance exercisable, end of period	<u>4,250,000</u>	0.20	<u>3,980,000</u>	0.18

The weighted average remaining contractual life for options outstanding at September 30, 2019 is 4.94 (2018 - 5.54) years.

The Company recognized an amount of \$20,074 (2018 - \$121,345) for the nine-month period ended September 30, 2019.

The weighted average fair value of the granted options was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2019	2018
Average share price at date of grant	\$0.145	\$0.31
Dividends yield	-	-
Expected weighted volatility	122.26%	125%
Risk-free interest rate	1.59%	1.39%
Expected average life	3 years	10 years
Average exercise price at date of grant	\$0.15	\$0.30

**QUANTUM NUMBERS CORP.****Notes to Condensed Interim Financial Statements** (Unaudited, in Canadian dollars)

For the nine-month period ended September 30, 2019

**6. STOCK OPTIONS (Continued)**

Outstanding and exercisable options are as follows:

Expiry Date	Exercise Price	Number of shares		Remaining life (years)
		Outstanding	Exercisable	
	\$			
November 22, 2021	0.10	700,000	700,000	2.15
April 1, 2022	0.15	150,000	150,000	2.50
December 8, 2022	0.12	1,400,000	1,400,000	3.19
January 26, 2027	0.30	2,000,000	2,000,000	7.32
		4,250,000	4,250,000	

**7. SHARE PURCHASE WARRANTS**

The changes in warrants during the period ended September 30, 2019 are as follows:

	September 30, 2019		December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of period	-	-	18,101,000	0.10
Expired	-	-	(13,134,000)	0.10
Exercised	-	-	(4,967,000)	0.10
Balance outstanding, end of period	-	-	-	-

**8. RELATED PARTY TRANSACTIONS**

The Company's related parties include insiders, 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.

## QUANTUM NUMBERS CORP.

### Notes to Condensed Interim Financial Statements (Unaudited, in Canadian dollars)

For the nine-month period ended September 30, 2019

---

#### 8. RELATED PARTY TRANSACTIONS (Continued)

##### 8.1 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:

	2019	2018
	\$	\$
Consulting fees	3,200	7,200
Salaries	234,000	216,000
Professional fees	-	2,745
Share-based payments	5,074	121,345
	<u>242,274</u>	<u>347,290</u>

An amount of \$nil (2018 - \$1,070) is due to senior management for unpaid consulting fees and is included in accounts payable and accrued liabilities.

An amount of \$6,000 (2018 - \$12,000) is due to directors for unpaid salaries and is included in accounts payable and accrued liabilities.

#### 9. POST-REPORTING DATE EVENT

There is no post-reporting date event.