

QUANTUM NUMBERS CORP.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2019

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These condensed interim financial statements for the six-month period ended June 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	June 30, 2019 \$	December 31, 2018 \$
ASSETS			
Current			
Cash and cash equivalents		560,239	909,500
Taxes receivable		7,968	51,871
Prepaid expenses		13,323	16,218
Deposit on contract		20,000	-
		601,530	977,589
Non-current			
Deposits		950	950
Intellectual Property	4	620,489	620,489
		621,439	621,439
Total assets		1,222,969	1,599,028
LIABILITIES			
Current			
Accounts payable and accrued liabilities		28,363	62,750
Total liabilities		28,363	62,750
SHAREHOLDERS' EQUITY			
Share Capital		6,334,571	6,334,571
Reserves	6	821,154	801,080
Deficit		(5,961,119)	(5,599,373)
Total shareholders' equity		1,194,606	1,536,278
Total liabilities and shareholders' equity		1,222,969	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)

	Three-months ended		Six months ended	
	June 30		June 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
EXPENSES				
Salaries	80,670	81,495	165,556	167,190
Travel expenses	23,809	29,089	65,951	57,653
Development costs	24,167	32,569	46,433	51,011
Professional fees	21,097	12,172	29,083	39,220
Share-based payments	15,000	43,115	20,074	95,903
Filing and listing fees	3,001	6,914	9,195	12,820
Rent	3,600	3,600	7,200	6,450
Insurance	3,423	3,470	6,818	6,866
Promotion expenses	-	-	6,000	-
Consulting fees	1,400	4,000	3,200	6,593
Telecommunication	1,256	1,078	2,690	1,911
Office expenses	326	1,487	2,329	2,885
Bank charges	138	122	323	340
	<u>(177,887)</u>	<u>(219,111)</u>	<u>(364,852)</u>	<u>(448,842)</u>
Other Expenses				
Impairment of exploration and evaluation assets	-	-	-	3,120
Change in fair value of financial assets and liabilities at fair value through profit or loss	-	5,655	-	48,155
	<u>-</u>	<u>(5,655)</u>	<u>-</u>	<u>(51,275)</u>
Other income				
Interest	1,197	1,972	3,105	3,853
Gain on disposal of mineral rights	-	-	1	-
	<u>1,197</u>	<u>1,972</u>	<u>3,106</u>	<u>3,853</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD				
	<u>(176,690)</u>	<u>(222,794)</u>	<u>(361,746)</u>	<u>(496,264)</u>
LOSS PER SHARE				
Basic and diluted loss per share	<u>(0.003)</u>	<u>(0.003)</u>	<u>(0.006)</u>	<u>(0.008)</u>
Weighted average number of common shares outstanding	<u>60,527,838</u>	<u>60,527,838</u>	<u>60,527,838</u>	<u>60,174,689</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 six-month period ended June 30, 2019

	Notes	Issued capital		Options Reserve	Deficit	Total equity
		Shares	Amount			
			\$	\$	\$	\$
Balance as at January 1, 2019		60,527,838	6,334,571	801,080	(5,599,373)	1,536,278
Share-based payments	6	-	-	20,074	-	20,074
Net loss and comprehensive loss for the period		-	-	-	(361,746)	(361,746)
Balance as at June 30, 2019		<u>60,527,838</u>	<u>6,334,571</u>	<u>821,154</u>	<u>(5,961,119)</u>	<u>1,194,606</u>

	Notes	Issued capital		Options Reserve	Deficit	Total equity
		Shares	Amount			
			\$	\$	\$	\$
Balance as at January 1, 2018		55,560,838	5,837,871	682,769	(4,705,036)	1,815,604
Exercise of warrants		4,967,000	496,700	-	-	496,700
Expiry of options		-	-	(9,546)	9,546	-
Share-based payments		-	-	95,903	-	95,903
Net loss and comprehensive loss for the period		-	-	-	(496,264)	(496,264)
Balance as at June 30, 2018		<u>60,527,838</u>	<u>6,334,571</u>	<u>769,126</u>	<u>(5,191,754)</u>	<u>1,911,943</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 June 30		Six-months ended June 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Operating Activities				
Net loss	(176,690)	(222,794)	(361,746)	(496,264)
Adjustments to net loss for non-cash items				
Share-based payments	15,000	43,115	20,074	95,903
Change in fair value of financial assets	-	5,655	-	48,155
Net changes in non-cash working capital items				
Accounts receivable	-	234	-	-
Taxes receivable	3,593	(43,353)	43,903	(34,914)
Prepaid expenses	(8,971)	(8,031)	2,895	(11,951)
Deposit on contract	(20,000)	-	(20,000)	-
Accounts payable and accrued liabilities	390	(7,417)	(34,387)	(65,936)
Net operating cash flows	<u>(186,678)</u>	<u>(232,591)</u>	<u>(349,261)</u>	<u>(465,007)</u>
Investing Activity				
Intellectual property acquisition	-	(13,000)	-	(28,000)
Deposits	-	197	-	1,353
Net investing cash flows	<u>-</u>	<u>(12,803)</u>	<u>-</u>	<u>(26,647)</u>
Financing Activity				
Exercise of warrants	-	-	-	496,700
Proceeds from sale of investments	-	121,845	-	121,845
Net financing cash flows	<u>-</u>	<u>121,845</u>	<u>-</u>	<u>618,545</u>
Net change	(186,678)	(123,549)	(349,261)	126,891
Cash, beginning of period	746,917	1,439,811	909,500	1,189,371
Cash, end of period	<u>560,239</u>	<u>1,316,262</u>	<u>560,239</u>	<u>1,316,262</u>

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 six-month period ended June 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 June 30, 2019 (including comparatives) were approved and authorized for issue by the Board of Directors on July 30, 2019.

QUANTUM NUMBERS CORP.

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

For the six-month period ended June 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 June 30 2019
	\$	\$	\$
Cost			
Acquisition of SOCPRA license	446,112	-	446,112
Development costs	174,377	-	174,377
	<u>620,489</u>	-	<u>620,489</u>
Accumulated amortization			
Amortization	-	-	-
	<u>-</u>	-	<u>-</u>
Carrying amount	<u>620,489</u>	-	<u>620,489</u>

QUANTUM NUMBERS CORP.

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

For the six-month period ended June 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:

	June 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	-	-	(400,000)	0.10
Balance outstanding, end of period	<u>4,630,000</u>	0.20	<u>4,480,000</u>	0.20
Balance exercisable, end of period	<u>4,630,000</u>	0.20	<u>3,980,000</u>	0.18

The weighted average remaining contractual life for options outstanding at June 30, 2019 is 4.96 (2018 - 6.29) years.

The Company recognized an amount of \$20,074 (2018 - \$43,115) for the period ended June 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 six-month period ended June 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	
	\$			
September 30, 2019	0.13	130,000	130,000	.25
November 22, 2021	0.10	700,000	700,000	2.40
April 1, 2022	0.15	150,000	150,000	2.75
December 8, 2022	0.12	1,650,000	1,650,000	3.44
January 26, 2027	0.30	2,000,000	2,000,000	7.58
		<u>4,630,000</u>	<u>4,630,000</u>	

7. SHARE PURCHASE WARRANTS

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

	June 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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 six-month period ended June 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	5,600
Salaries	165,555	167,190
Professional fees	-	2,745
Share-based payments	5,074	95,903
	<u>173,829</u>	<u>271,438</u>

An amount of \$1,400 (2018 - \$nil) is due to senior management for unpaid consulting fees and is included in accounts payable and accrued liabilities.

An amount of \$12,000 (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.