

QUANTUM NUMBERS CORP.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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 six-month period ended June 30, 2020 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, 2020 \$	December 31, 2019 \$
ASSETS			
Current			
Cash and cash equivalents		36,031	287,631
Taxes receivable		6,198	6,704
Prepaid expenses		54,312	3,651
		<u>96,541</u>	<u>297,986</u>
Non-current			
Deposits		950	950
Intellectual Property	4	629,793	640,885
		<u>630,743</u>	<u>641,835</u>
Total assets		<u><u>727,284</u></u>	<u><u>939,821</u></u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		71,440	46,787
Non-current liabilities			
Loan	6	40,000	-
Total liabilities		<u>111,440</u>	<u>46,787</u>
SHAREHOLDERS' EQUITY			
Share Capital		6,334,571	6,334,571
Reserves		782,829	782,829
Deficit		(6,501,556)	(6,224,366)
Total shareholders' equity		<u>615,844</u>	<u>893,034</u>
Total liabilities and shareholders' equity		<u><u>727,284</u></u>	<u><u>939,821</u></u>

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

On the behalf of the Board,

(s) Marc Rousseau
 CEO

(s) Pierre C. 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	
	2020	2019	2020	2019
	\$	\$	\$	\$
EXPENSES				
Salaries	53,865	80,670	138,863	165,556
Development costs	22,155	24,167	52,376	46,433
Professional fees	24,817	21,097	34,636	29,083
Filing and listing fees	5,254	3,001	14,422	9,195
Amortization	5,546	-	11,092	-
Travel expenses	-	23,809	8,085	65,951
Insurance	3,818	3,423	7,241	6,818
Rent	2,100	3,600	5,700	7,200
Office expenses	920	326	1,818	2,329
Consulting fees	-	1,400	1,400	3,200
Telecommunication	645	1,256	1,230	2,690
Bank charges	241	138	563	323
Share-based payments	-	15,000	-	20,074
Promotion expenses	-	-	-	6,000
	<u>(119,361)</u>	<u>(177,887)</u>	<u>(277,426)</u>	<u>(364,852)</u>
Other Expenses				
Impairment of exploration and evaluation assets		-		-
Change in fair value of financial assets and liabilities at fair value through profit or loss		-		-
		-		-
Other income				
Interest	19	1,197	236	3,105
Gain on disposal of mineral properties	-	-	-	1
	<u>19</u>	<u>1,197</u>	<u>236</u>	<u>3,106</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>(119,342)</u>	<u>(176,690)</u>	<u>(277,190)</u>	<u>(361,746)</u>
LOSS PER SHARE				
Basic and diluted loss per share	<u>(0.002)</u>	<u>(0.003)</u>	<u>(0.005)</u>	<u>(0.006)</u>
Weighted average number of common shares outstanding	<u>60,527,838</u>	<u>60,527,838</u>	<u>60,527,838</u>	<u>60,527,838</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, 2020

Notes	Issued capital		Options Reserve	Deficit	Total equity
	Shares	Amount			
		\$	\$	\$	\$
Balance as at January 1, 2020	60,527,838	6,334,571	782,829	(6,224,366)	893,034
Net loss and comprehensive loss for the period	-	-	-	(277,190)	(277,190)
Balance as at June 30, 2020	<u>60,527,838</u>	<u>6,334,571</u>	<u>782,829</u>	<u>(6,501,556)</u>	<u>615,844</u>

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	-	-	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>

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)

	Note	Three-months ended		Six-months ended	
		June 30		June 30	
		2020	2019	2020	2019
		\$	\$	\$	\$
Operating Activities					
Net loss		(119,342)	(176,690)	(277,190)	(361,746)
Adjustments to net loss for non-cash items					
Share-based payments		-	15,000	-	20,074
Amortization		5,546	-	110,92	-
Net changes in non-cash working capital items					
Taxes receivable		3,252	3,593	506	43,903
Prepaid expenses		(49,584)	(8,971)	(50,661)	2,895
Deposit on contract		-	(20,000)	-	(20,000)
Accounts payable and accrued liabilities		3,532	390	24,653	(34,387)
Net operating cash flows		(156,596)	(186,678)	(291,600)	(349,261)
Financing Activity					
Loan	6	40,000	-	40,000	-
Net financing cash flows		-	-	-	-
Net change		(116,596)	(186,678)	(251,600)	(349,261)
Cash, beginning of period		152,627	746,917	287,631	909,500
Cash, end of period		36,031	560,239	36,031	560,239

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, 2020

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 assets.

These condensed interim 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. Since its incorporation, the Company has accumulated a deficit of \$6,501,556 (December 31, 2019 - \$6,224,366) and during the period ended June 30, 2020, incurred a net loss and comprehensive loss of \$277,190 (June 30, 2019 - \$361,746). The Company does not currently have available resources and liquidity to fully execute its business plan over the next 12 months and is dependent on the Company's ability to raise additional finances to fund its operations. The above factors indicate a material uncertainty that may cast a significant doubt as to the Company's ability to continue as a going concern.

Since March 31, 2020, the outbreak of the novel strain of coronavirus, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown, as is the efficacy of the government and central bank interventions. It is not possible for QNC to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company at this time.

Despite these global setbacks, QNC forged ahead with the development of its prototype. In partnership with l'ETS and l'Université de Sherbrooke, our QNRG testing cycles has successfully produced an operational prototype that can achieve 300 Mbps of random bits with only the digital components limiting the throughput. At this point in time, the current prototype is designed and assembled on standard PCB technology using commercially available and off-the-shelf components, as well as quantum tunneling junctions fabricated using standard clean room techniques on a silicon substrate at Université de Sherbrooke. Following months of testing and development, the purely random quantum signal is clearly observable, and its significance is proven and quantifiable. Although the performance of this prototype is conservative, it does make a conclusive and relevant case for its use with Mobile, 5G and IOT applications. The next R&D cycle will aim to further test and prove its scalability and application for Enterprise Cloud and Bitcoin technologies.

The next step will be to proceed with integrating the entire design into an integrated chip using standard CMOS technology. Moving forward, QNC will mandate a selected private sector firm to speed up this next R&D phase, which is scheduled to begin at the end of September 2020.

QUANTUM NUMBERS CORP.

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

For the six-month period ended June 30, 2020

1. INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN (Continued)

These condensed interim financial statements have been prepared on a going-concern basis which contemplates that the Company will continue in operation in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. This assumption is based on the current net assets of the Company and management's current operating plans.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

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, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

The condensed interim financial statements for the reporting period ended June 30, 2020 (including comparatives) were approved and authorized for issue by the Board of Directors on August 28, 2020.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICES

These condensed interim 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, 2019.

At the date of authorization of these condensed interim financial statements, management believes that there are no new standards, amendments and interpretations to existing standards that have been published by the IASB, but are not yet effective, which could materially impact the Company's financial statements.

QUANTUM NUMBERS CORP.

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

For the six-month period ended June 30, 2020

4. INTELLECTUAL PROPERTY

The carrying amount can be analyzed as follows:

	Balance as at December 31 2019	Additions	Balance as at June 30 2020
	\$	\$	\$
Cost			
Acquisition of SOCPRA license (Note 4)	446,112	-	446,112
Development costs	199,967	-	199,967
	<u>646,079</u>	<u>-</u>	<u>646,079</u>
Accumulated amortization			
Amortization of license	5,194	11,092	16,286
	<u>5,194</u>	<u>11,092</u>	<u>16,286</u>
Carrying amount	<u>640,885</u>	<u>11,092</u>	<u>629,793</u>

In October of 2019, when available for use, the Company has commenced amortizing the license on a twenty-year basis. No amortization was taken on the development costs as these assets are not yet available for use.

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. LOAN

Loan of \$40,000 from the Canadian Small Business Emergency Account, interest free, repayable by December 31, 2022 with 25% write-off of the loan, up to \$10,000, conditional on repaying the loan at maturity by the Company.

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

For the six-month period ended June 30, 2020

7. STOCK OPTIONS

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

	June 30, 2020		December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of year	4,250,000	0.20	4,480,000	0.20
Granted	-	-	150,000	0.15
Expired	-	-	(380,000)	(0.12)
Balance outstanding, end of year	<u>4,250,000</u>	0.20	<u>4,250,000</u>	0.20
Balance exercisable, end of year	<u>4,250,000</u>	0.20	<u>4,250,000</u>	0.20

The weighted average remaining contractual life for options outstanding at June 30, 2020 is 4.19 (2019 - 6.29) years.

The Company recognized an amount of \$nil (2019 - \$20,074) for the period ended June 30, 2020.

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:

	2020	2019
Average share price at date of grant	-	\$0.31
Dividends yield	-	-
Expected weighted volatility	-	125%
Risk-free interest rate	-	1.39%
Expected average life	-	10 years
Average exercise price at date of grant	-	\$0.30

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	1.40
April 1, 2022	0.15	150,000	150,000	1.75
December 8, 2022	0.12	1,400,000	1,400,000	2.44
January 26, 2027	0.30	2,000,000	2,000,000	6.57
		<u>4,250,000</u>	<u>4,250,000</u>	

QUANTUM NUMBERS CORP.

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

For the six-month period ended June 30, 2020

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.

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:

	2020	2019
	\$	\$
Consulting fees	-	3,200
Salaries	132,000	165,555
Share-based payments	-	5,074
	<u>132,000</u>	<u>173,829</u>

An amount of \$nil (2019 - \$1,800) is due to senior management for unpaid consulting fees and is included in accounts payable and accrued liabilities.

An amount of \$nil (2019 - \$6,000) is due to directors for unpaid salaries and is included in accounts payable and accrued liabilities.

9. POST-REPORTING DATE EVENT

On July 8, 2020, Mr. Marc Rousseau was appointed as CEO of the Company following the resignation of Mr. Jean Charles Phaneuf as Chief Executive Officer and Director of the Company. Mr. Rousseau is a Director of the Company since September 6, 2017.

On August 1, 2020, Mr. Pierre-Paul Samson was appointed as Chairman of the Board. Mr. Samson is a Director of the Company since September 6, 2017.