

QUANTUM eMOTION CORP.
(formerly Quantum Numbers Corp.)

Interim Condensed Financial Statements
September 30, 2022 and 2021
(Unaudited, in Canadian dollars)

<u>Index</u>	<u>Page</u>
Condensed Statements of Financial Position	1
Condensed Statements of Loss and Comprehensive Loss	2
Condensed Statements of Changes in Shareholders' Equity	3
Condensed Statements of Cash Flows	4
Notes to Interim Condensed Financial Statements	5 –

QUANTUM eMOTION CORP. (formerly Quantum Numbers Corp.)
Condensed Statements of Financial Position
As at September 30, 2022 and December 31, 2021
(Unaudited, in Canadian dollars)

	Notes	September 30, 2022	December 31, 2021
		\$	\$
Assets			
Current assets:			
Cash		2,891,690	1,021,552
Taxes receivable		88,267	57,030
Prepaid expenses and other		39,794	50,188
Investments	3	870,326	1,014,919
		3,890,077	2,143,689
Non-current assets:			
Intellectual property	4	948,203	957,161
Total assets		4,838,280	3,100,850
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		193,553	333,818
Non-current liabilities:			
Deferred government grant		514	2,041
Loan payable		58,323	53,572
Total liabilities		252,390	389,431
Shareholders' Equity			
Share capital	5	13,413,478	10,173,156
Contributed surplus	5	891,351	506,603
Deficit		(9,718,939)	(7,968,340)
		4,585,890	2,711,419
Total liabilities and Shareholders' equity		4,838,280	3,100,850

See accompanying Notes to Interim Condensed Financial Statements.

Approved on behalf of the Board:

"Francis Bellido"

Francis Bellido CEO

"Marc Rousseau"

Marc Rousseau CFO

QUANTUM eMOTION CORP. (formerly Quantum Numbers Corp.)
Condensed Statements of Loss and Comprehensive Loss
Periods ended September 30, 2022 and 2021
(Unaudited, in Canadian dollars)

		Three months ended September 30		Nine months ended September 30	
	Notes	2022	2021	2022	2021
Expenses					
Share-based payments	5,6	\$ 37,906	\$ 30,000	\$ 413,730	\$ 234,000
Management fees	6	119,312	88,438	386,250	222,127
Professional fees		93,713	15,622	170,854	140,432
Research and development		89,826	120,617	142,786	120,617
Information technology		1,386	45,460	120,760	45,460
Office		21,604	8,091	77,858	31,508
Investor relations		5,750	31,185	63,016	188,409
Salaries		20,461	-	62,596	5,787
Travel		20,602	-	48,279	-
Filing and listing fees		19,078	62,081	42,371	111,055
Consulting fees		20,000	28,940	41,880	140,697
Financial expenses		6,932	414	18,725	1,338
Promotion expenses		17,516	-	17,516	19,187
Amortization	4	5,622	5,623	16,683	16,684
Insurance		5,033	4,393	14,651	11,622
Other		-	1,458	3,689	4,032
		\$ 484,741	\$ 442,322	\$ 1,641,644	\$ 1,292,955
Other items					
Loss on fair value remeasurement of investments		(58,282)	-	(157,939)	-
Government grant		514	514	1,527	1,290
Financial income		27,286	10	51,256	10
Foreign currency loss		(2,527)	-	(3,799)	-
		\$ (33,009)	\$ 524	\$ (108,955)	\$ 1,300
Net loss and comprehensive loss		\$ 517,750	\$ 411,798	\$ 1,750,599	\$ 1,291,655
Basic and diluted loss per share		\$ 0.004	\$ 0.004	\$ 0.013	\$ 0.013
Weighted average number of common shares outstanding		135,447,999	105,936,534	134,128,369	100,752,929

See accompanying Notes to Interim Condensed Financial Statements.

QUANTUM eMOTION CORP. (formerly Quantum Numbers Corp.)
Condensed Statements of Changes in Shareholders' Equity
Periods ended September 30, 2022 and 2021
(Unaudited, in Canadian dollars)

	Notes	Number of shares	Number of shares to be issued	Share capital	Units to be issued	Contributed surplus	Deficit	Total equity
				\$	\$	\$	\$	\$
Balance as of December 31, 2021		114,012,838	-	10,173,156	-	506,603	(7,968,340)	2,711,419
Share-based payments	5	-	-	-	-	413,730	-	413,730
Share issue costs	5	-	-	340	-	-	-	-
Exercise of options	5	250,000	-	53,982	-	(28,982)	-	340
Exercise of warrants	5	21,240,000	-	3,186,000	-	-	-	25,000
Net loss		-	-	-	-	-	(1,750,599)	3,186,000
Balance as of September 30, 2022		135,502,838	-	13,413,478	-	891,351	(9,718,939)	4,585,890
Balance as of December 31, 2020		60,527,838	250,000	6,334,571	12,500	280,404	(6,405,692)	221,783
Share-based payments	5	-	-	-	-	350,513	-	350,513
Units issued for private placement	5	40,000,000	(250,000)	2,000,000	(12,500)	-	-	1,987,500
Share issue costs	5	-	-	(37,950)	-	-	-	(37,950)
Exercise of options	5	1,400,000	-	98,000	-	(28,000)	-	70,000
Exercise of warrants	5	8,800,000	200,000	1,320,000	30,000	-	-	1,350,000
Net loss		-	-	-	-	-	(1,291,655)	(1,291,655)
Balance as of September 30, 2021		110,727,838	200,000	9,714,621	30,000	602,917	(7,697,347)	2,650,191

See accompanying Notes to Interim Condensed Financial Statements.

QUANTUM eMOTION CORP. (formerly Quantum numbers Corp.)
Condensed Statements of Cash Flows
Periods ended September 30, 2022 and 2021
(Unaudited, in Canadian dollars)

	Note s	Three months ended September 30		Nine months ended September 30	
		2022	2021	2022	2021
		\$	\$	\$	\$
Operating Activities					
Net loss		(517,750)	(411,798)	(1,750,599)	(1,291,655)
Adjustments to net loss for non-cash items					
Share-based payments	5	37,906	35,282	413,730	350,513
Amortization	4	5,622	5,623	16,683	16,684
Accretion expense		1,628	1,458	4,751	4,032
Government grant		(514)	(514)	(1,527)	(1,290)
Change in fair value of investments	3	58,410	-	158,067	-
Net changes in non-cash working capital items					
Taxes receivable		3,623	26,618	(31,237)	(54,654)
Prepaid expenses and other		27,941	(38,737)	10,394	(49,897)
Accounts payable and accrued liabilities		(25,770)	(51,090)	(140,265)	(386,118)
		(408,904)	(463,158)	(1,320,003)	(1,412,385)
Investing Activities					
Additions to intellectual property	4	-	-	(7,725)	-
Acquisition of investments	3	(67,875)	-	(1,216,458)	-
Proceeds from sale of investments	3	525,688	-	1,202,984	-
		457,813	-	(21,199)	-
Financing Activities					
Proceeds from loan payable	5	-	-	-	20,000
Proceeds from issuance of units	6	-	-	-	1,987,500
Proceeds from units to be issued	6	-	30,000	-	30,000
Share issuance costs		-	-	340	(37,950)
Exercise of options	6	10,000	-	25,000	70,000
Exercise of warrants	6	-	1,042,500	3,186,000	1,320,000
		10,000	1,072,500	3,211,340	3,389,550
Increase (decrease) in cash		58,909	609,342	1,870,138	1,977,165
Cash, beginning of period		2,832,781	1,387,913	1,021,552	20,090
Cash, end of period		2,891,690	1,997,255	2,891,690	1,997,255

See accompanying notes to condensed financial statements.

QUANTUM eMOTION CORP. (formerly Quantum Numbers Corp.)
Notes to Interim Condensed Financial Statements
Periods ended September 30, 2022 and 2021
(Unaudited, in Canadian dollars)

1. Nature of operations and going concern

Quantum eMotion Corp. (formerly Quantum Numbers Corp.) (the “Company” or “Quantum”) was incorporated under the *Business Corporations Act* of Ontario on July 19, 2007. The Company changed its name on May 27, 2021, in a rebranding effort directed by management.

The head office, principal address and records office of the Company are located at 2300 Alfred Nobel, bureau 209, Montreal, Qc, H4S 2A4. The Company is a developer of a new generation of cryptographic solutions pursuant to the acquisition of intellectual property (note 4).

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 additional 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 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. For the nine months ended September 30, 2022, the Company incurred a net loss of \$1,750,599 (2021 - \$1,291,655) and had negative cash flows from operations of \$1,320,003 (2021 - \$1,412,385). In addition, the Company had accumulated deficit of \$9,718,939 as at September 30, 2022.

Management expects that the working capital (current assets in excess of current liabilities) available to the Company at September 30, 2022, including the \$3,696,524 received, during the nine months ended September 30, 2022, following the exercise of 21,240,000 warrants and 150,000 stock options (refer to note 5) will provide the Company with adequate funding to meet its short-term obligations for the next 12 months and to meet the timelines of its development programs and pay its overhead and administrative costs. However, the Company does not expect to generate revenue from product sales unless and until it successfully completes development of its cryptographic solutions, which may take a number of years and is subject to significant uncertainty. The Company expects to incur significant development and commercialization expenses related to product sales, marketing and distribution. As a result, the Company will need additional financing in the future to support its continuing operations. Until such time that it can generate significant revenue from product sales, if ever, the Company expects to finance its operations through a combination of public or private equity or debt financings or other sources. The Company currently has no committed sources of financing available. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no assurance that it will be able to do so in the future. The ability of the Company to meet its commitments and discharge its liabilities as they become due and become profitable is dependent on the completion of the development of its technology and its commercial production, and on its ability to raise additional funding to finance these activities. The conditions mentioned above indicate the existence of a material uncertainty that may cast a significant doubt as to the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

QUANTUM eMOTION CORP. (formerly Quantum Numbers Corp.)
Notes to Interim Condensed Financial Statements
Periods ended September 30, 2022 and 2021
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2. Basis of preparation

These condensed financial statements have been prepared by management in accordance with IAS 34 *Interim Financial Reporting* and using the same accounting policies and methods of computation as those used in preparing the audited annual consolidated financial statements for the year ended December 31, 2021. The unaudited condensed financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved and authorized for issue these condensed financial statements on August 29, 2022.

3. Investments

	September 30, 2022	December 31, 2021
Balance, beginning of the year	1,014,919	-
Additions	1,216,458	1,464,838
Dispositions	(1,202,984)	(464,817)
Change in fair value	(158,067)	14,898
Balance, end of the period	\$ <u>870,326</u>	\$ <u>1,014,919</u>

As at September 30, 2022, the Company holds 69% of its investments in a money market fund, 23% in Canadian equity listed companies and 8% in foreign equity listed companies.

As at December 31, 2021, the Company holds 53% of its investments in a money market fund, 32% in Canadian equity listed companies and 15% in foreign equity listed companies.

4. Intellectual property

	December 31, 2021	Additions	September 30, 2022
	\$	\$	
Cost			
SOCpra license ⁽¹⁾	446,112	-	446,112
Development costs ⁽²⁾	560,853	7,725	568,578
	<u>1,006,965</u>	<u>7,725</u>	<u>1,014,690</u>
Amortization			
SOCpra license	49,804	16,683	66,487
	<u>49,804</u>	<u>16,683</u>	<u>66,487</u>
Carrying amount			
SOCpra license	396,308		379,625
Development costs	560,853		568,578
	<u>957,161</u>		<u>948,203</u>

QUANTUM eMOTION CORP. (formerly Quantum Numbers Corp.)
Notes to Interim Condensed Financial Statements
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4. Intellectual property (Continued)

- (1) On August 3, 2016, the Company entered into an intellectual assignment agreement (“IP agreement”) with Société de commercialisation des produits de la recherche appliquée SOCPRA Sciences et Génie S.E.C. (“SOCPRA”) and its investors. Until the expiry of the last patent rights, which is expected in May 2035, the Company will pay to SOCPRA a royalty of 5% calculated on the net sales price of products sold by the Company. The Company may have an option to buy back the royalties in the future at terms and conditions to be agreed upon by both parties.
- (2) No amortization was taken on the development costs as these assets are not yet available for use.

5. Share capital

(a) Units issued for private placement

On January 15, 2021, the Company completed a non-brokered private placement by issuing a total of 40,000,000 units at a price of \$0.05 per unit, for total gross proceeds of \$2,000,000. Each unit consisted of one common share and one warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.15 for a period of 12 months following the closing of the private placement. Share issuance costs of \$71,711 were paid in connection with the private placement.

(b) Stock options

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

	September 30, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of year	10,930,000	0.13	6,650,000	0.07
Granted	500,000	0.23	5,880,000	0.18
Exercised	(250,000)	0.10	(1,600,000)	0.06
Expired	(450,000)	0.20	-	-
Balance outstanding, end of period	10,730,000	0.12	10,930,000	0.13
Balance exercisable, end of period	8,352,625	0.11	7,046,875	0.11

The weighted average remaining contractual life for options outstanding as at September 30, 2022 is 1.89 (December 31, 2021 – 2.64) years.

Share-based compensation recognized under this plan amounted to \$37,906 and \$413,730, respectively, for the three-month and nine-month periods ended September 30, 2022 (2021 - \$141,231 and \$315,231). 500,000 stock options granted during the nine-month period ended September 30, 2022 vest over a period of four years. Stock options expire after an average period of seven years.

QUANTUM eMOTION CORP. (formerly Quantum Numbers Corp.)
Notes to Interim Condensed Financial Statements
Periods ended September 30, 2022 and 2021
(Unaudited, in Canadian dollars)

5. Share capital (Continued)

(c) Share purchase warrants

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

	September 30, 2022		December 31, 2021	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
				\$
Balance outstanding, beginning of year	28,115,000	0.15	-	-
Granted	-	-	40,000,000	0.15
Exercised	(21,240,000)	0.15	(11,885,000)	0.15
Expired	(6,875,000)	0.15	-	-
Balance outstanding, end of period	<u>-</u>	<u>-</u>	<u>28,115,000</u>	<u>0.15</u>

6. 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.

Transactions with key management

The remuneration for the nine-month period of key management (including the amounts above) is as follows:

	Nine months ended September 30	
	2022	2021
	\$	\$
Management fees	386,250	187,436
Share-based payments	327,626	234,000
	<u>713,876</u>	<u>421,436</u>

As at September 30, 2022, an amount of \$46,128 is due to key management and is included in accounts payable and accrued liabilities (December 31, 2021 - \$72,564).