

**QUANTUM eMOTION CORP.**  
(formerly Quantum Numbers Corp.)

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

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

	Notes	June 30, 2022	December 31, 2021
		\$	\$
<b>Assets</b>			
Current assets:			
Cash		2,832,781	1,021,552
Taxes receivable		91,890	57,030
Prepaid expenses and other		67,735	50,188
Investments	3	1,386,549	1,014,919
		4,378,955	2,143,689
Non-current assets:			
Intellectual property	4	953,825	957,161
<b>Total assets</b>		<b>5,332,780</b>	<b>3,100,850</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		219,323	333,818
Non-current liabilities:			
Deferred government grant		1,028	2,041
Loan payable		56,695	53,572
<b>Total liabilities</b>		<b>277,046</b>	<b>389,431</b>
<b>Shareholders' Equity</b>			
Share capital	5	13,397,705	10,173,156
Contributed surplus	5	859,218	506,603
Deficit		(9,201,189)	(7,968,340)
		5,055,734	2,711,419
<b>Total liabilities and Shareholders' equity</b>		<b>5,332,780</b>	<b>3,100,850</b>

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 June 30, 2022 and 2021**  
**(Unaudited, in Canadian dollars)**

		Three months ended June 30		Six months ended June 30	
	Notes	2022	2021	2022	2021
<b>Expenses</b>					
Share-based payments	5,6	\$ 43,422	\$ 141,231	\$ 375,824	\$ 315,231
Management fees	6	111,438	67,162	266,938	133,689
Information technology		52,763	-	119,374	-
Professional fees		58,677	61,478	77,141	124,810
Investor relations		18,062	51,274	57,266	51,274
Office		42,839	16,483	56,254	23,417
Research and development		27,000	-	52,960	-
Salaries		23,269	-	42,135	5,787
Travel		5,042	-	27,677	-
Filing and listing fees		17,380	36,176	23,293	48,974
Consulting fees		16,120	27,585	21,880	106,476
Financial expenses		5,220	1,613	11,793	3,498
Amortization	4	5,561	5,561	11,061	11,061
Insurance		9,618	3,678	9,618	7,229
Other		-	-	3,689	-
Promotion expenses		-	-	-	19,187
		\$ 436,411	\$ 412,241	\$ 1,156,903	\$ 850,633
<b>Other items</b>					
Loss on fair value remeasurement of investments		(123,017)	-	(99,657)	-
Government grant		509	508	1,013	776
Financial income		18,375	-	23,970	-
Foreign currency loss		(504)	-	(1,272)	-
		\$ (104,637)	\$ 508	\$ (75,946)	\$ 776
<b>Net loss and comprehensive loss</b>		\$ 541,048	\$ 411,733	\$ 1,232,849	\$ 849,857
<b>Basic and diluted loss per share</b>		\$ 0.004	\$ 0.004	\$ 0.009	\$ 0.009
<b>Weighted average number of common shares outstanding</b>		135,355,012	102,111,354	133,457,368	97,833,390

See accompanying Notes to Interim Condensed Financial Statements.

**QUANTUM eMOTION CORP.** (formerly Quantum Numbers Corp.)  
**Condensed Statements of Changes in Shareholders' Equity**  
**Periods ended June 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
				\$	\$	\$	\$	\$
<b>Balance as of December 31, 2021</b>		114,012,838	-	10,173,156	-	506,603	(7,968,340)	2,711,419
Share-based payments	5	-	-	-	-	375,824	-	375,824
Share issue costs	5	-	-	340	-	-	-	340
Exercise of options	5	150,000	-	38,209	-	(23,209)	-	15,000
Exercise of warrants	5	21,240,000	-	3,186,000	-	-	-	3,186,000
Net loss		-	-	-	-	-	(1,232,849)	(1,232,849)
<b>Balance as of June 30, 2022</b>		135,402,838	-	13,397,705	-	859,218	(9,201,189)	5,055,734
<b>Balance as of December 31, 2020</b>		60,527,838	250,000	6,334,571	12,500	280,404	(6,405,692)	221,783
Share-based payments	5	-	-	-	-	315,231	-	315,231
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	1,850,000	-	277,500	-	-	-	277,500
Net loss		-	-	-	-	-	(849,857)	(849,857)
<b>Balance as of June 30, 2021</b>		103,777,838	-	8,672,121	-	567,635	(7,255,549)	1,984,207

See accompanying Notes to Interim Condensed Financial Statements.

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

	Notes	Three months ended June 30		Six months ended June 30	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Operating Activities</b>					
Net loss		(541,048)	(411,733)	(1,232,849)	(849,857)
Adjustments to net loss for non-cash items					
Share-based payments	5	43,422	141,231	375,824	315,231
Amortization	4	5,561	5,561	11,061	11,061
Accretion expense		1,584	1,411	3,123	2,574
Government grant		(509)	(508)	(1,013)	(776)
Change in fair value of investments	3	123,017	-	99,657	-
Net changes in non-cash working capital items					
Taxes receivable		(49,501)	(30,544)	(34,860)	(81,272)
Prepaid expenses and other		(1,141)	(13,034)	(17,547)	(11,160)
Accounts payable and accrued liabilities		(19,250)	11,065	(114,495)	(335,028)
		(437,865)	(296,551)	(911,099)	(949,227)
<b>Investing Activities</b>					
Additions to intellectual property	4	-	-	(7,725)	-
Acquisition of investments	3	(140,605)	-	(1,148,583)	-
Proceeds from sale of investments	3	136,539	-	677,296	-
		(4,066)	-	(479,012)	-
<b>Financing Activities</b>					
Proceeds from loan payable		-	-	-	20,000
Proceeds from issuance of units	5	-	-	-	1,987,500
Share issuance costs		-	-	340	(37,950)
Exercise of options	5	-	-	15,000	70,000
Exercise of warrants	5	-	277,500	3,186,000	277,500
		-	277,500	3,201,340	2,317,050
Increase (decrease) in cash		(441,931)	(19,051)	1,811,229	1,367,823
Cash, beginning of period		3,274,712	1,406,964	1,021,552	20,090
<b>Cash, end of period</b>		<b>2,832,781</b>	<b>1,387,913</b>	<b>2,832,781</b>	<b>1,387,913</b>

See accompanying notes to condensed financial statements.

**QUANTUM eMOTION CORP.** (formerly Quantum Numbers Corp.)  
**Notes to Interim Condensed Financial Statements**  
**Periods ended June 30, 2022 and 2021**  
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**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 six months ended June 30, 2022, the Company incurred a net loss of \$1,232,849 (2021 - \$849,857) and had negative cash flows from operations of \$911,099 (2021 - \$949,227). In addition, the Company had accumulated deficit of \$9,201,189 as at June 30, 2022.

Management expects that the working capital (current assets in excess of current liabilities) available to the Company at June 30, 2022, including the \$3,201,340 received, during the six months ended June 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.

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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**

	June 30, 2022	December 31, 2021
Balance, beginning of the year	1,014,919	-
Additions	1,148,583	1,464,838
Dispositions	(677,296)	(464,817)
Change in fair value	(99,657)	14,898
Balance, end of the period	<u>\$ 1,386,549</u>	<u>\$ 1,014,919</u>

As at June 30, 2022, the Company holds 53% of its investments in a money market fund, 35% in Canadian equity listed companies and 12% 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	June 30, 2022
	\$	\$	
<b>Cost</b>			
SOCpra license <sup>(1)</sup>	446,112	-	446,112
Development costs <sup>(2)</sup>	560,853	7,725	568,578
	<u>1,006,965</u>	<u>7,725</u>	<u>1,014,690</u>
<b>Amortization</b>			
SOCpra license	49,804	11,061	60,865
	<u>49,804</u>	<u>11,061</u>	<u>60,865</u>
<b>Carrying amount</b>			
SOCpra license	396,308		385,247
Development costs	560,853		568,578
	<u>957,161</u>		<u>953,825</u>

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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:

	June 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	(150,000)	0.10	(1,600,000)	0.06
Expired	(450,000)	0.20	-	-
Balance outstanding, end of period	10,830,000	0.12	10,930,000	0.13
Balance exercisable, end of period	8,452,625	0.11	7,046,875	0.11

The weighted average remaining contractual life for options outstanding at June 30, 2022 is 2.12 (December 31, 2021 – 2.64) years.

Share-based compensation recognized under this plan amounted to \$43,422 and \$375,824, respectively, for the three-month and six-month periods ended June 30, 2022 (2021 - \$141,231 and \$315,231). 500,000 stock options granted during the six-month period ended June 30, 2022 vest over a period of four years. Stock options expire after an average period of seven years.

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**5. Share capital** (Continued)

(c) *Share purchase warrants*

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

	June 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 three-month period of key management (including the amounts above) is as follows:

	Six months ended June 30	
	2022	2021
	\$	\$
Management fees	266,938	116,435
Share-based payments	297,198	204,000
	<u>564,136</u>	<u>320,435</u>

As at June 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).