

QUANTUM eMOTION CORP.

**Condensed financial statements
March 31, 2023 and 2022
(Unaudited, in Canadian dollars)**

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QUANTUM eMOTION CORP.
Statements of financial position
As at March 31, 2023 and December 31, 2022
(Unaudited, in Canadian dollars)

	Notes	March 31, 2023	December 31, 2022
		\$	\$
Assets			
Current assets:			
Cash		1,655,671	2,594,051
Taxes receivable		183,808	118,891
Prepaid expenses and other		75,288	35,848
Investments	3	926,220	915,141
		2,840,987	3,663,931
Non-current assets:			
Intangible assets	4	718,503	374,003
Total assets		3,559,490	4,037,934
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		330,533	337,754
Loan payable		40,000	40,000
		370,533	377,754
Total liabilities		370,533	377,754
Shareholders' Equity			
Share capital	5	13,413,478	13,413,478
Contributed surplus	5	1,052,881	1,019,612
Deficit		(11,277,402)	(10,772,910)
		3,188,957	3,660,180
Total liabilities and Shareholders' equity		3,559,490	4,037,934

See accompanying notes to condensed financial statements.

Approved on behalf of the Board:

"Francis Bellido"
Francis Bellido CEO

"Marc Rousseau"
Marc Rousseau CFO

QUANTUM eMOTION CORP.
Statements of loss and comprehensive loss
Periods ended March 31, 2023 and 2022
(Unaudited, in Canadian dollars)

	Notes	Three months ended March 31	
		2023	2022
Expenses			
Research and development		\$ 125,484	\$ 25,960
Management fees	6	119,992	155,500
Professional fees		61,139	18,464
Share-based payments	5	33,269	332,402
Office		32,425	13,415
Promotion expenses		31,802	-
Salaries		30,822	18,866
Investor relations		24,815	39,204
Product development		24,314	-
Travel		21,410	26,324
Information technology		11,520	66,611
Filing and listing fees		6,566	5,913
Amortization	4	5,500	5,500
Insurance		5,033	-
Consulting fees		-	5,760
		\$ 534,091	\$ 713,919
Other items			
Change in fair value of investments	3	11,103	23,360
Government grant		-	504
Financial expenses		(3,970)	(6,573)
Financial income		24,755	5,595
Foreign currency loss		(2,289)	(768)
		\$ 29,599	\$ 28,691
Net loss and comprehensive loss		\$ 504,492	\$ 691,801
Basic and diluted loss per share		\$ 0.004	\$ 0.005
Weighted average number of common shares outstanding		135,502,838	131,536,949

See accompanying notes to condensed financial statements.

QUANTUM eMOTION CORP.
Statements of changes in Shareholders' equity
Periods ended March 31, 2023 and 2022
(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, 2022		135,502,838	-	13,413,478	-	1,019,612	(10,772,910)	3,660,180
Share-based payments	5	-	-	-	-	33,269	-	33,269
Net loss		-	-	-	-	-	(504,492)	(504,492)
Balance as of March 31, 2023		135,502,838	-	13,413,478	-	1,052,881	(11,277,402)	3,188,957
Balance as of December 31, 2021		114,012,838	-	10,173,156	-	506,603	(7,968,340)	2,711,419
Share-based payments	5	-	-	-	-	332,402	-	332,402
Share issue costs	5	-	-	340	-	-	-	340
Exercise of options	5	150,000	-	38,209	-	(23,209)	-	15,000
Exercise of warrants	5	21,040,000	200,000	3,156,000	30,000	-	-	3,186,000
Net loss		-	-	-	-	-	(691,801)	(691,801)
Balance as of March 31, 2022		135,202,838	200,000	13,367,705	30,000	815,796	(8,660,141)	5,553,360

See accompanying notes to condensed financial statements.

QUANTUM eMOTION CORP.
Statements of cash flows
Periods ended March 31, 2023 and 2022
(Unaudited, in Canadian dollars)

	Notes	Three months ended March 31	
		2023	2022
		\$	\$
Operating Activities			
Net loss		(504,492)	(691,801)
Adjustments to net loss for non-cash items			
Share-based payments	5	33,269	332,402
Amortization	4	5,500	5,500
Accretion expense		-	1,539
Government grant		-	(504)
Change in fair value of investments		(11,103)	(23,360)
Net changes in non-cash working capital items			
Taxes receivable		(64,917)	14,641
Prepaid expenses and other		(39,440)	(16,406)
Accounts payable and accrued liabilities		(7,221)	(95,245)
		(588,404)	(473,234)
Investing Activities			
Additions to intangible assets	4	(350,000)	(7,725)
Acquisition of investments	3	(3,586)	(1,007,978)
Proceeds from sale of investments	3	3,610	540,757
		(349,976)	(474,946)
Financing Activities			
Share issuance costs		-	340
Exercise of options	5	-	15,000
Exercise of warrants	5	-	3,186,000
		-	3,201,340
Increase in cash		(938,380)	2,253,160
Cash, beginning of period		2,594,051	1,021,552
Cash, end of period		1,665,671	3,274,712

See accompanying notes to condensed financial statements.

QUANTUM eMOTION CORP.
Notes to condensed financial statements
Periods ended March 31, 2023 and 2022
(Unaudited, in Canadian dollars)

1. Nature of operations and going concern

Quantum eMotion 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 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 licenses (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 are 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 three months ended March 31, 2023, the Company incurred a net loss of \$504,492 (2022 - \$691,801) and had negative cash flows from operations of \$588,404 (2022 - \$473,234). In addition, the Company had accumulated deficit of \$11,277,402 as at March 31, 2023.

Management expects that the working capital of \$2,470,454 (current assets in excess of current liabilities) available to the Company at March 31, 2023 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.
Notes to condensed financial statements
Periods ended March 31, 2023 and 2022
(Unaudited, in Canadian dollars)

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, 2022. 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, 2022, 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 May 26, 2023.

3. Investments

	March 31, 2023	December 31, 2022
Balance, beginning of the year	915,141	1,014,919
Additions	3,587	1,170,934
Dispositions	(3,610)	(1,157,630)
Change in fair value	11,103	(113,082)
Balance, end of the period	\$ 926,220	\$ 915,141

As at March 31, 2023, the Company holds 73% in Canadian equity listed companies and 27% in foreign equity listed companies.

As at December 31, 2022, the Company holds 74% in Canadian equity listed companies and 26% in foreign equity listed companies.

4. Intangible assets

	Licenses \$	Rights on royalties \$	Total \$
Cost			
December 31, 2022	446,112	-	446,112
Additions	-	350,000	350,000
March 31, 2023	446,112	350,000	796,112
Accumulated amortization			
December 31, 2022	72,109	-	72,109
Amortization	5,500	-	5,500
March 31, 2023	77,609	-	77,609
Net book value			
March 31, 2023	368,503	350,000	718,503

QUANTUM eMOTION CORP.
Notes to condensed financial statements
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4. Intangible assets (Continued)

On August 3, 2016, the Company entered into an intellectual assignment agreement (“IP agreement”) with Societe de Commercialisation des Produits de la recherche appliquée SOCPRA Sciences et Genie SEC (“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.

On February 4, 2023, the Company entered into a broad commercial and technical agreement with Greybox Solutions, of Montreal (“Greybox”). As part of the agreement, the Company will pay \$700,000 as pre-commercial expenses to Greybox. The first installment of \$350,000 was completed on March 8, 2023 to support the delivery of the use-case in Quebec and Germany. In exchange of its financial commitment, QeM will receive 5% of all initial sales obtained by Greybox with TakeCare platform up to a maximum of 350,000\$ CAD, in addition to further royalties.

As part of the agreement, Greybox will award a contract to the Company for the development of the Sentry-Q technology. Moreover, the Company will receive royalties on all sales completed by Greybox in which the Company’s technology will be used. Rights on royalties are not amortized as they have an indefinite life.

5. Share capital

(a) Stock options

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

	March 31, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of year	10,930,000	0.13	10,930,000	0.13
Granted	350,000	0.08	1,100,000	0.15
Exercised	-	-	(250,000)	0.10
Expired	(300,000)	0.23	(850,000)	0.20
Balance outstanding, end of period	<u>10,980,000</u>	0.13	<u>10,930,000</u>	0.13
Balance exercisable, end of period	<u>8,070,000</u>	0.12	<u>8,329,375</u>	0.11

The weighted average remaining contractual life for options outstanding at March 31, 2023 is 2.02 (December 31, 2022 – 2.18) years.

During the three months ended March 31, 2023, the Company recognized share-based compensation expense for an amount of \$33,269 (2022 - \$332,402). 350,000 stock options granted during the quarter ended March 31, 2023 vest over a period of zero to three year. Stock options expire after an average period of two years.

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6. Related party transactions

The Company's related parties include companies owned by key management.

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:

	Three months ended March 31	
	2023	2022
	\$	\$
Management fees	119,992	155,500
Share-based payments	23,188	262,606
	<u>143,180</u>	<u>418,106</u>

As at March 31, 2023, an amount of \$787 is due to key management and is included in accounts payable and accrued liabilities (December 31, 2022 - \$787).