

**QUANTUM eMOTION CORP.**

**Management's Discussion and Analysis**

**Period ended September 30, 2024**

**September 30, 2024**

The following management's discussion and analysis ("MD&A") of the financial position and results of the operations and cash flows of Quantum eMotion Corp. (the "Company," "QeM" or "Quantum") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended September 30, 2024 compared to the same period of the prior year.

The following analysis should be read in conjunction with our audited financial statements ("financial statements") and the accompanying notes for the year ended December 31, 2023. The unaudited condensed financial statements for the nine months ended September 30, 2024, including comparative figures, have been prepared in accordance with IFRS.

Further information regarding the Company and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval + ("SEDAR+") in Canada and can be obtained from [www.sedarplus.ca](http://www.sedarplus.ca).

### **1.1 FORWARD LOOKING STATEMENTS**

The sections of this MD&A on the Company's strategy and action plan, its intellectual properties, development and financial reporting reflecting management's current expectations contain "forward-looking statements." Such statements should be understood in context, particularly statements that reflect the Company's opinions, estimates and expectations about future events or results. Such forward-looking statements are subject to certain factors and involve some risks and uncertainties. There can be no assurance that such statements will prove to be accurate. Factors that could cause future results, activities and events to differ materially from those expressed or implied by such forward-looking statements include, but not limited to, securing future financing inclusive of exercise of stock options and warrants, possibility or not to obtain the patent, time required to obtain such patent, risks inherent in the hi-tech industry, and the time it will take for the industry to be ready to move to quantic solutions. These risks and uncertainties are described in this MD&A and also the annual information form filed on SEDAR+.

### **1.2 INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN**

Quantum eMotion Corp. 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, Montreal, Qc, H4S 2A4. The Company is a developer of a new generation of cryptographic solutions pursuant to the acquisition of intellectual property (See 1.7).

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.

The condensed financial statements have been prepared in accordance with 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-month period ended September 30, 2024, the Company incurred a net loss of \$1,817,985 (2023 - \$1,593,681) and had negative cash flows from operations of \$1,584,747 (2023 - \$1,465,816). In addition, the Company had accumulated deficit of \$14,977,670 as at September 30, 2024.

**1.2 INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN (cont'd)**

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.

Management expects that the working capital<sup>1</sup> of \$193,886 (current assets in excess of current liabilities) available to the Company at September 30, 2024, combined with the financing completed subsequent to year-end, and may not provide the Company with adequate funding to meet its short-term obligations for the next 12 months and to meet the timelines of its research and development programs and pay its overhead and administrative costs.

The Company expects to incur significant development and commercialization expenses related to product development 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.

On March 20, 2024, the Company successfully completed a non-brokered private placement, issuing 14,998,000 units at \$0.05 each, generating gross proceeds of \$730,000 (\$19,900 to be issued in April 2024). Each unit includes one common share and one warrant of the Corporation. The warrants allow holders to purchase additional common shares at \$0.15 each within 12 months from the close of the placement. Given the company's history with similar transactions, Management expects that the majority of these warrants will be exercised prior to their expiration date, hence prior to March 20, 2025, which could result in additional financing up to 2,250,000\$. Moreover, the company's collaborative R&D project with the ETS has received a significant support from the Natural Sciences and Engineering Research Council of Canada ("NSERC") which will reduce its net R&D cost resulting in the re-allocation of financial resources to support other initiatives.

On November 15, 2024, QeM closed a non-brokered private placement by issuing a total of 7,500,000 units (the "Units") at \$0.10 per Unit, for a total gross proceed of \$750,000. Each Unit was comprised of one common share and one warrant of the Corporation. Each warrant entitles its holder to acquire one common share of the Corporation at a price of \$0.20 for a period of 24 months following the closing of the private placement. The securities issued in the private placement are subject to a four month and one day hold period expiring on March 16, 2024.

While the Company has been successful in securing financing in the past, raising additional funds is dependent on several 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 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.

**1.3 SENIOR MANAGEMENT CHANGES**

N/A

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<sup>1</sup> This is a non-GAAP financial measure or ratio. Management believes that working capital, in addition to other conventional financial measures prepared in accordance with IFRS, provides information that is helpful to understand the financial condition of the Company. The objective of using working capital is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that affect the short-term liquidity and financial position of the Company, including its ability to discharge its short-term liabilities as they come due.

## 1.4 COMPANY OVERVIEW AND STRATEGY

### RESEARCH AND DEVELOPMENT ACTIVITIES

The primary management objective has been to strengthen the Company in the following three sectors of activities:

#### Technology

On July 2, 2024, Quantum eMotion Corp. announced the development of an advanced hardware wallet technology tailored for the cryptocurrency industry. This cutting-edge solution offers a low footprint and competitive cost, incorporating Quantum eMotion's Quantum Random Number Generation (QRNG) and intelligent key generation scheme selection technologies into new commercial applications. Quantum eMotion's new hardware wallet technology aims to enhance the efficiency and cost-effectiveness of hierarchical deterministic (HD) wallets. Traditional HD wallets require separate hardware devices for generating parent (master) and child keys. However, the innovative approach developed by Quantum eMotion reuses the same hardware components for both tasks, significantly reducing costs, circuit complexity, and footprint. This method of resetting and reusing hardware devices allows for efficient and repeated key generation. Additionally, the master private key can be regenerated by resetting the memory systems and using a new quantum random number, ensuring high robust security.

On July 11th, 2024, QeM is proud to announce that it has obtained the prestigious ISO/IEC 27001:2022 certification, a significant milestone underscoring QeM's commitment to information security and operational excellence. ISO 27001 cybersecurity certification is one of the most widely recognized, rigorous, and internationally accepted information security standards. The scope of this certification encompasses Quantum eMotion's security management of applications and systems for its quantum-based cybersecurity software and hardware solutions, including cryptographic solutions.

On July 22, 2024, QeM announced the deployment of its Hardware Security Module (HSM) and related infrastructure to the Tier 4 Vantage Data Center in Montreal. This strategic move is in preparation for the company's upcoming commercial activities and to comply with ISO 27001 requirements. The HSM features a high-performance Quantum electron tunnel effect-based entropy generator, which is essential for securing large and complex messages, including entire database structures. This entropy is integral to QeM's Entropy-As-A-Service (EAAS) system, a pioneering cloud-based solution designed to supply high-grade entropy vital for cryptographic systems. EAAS provides a seamless and secure entropy distribution platform, serving as the backbone for numerous security applications where reliable random number generation is crucial. Colocation, the practice of placing infrastructure in a third-party data center, offers numerous benefits, including reliability, scalability, and enhanced security. Vantage ensures high availability with redundant power and advanced cooling systems while providing robust security measures and access to multiple high-performance ISPs (Internet Service Providers) for optimal connectivity. This allows QeM to expand its IT infrastructure without physical constraints, focus on core business activities, and meet regulatory compliance requirements. Additionally, Vantage's energy-efficient facilities and geographically diverse centers support disaster recovery planning, offering 24/7 technical support and managed services for continuous, expert assistance.

On August 27, 2024, Terranova Defense Solution Incorporated (TDS) and Quantum eMotion Corp. (QeM) announced a groundbreaking partnership aimed at accelerating the commercialization of advanced cybersecurity solutions and key products. This strategic alliance designates QeM as the exclusive provider of state-of-the-art quantum entropy generators, post-quantum cryptography, and cloud-based security solutions to TDS, marking a significant advancement in the cybersecurity field. Terranova Defense Solutions is now the primary service provider for the Terranova Defense Group which is quickly becoming one of the world's largest cyber defense networks working in partnership with Cyber Security Global Alliance, and CSR5 Global Incorporated that operates in 21 countries over 4 continents which encompasses Terranova Defense Solutions, Terranova Aerospace Solutions, Terranova Maritime Solutions, Terranova Cyber Solutions, Terranova Communications, Terranova AI, Terranova Defense NFP (operating as Cyber Security Global Alliance), and CSR5 Global. This collaboration will leverage shared

resources among its partners, creating a unique business solution poised to become a unicorn service within three years, providing a solid foundation for high-level returns on global investments

On September 10th, 2024, QeM announced that the company has been recently featured at the prestigious Quantum World Congress 2024, held in Tysons, Virginia. As a leading global event in the quantum industry, the Quantum World Congress brings together experts across diverse fields, emphasizing advancements in quantum technology, policy, research, and investment. A highlight of the event was a panel on quantum policy and ethics led by Arthur Herman, Senior Fellow at the Hudson Institute and Director of the Quantum Alliance Initiative (QAI). During the discussion, QeM was recognized for its innovative contributions to quantum-safe communication solutions, particularly in healthcare and generative AI (GenAI) applications.

On Oct. 31, 2024, QeM announced its feature in the latest column of the *Korea Business Herald*, one of Asia's most influential business publications. The article, written by Arthur Herman, senior fellow at the Hudson Institute and Director of the Quantum Alliance Initiative, explores how quantum technology can fortify Internet of Things (IoT) security, addressing increasing global concerns about cybersecurity risks in IoT ecosystems. The *Korea Business Herald*, headquartered in Seoul, South Korea, is a widely respected publication, reaching audiences across Asia and beyond. In his column, Arthur Herman investigates the urgent need for robust IoT security solutions to mitigate vulnerabilities in the connected world, referencing recent security exploits and discussing how IoT devices such as cell phones, drones, and smart home appliances could be manipulated in unintended and dangerous ways.

### Patents

As of today, the Company owns two patent families which have been filed in several countries, and which have led to the issuance of several patents.

The first patent family stems from work performed at Sherbrooke University, by the team of Professor Bertrand Reulet, and was acquired by the Company.

As the Company required its patent to pass the introduction level with potential clients, it was then decided to work with the Company's patent agent to assess the patentability of our technology. The Company received the final report that indicates that it should continue the National/Regional Phase as planned. By doing the legwork at the stage of the patentability report, the Company was able to respond rapidly to objections which were raised at the national/regional level, such as objections raised by the European Patent Office ("EPO") examiner. The general scope of the first patent family is related to the use of a monitored flow of electrons across a quantum tunnelling barrier as a quantum random signal source which is then used to produce random numbers.

The second patent family stems from work performed internally by the family and generally concerns technology which was developed to eliminate non-quantum noise from the quantum signal and therefore allow ensuring that the random numbers are purely random and entirely based on quantum processes.

In October 2021, the Company filed for a patent application covering a minimalistic circuit which utilizes the computer's hardware to both power an on-chip quantum entropy source and turn the resulting entropy signal into random numbers of quantum origin on the go. The product will eventually be a plug-and-play ultraportable QRNG module that provides easy-to-use hardware protection for consumer electronics.

On June 19, 2022, Brazil became the latest major country to indicate its willingness to grant the METHOD FOR GENERATING RANDOM NUMBERS AND ASSOCIATED RANDOM NUMBER GENERATOR patent. Ongoing efforts are being made to ensure that all relevant jurisdictions are covered as the patents and our patent strategy is core to the success of the company.

On April 12, 2023, Quantum announced the recent patent application for a new method to operate a Blockchain Wallet that benefits from the protection provided by the QeM Quantum Random Number Generator (QRNG2). The market for hardware wallets has grown significantly in recent years due to the increasing demand for secure cryptocurrency storage solutions. According to a recent report by Markets

and Markets, the global hardware wallet market is expected to grow from \$1.0 billion in 2020 to \$1.9 billion by 2025, at a compound annual growth rate (CAGR) of 13.5% during the forecast period. The growth of the hardware wallet market can be attributed to several factors, including the continuous adoption of cryptocurrencies after their recent volatility. QeM Quantum crypto-Wallet will eventually be considered one of the safest ways to store and manage cryptocurrencies, and they will become indispensable for anyone who wants to keep their digital assets highly secure.

On April 18, 2024, QeM announced the filing of a PCT patent application for an innovative method to operate Blockchain Wallet, leveraging the impenetrable security provided by the QeM Quantum Random Number Generator (QRNG2).

1.4 **COMPANY OVERVIEW AND STRATEGY (cont'd)**

**RESEARCH AND DEVELOPMENT ACTIVITIES (cont'd)**

**Patents (cont'd)**

<b>Status of patents</b>	
<b>First Patent Family: Method for generating random numbers and associated random number generator</b>	
<b>Country</b>	<b>Status</b>
United States	Two patents were granted in the United States, including a first one granted on August 7, 2018 and a second granted on October 8, 2019.
Russia	Patent granted
European Patent Office	EPO granted the patent on February 19, 2020. The European Patent has been validated in a number of countries: Germany, Spain, Finland, France, Great-Britain, Italy and the Netherlands.
Thailand, India	Patent pending
Australia	Patent granted
China	Patent granted
Brazil	Patent granted
Canada	Patent granted
Republic of Korea	Patent granted
<b>Second Patent Family: Method and system for generating a random bit sample</b>	
<b>Country</b>	<b>Status</b>
European Patent Office	EPO granted the patent on October 23, 2019. The European Patent has been validated in Germany, Spain, United Kingdom, Finland, France, Italy, Sweden and the Netherlands.
United States	Two patents were granted.
Brazil, Canada, China, India, Japan, South Korea, Thailand	Patent pending
Australia, Russia, Indonesia	Granted
<b>Third Patent Family: System and Method for Generating a Random Number, and circuit for communicating an analog random signal</b>	
<b>Country</b>	<b>Status</b>
Patent Cooperation Treaty	Rights reserved in all PCT member states until May 2024

**1.4 COMPANY OVERVIEW AND STRATEGY (cont'd)**

**BUSINESS DEVELOPMENT ACTIVITIES**

**Market**

Since 2016, the Company focused its resources in developing its key IP position to align a successful venture in the emerging Quantum Random Number Generator (“QNRG”) market. The National Institute of Standards and Technology Post Quantum Cryptography Standards Committee is still working on related protocols, and we believe to have the right attributes to fulfill the future requirements for target markets.

In April 2021, the Company received a third-party valuation that concluded that the assessment of management on its target market was credible. The Company keeps a very tight monitoring on all news pertaining to the Quantum environment, and has, amongst other initiatives, joined the Quantum Alliance established by Hudson Institute to ensure a clear presence in the quantum ecosystem. Moreover, the CEO of the Company is now a valued panelist on the subject, bringing actionable intelligence in the Company with the newly established networks, both local and international.

The Company specifically intends to target the highly valued medical devices and Healthcare Services industries while ensuring its technology is also relevant and applicable to others, such as Datacenters, Blockchain technologies, Financial Services, Cloud-Based IT Security Infrastructure, Classified Government Networks and Communication Systems, Secure Device Keying (IOT, Automotive, Consumer Electronics) and Quantum computing and the gaming industry.

In June 2022 the Company joined the Canadian Association of Defense and Security Industries and attended the CANSEC trade show. The attendance confirmed the relevance of the company’s technology, and the company will actively follow up for potential collaboration with key players of the industry. QeM will attend CANSEC 2024 trade show with a lineup of meetings to explore partnerships and product development specific to the military vertical which is now deemed mature for our technology and current stage of development.

QeM will continue to focus its healthcare market development in collaboration with Greybox. Several initiatives in mental health and cardiology involving the introduction of digitalized medicine requiring very high level of communications security will be the main points of effort for the coming year.

**HIGHLIGHTS**

For the nine months ended September 30, 2024, the Company incurred a net loss and comprehensive loss of \$1,817,985 compared to a net loss and comprehensive loss of \$1,593,681 in 2023.

As at September 30, 2024, the Company had a net working capital (current assets in excess of current liabilities) of \$174,396 compared to a net working capital of \$1,107,242 as at December 31, 2023.

1.5 **SELECTED PERIODIC INFORMATION**

<b>Nine months ended September 30</b>			
	<b>2024</b>	2023	2022
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net loss and comprehensive loss	<b>(1,817,985)</b>	(1,593,681)	(1,750,599)
Basic and diluted loss per share	<b>(0.013)</b>	(0.0012)	(0.0013)
<b>Balance as at</b>			
	<b>September 30, 2024</b>	December 31, 2023	
	<b>\$</b>	<b>\$</b>	
Cash	<b>259,303</b>	315,626	
Total assets	<b>816,712</b>	1,645,749	
Total liabilities	<b>426,799</b>	226,811	
Equity	<b>389,913</b>	1,418,938	

1.6 **INTELLECTUAL PROPERTY**

The carrying amount of the intellectual property consists of:

	<b>Licenses</b>	<b>Rights on royalties</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
December 31, 2023	446,112	350,000	796,112
Additions	-	-	-
	<b>446,112</b>	<b>350,000</b>	<b>796,112</b>
<b>Accumulated amortization, impairment and loss on derecognition</b>			
December 31, 2023	94,417	350,000	444,417
Amortization	16,699	-	16,699
<b>September 30, 2024</b>	<b>111,116</b>	<b>350,000</b>	<b>461,116</b>
<b>Net book value</b>			
<b>September 30, 2024</b>	<b>334,996</b>	<b>-</b>	<b>334,996</b>

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.

On February 4, 2023, the Company entered into a commercial and technical agreement with a third party. As part of the agreement, the third party 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 the third party in which the Company’s technology will be used.

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Rights on royalties are not amortized as they have an indefinite life and are subject to an annual impairment test.

The Company performed its annual impairment test for its rights on royalties intangible asset through the assessment of the recoverable amount of the asset.

The recoverable amount of the asset was determined based on the higher of its value-in-use and fair value less costs of disposal. The value-in-use, which was determined to be of an approximately equal amount with the fair value less costs of disposal, was determined using discounted cash flow model, taking into consideration management's best estimates of future royalty revenues and discount rates.

The Company determined that the recoverable amount of the rights on royalties intangible asset using a discount rate of 50% was approximately nil and therefore recognized an impairment charge of \$350,000. The recoverable amount reflects the Company's inability to demonstrate, in the foreseeable future, that the asset will generate future royalty revenues, primarily due to the third party's delays in securing contracts. The uncertainties surrounding the deployment and initial sales of its product, in a context of a market which is not readily responsive and of financial difficulties increase the risks of the third party generating future sales.

### 1.7 SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

<b>Nine months ended September 30</b>			
	<b>2024</b>	2023	Variance
	\$	\$	\$
<b>Expenses</b>			
Research and development	<b>503,139</b>	428,089	89,192
General and administrative	<b>1,177,592</b>	889,785	246,941
Marketing	<b>70,107</b>	180,748	(104,263)
Share-based payments	<b>59,960</b>	100,703	(40,743)
<b>Other items</b>			
Amortization	<b>16,699</b>	16,683	16
Net financial expense (income)	<b>(9,512)</b>	(22,327)	14,795
<b>Net loss and comprehensive loss for the year</b>	<b>1,817,985</b>	1,593,681	199,938
<b>Basic and diluted loss per share</b>	<b>0.013</b>	0.012	0.001
<b>Weighted average number of common shares outstanding</b>	<b>137,438,064</b>	135,502,838	1,935,226

The net loss and comprehensive loss for the nine months ended September 30, 2024 decreased to \$224,304 from a net loss and comprehensive loss of \$1,593,681 in 2023. The variance is explained mainly by the decrease in Marketing of \$110,641, offset by an decrease of share-based payments of \$40,743, an increase general and administrative of \$287,807 and an increase in research and development of \$75,050.

**1.8 SUMMARY OF QUARTERLY RESULTS**

The following table sets forth selected quarterly financial information for each of the twelve most recently completed quarters.

<b>Three-month period ended</b>	<b>Net loss and comprehensive loss for the period</b>	<b>Basic and diluted loss per share</b>
	\$	\$
<b>September 30, 2024</b>	<b>(597,403)</b>	<b>(0.004)</b>
<b>June 30, 2024</b>	<b>(727,891)</b>	<b>(0.005)</b>
<b>March 31, 2024</b>	<b>(492,193)</b>	<b>(0.004)</b>
<b>December 31, 2023</b>	<b>(792,952)</b>	<b>(0.006)</b>
<b>September 30, 2023</b>	<b>(556,376)</b>	<b>(0.004)</b>
June 30, 2023	(532,956)	(0.004)
March 31, 2023	(504,492)	(0.004)
December 31, 2022	(1,053,975)	(0.008)
September 30, 2022	(517,750)	(0.004)
June 30, 2022	(541,048)	(0.004)
March 31, 2022	(691,801)	(0.005)
December 31, 2021	(270,993)	(0.002)
September 30, 2021	(441,798)	(0.004)

**1.9 LIQUIDITY**

As at September 30, 2024, the Company had a net working capital (current assets in excess of current liabilities) of \$174,396 compared to a net working capital of \$1,107,242 in December 31, 2023.

**1.10 CASH FLOWS**

For the nine-month period ended September 30, 2024:

The Company's operating activities used \$1,584,747 for the nine-month period ended September 30, 2024, compared to \$1,465,816 in 2023. The decrease of \$118,931 in cash flow used is mainly related to changes in non-cash working capital items.

The Company's investing activities provided \$724,856 for the nine-month period ended September 30, 2024, compared to \$2,558 used in 2023. The increase in cash flow provided is related to a net decrease in investments of \$275,290 and a decrease in the additions to intangible assets of \$350,000.

The Company's financing activities provided \$803,568 for the nine-month period ended September 30, 2024, compared to \$nil used in 2023. The increase in cash flow provided is related to the issuance of 14,998,000 units at \$0.05 each, generating gross proceeds of \$730,000 (\$19,900 to be issued in April 2024), net of transaction costs of \$1000.

**1.11 STOCK OPTIONS**

	September 30, 2024		December 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of year	7,980,000	0.15	10,930,000	0.13
Granted	12,000	0.05	1,350,000	0.08
Exercised	-	-	-	-
Expired	(2,750,000)	0.14	(4,000,000)	0.08
Forfeited	-	-	(300,000)	0.08
Balance outstanding, end of year	5,242,000	0.16	7,980,000	0.15
Balance exercisable, end of year	3,883,125	0.17	5,511,875	0.16

The weighted average remaining contractual life for options outstanding as at September 30, 2024 is 3.18 (December 31, 2023 – 2.22) years.

Share-based compensation recognized under this plan amounted to \$13,831 and \$59,959 respectively, for the three-month and nine-month periods ended September 30, 2024 (2023 - \$40,258 and \$100,731) related to officers, employees and consultants mainly related to general and administrative expenses.

**1.12 OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

**1.13 FINANCIAL INSTRUMENTS**

All financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. Refer to Note 11 of the annual financial statements for the year ended December 31, 2023 for additional information on the Company's financial instruments.

**1.14 FINANCIAL RISK MANAGEMENT**

In the normal course of operations, the Company is exposed to various financial risks. Refer to Note 11 of the annual financial statements for the year ended December 31, 2023 for additional information on the Company's main financial risks.

**1.15 MANAGEMENT OF CAPITAL**

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued share capital, reserves and deficit. The Company's objectives when managing capital are to: (i) preserve capital; (ii) obtain the best available net return; and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. There were no changes to the Company's approach to capital management during the year ended December 31, 2023.

The Company is not subject to externally imposed capital requirements.

**1.16 RELATED PARTY TRANSACTIONS**

The Company's related parties include companies owned by key management. The Company paid Management fees to key management through their management companies as follows:

Management fees of \$15,000 to LVR Capital, a company owned by the Chief Financial Officer. As at September 30, 2024, nil (December 31, 2023 – nil) was due to that company.

Management fees of \$75,000 to Aurakle Research, a company owned by the Chief Executive Officer. As at September 30, 2024, nil (December 31, 2023 – nil) was due to that company.

Other fees of \$21,636 to Baystream Corporation, a company owned by a Director. As at September 30, 2024, nil (December 31, 2023 – nil) was due to that company.

Research and development of \$114,361 to Fileglobal, a company owned by a Director. As at September 30, 2024, nil (December 31, 2023 – nil) was due to that company.

**Transactions with key management**

The key management of the Company are the members of senior management and the Board. The remuneration and other expenses for the nine-month period of key management (including the amounts above) is as follows:

	<b>2024</b>	<b>2023</b>
	\$	\$
<b>Research and development</b>	<b>350,081</b>	266,208
<b>Share-based payments</b>	<b>29,132</b>	57,204
<b>General and administrative:</b>		
Management fees	<b>331,898</b>	362,458
Other fees	<b>111,081</b>	25,322
	<b>822,250</b>	711,191

**1.17 CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS**

The critical accounting estimates and judgements are described in Note 2 of the annual financial statements for the year ended December 31, 2023.

**1.18 CHANGES IN MATERIAL ACCOUNTING POLICIES**

The accounting policies used are those described in the Company's annual financial statements in Note 3 for the year ended December 31, 2023 and are the same policies as those applied in 2022 annual financial statements unless otherwise stated.

**1.19 OTHER**

Disclosure of Outstanding Securities as at September 30, 2024.

Outstanding common shares: **150,500,838**  
Outstanding options: **5,242,000**  
Outstanding share purchase warrants: **14,998,000**

(s) Francis Bellido, Chief Executive Officer

(s) Marc Rousseau, Chief Financial Officer

Montreal (Quebec), September 30, 2024