Condensed financial statements of

QUANTUM eMOTION CORP.

For the Three and Six-month period ended June 30, 2024 and 2023
(Unaudited, in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED FINANCIAL STATEMENTS
Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed financial statements, the statements must be accompanied by a notice indicating that the condensed financial statements have not been reviewed by an auditor. The accompanying condensed financial statements of the Company have been prepared by management and are the responsibility of the Company's management. The Company's independent auditor has not performed a review or an audit of these condensed financial statements.

QUANTUM eMOTION CORP.

Table of Contents

QUANTUM eMOTION CORP.
Statements of Financial Position
(Unaudited, in Canadian dollars)

	Notes	June 30, 2024	December 31, 2023
		$	$
Assets			
Current assets:			
Cash		**370,068**	315,626
Accounts receivable		**52,413**	53,850
Taxes receivable		**91,860**	105,566
Prepaid expenses and other		**31,521**	53,153
Investments	3	**434,375**	765,858
		980,237	1,294,053
Non-current assets:			
Intangible assets	4	**340,603**	351,696
Total assets		**1,320,840**	1,645,749
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		**283,442**	186,811
Total current liabilities		**283,442**	186,811
Non-current liabilities:			
Loan payable	5	**43,515**	40,000
PIPE		**19,900**	-
Total liabilities		**346,857**	226,811
Shareholders' Equity			
Share capital & warrants	6	**14,162,378**	13,413,478
Contributed surplus	6	**1,211,274**	1,165,145
Units to be issued		**(19,900)**	-
Deficit		**(14,379,769)**	(13,159,685)
		973,983	1,418,938
Total liabilities and Shareholders' equity		**1,320,840**	1,645,749

Nature of operations and going concern (note 1)
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
(Unaudited, in Canadian dollars)

		Three months ended June 30		Six months ended June 30	
	Notes	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
		$	$	$	$
Expenses					
Research and development	7	**179,436**	**124,374**	335,397	274,172
General and administrative	7	**507,222**	**336,167**	786,059	603,664
Marketing		**33,726**	**50,393**	51,260	128,420
Share-based payments	6,7	**2,805**	**27,175**	46,129	60,444
		723,189	**538,109**	1,219,295	1,066,700
Other items					
Amortization	4	**5,594**	**5,561**	11,092	11,061
Net financial (income) expense	8	**(892)**	**(10,714)**	(10,304)	(40,313)
		4,702	**(5,153)**	782	(29,252)
Net loss and comprehensive loss		**727,891**	**532,956**	1,220,083	1,037,448
Basic and diluted loss per share		0.005	0.004	0.009	0.008
Weighted average number of common shares outstanding		**137,438,064**	**135,502,838**	137,438,064	135,502,838

See accompanying notes to condensed financial statements.

QUANTUM eMOTION CORP.
Statements of Changes in Shareholders' Equity
(Unaudited, in Canadian dollars)

	Notes	Number of shares	Share capital & warrants	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	6	-	-	-	60,444	-	60,444
Net loss		-	-	-	-	(1,037,448)	(1,037,448)
Balance as of June 30, 2023		135,502,838	13,413,478	-	1,080,056	(11,810,358)	2,683,176

	Notes	Number of shares	Share capital & warrants	Units to be issued	Contributed surplus	Deficit	Total equity
			$	$	$	$	$
Balance as of December 31, 2023		**135,502,838**	**13,413,478**	**-**	**1,165,145**	**(13,159,685)**	**1,418,938**
Units issued	6	**14,998,000**	**749,900**	**(19,900)**	**-**	**-**	**730,000**
Units issue costs	6	**-**	**(1,000)**	**-**	**-**	**-**	**(1,000)**
Share-based payments	6	**-**	**-**	**-**	**46,129**	**-**	**46,129**
Net loss		**-**	**-**	**-**	**-**	**(1,220,083)**	**(1,220,083)**
Balance as of June 30, 2024		**150,500,838**	**14,162,378**	**(19,900)**	**1,211,274**	**(14,379,768)**	**973,984**

See accompanying notes to condensed financial statements.

QUANTUM eMOTION CORP.
Statements of Cash Flows
(Unaudited, in Canadian dollars)

	Notes	Three months ended June 30		Six months ended June 30	
		June 30, 2024	**June 30, 2023**	June 30, 2024	June 30, 2023
		$	**$**	$	$
Operating Activities					
Net loss		**(727,891)**	**(532,956)**	(1,220,083)	(1,037,448)
Adjustments to net loss for non-cash items					
Share-based payments	6	**2,805**	**27,175**	46,129	60,444
Amortization	4	**5,594**	**5,561**	11,092	11,061
Accretion expense		**1,353**	**-**	3,515	-
Change in fair value of investments	3,8	**-**	**4,464**	4,629	(6,639)
Net changes in non-cash working capital items					
Taxes receivable		**18,761**	**130,210**	13,706	65,293
Accounts receivable		**-**	**-**	1,437	-
Prepaid expenses and other		**(12,162)**	**6,208**	21,632	(33,232)
Accounts payable and accrued liabilities		**109,123**	**51,648**	96,631	44,427
		(602,417)	**(307,690)**	(1,021,311)	(896,094)
Investing Activities					
Additions to intangible assets	4	**-**	**-**	-	(350,000)
Acquisition of investments	3	**(4,804)**	**(121,415)**	(32,631)	(125,001)
Proceeds from sale of investments	3	**1,999**	**470,013**	359,484	473,623
		(2,805)	**348,598**	326,853	(1,378)
Financing Activities					
Proceeds from issuance of units	6	**19,900**	**-**	749,900	-
Units issue costs	6	**-**	**-**	(1,000)	-
		19,900	**-**	748,900	-
Increase (Decrease) in cash		**(585,322)**	**40,908**	54,442	(897,472)
Cash, beginning of period		**955,390**	**1,655,671**	315,626	2,594,051
Cash, end of period		**370,068**	**1,696,579**	370,068	1,696,579

See accompanying notes to condensed financial statements.

1. Nature of operations and going concern

Quantum eMotion Corp. (the "Company") 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.

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 intangible assets 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 IFRS Accounting 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-month period ended June 30, 2024, the Company incurred a net loss of $1,220,083 (2023 - $1,037,448) and had negative cash flows from operations of $1,021,312 (2023 - $896,094). In addition, the Company had accumulated deficit of $14,376,768 as at June 30, 2024.

Management expects that the working capital of $696,796 (current assets in excess of current liabilities) available to the Company as at June 30, 2024 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 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 Condensed 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.

(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, 2023. 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, 2023, 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 28th, 2024.

3. Investments

	June 30, 2024	December 31, 2023
	$	$
Balance, beginning of period	**765,858**	915,141
Additions	**32,631**	336,418
Dispositions	**(359,484)**	(489,615)
Change in fair value	**(4,629)**	3,914
Balance, end of period	**434,376**	765,858

As at June 30, 2024, the Company holds 100% in Canadian equity listed companies.

As at December 31, 2023, the Company holds 65% in Canadian equity listed companies and 35% in foreign equity listed companies.

(Unaudited, in Canadian dollars)

4. Intangible assets

	Licenses [1]	Rights on royalties [2]	Total
	$	$	$
Cost			
December 31, 2023	446,112	350,000	796,112
Additions	-	-	-
June 30, 2024	**446,112**	**350,000**	**796,112**

Accumulated amortization and impairment			
December 31, 2023	94,416	350,000	444,416
Amortization	**11,092**	**-**	**11,092**
June 30, 2024	**105,509**	**350,000**	**455,509**
Net book value			
December 31, 2023	351,696	-	351,696
June 30, 2024	**340,603**	**-**	**340,603**

(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) 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.

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

On December 31, 2023, 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.

(Unaudited, in Canadian dollars)

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.

5. Loan payable

	2024
	$
Balance as at December 31, 2023	**40,000**
Accretion expense	**3,515**
Balance as at June 30, 2024 (Maturity date: December 31, 2026)	**43,515**

For the six-month period ended June 30, 2024, accretion expense included in financing expense on the statement of loss and comprehensive loss was $3,515.

6. Share capital

(a) Authorized

The Company is authorized to issue an unlimited number of:

- voting Class A preferred shares
- voting Class B preferred shares
- voting Class C preferred shares
- voting Class D preferred shares
- special shares (non-voting)
- common shares (voting)

without nominal or par value.

Class A preferred shares are ranked senior to Class B preferred shares, Class B preferred shares are ranked senior to Class C preferred shares, Class C preferred shares are ranked senior to Class D preferred shares, Class D preferred shares are ranked senior to special shares, and special shares are ranked senior to common shares in priority of receiving dividends declared by the Company.

Holders of special shares and common shares shall be entitled to receive pro-rata for the remaining property of the Company after distribution to the holders of Class A, Class B, Class C and Class D preferred shares, on a pro-rata basis.

Dividends for Class A, Class B, Class C and Class D preferred shares are preferential and non-cumulative and are declared in accordance with their respective priority. Dividend rate per share for Class B, Class C and Class D preferred shares is 7% per annum. Dividends are declared at the discretion of the Company's Board of Directors.

(Unaudited, in Canadian dollars)

During the six-month period ended June 30, 2024, the Company issued 14,998,000 Class A shares as part of a non-brokered private placement (see note 6 (b)). No Class A, Class B, Class C or Class D preferred shares and special shares were issued by the Company as at December 31, 2023.

As at June 30, 2024, no dividends were declared or unpaid (2023 – nil).

(b) Issued and outstanding

On March 20, 2024, the Company completed a non-brokered private placement, issuing a total of 14,998,000 units at a price of $0.05 per unit for gross proceeds of $730,000 ($19,900 to be issued in April 2024). Each unit is comprised of one common share and one warrant of the Company. 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. The securities issued in the private placement are subject to a four month and one day hold period expiring on July 22, 2024.

Unit issuance costs of $1,000 was recorded and paid in the first quarter of 2024.

Common shares and warrants were valued based on their relative fair values. The fair value of the common shares was determined by the closing price on the date of the transaction. The fair value of the warrants was determined using the Black-Scholes pricing model and based on the following assumptions:

	2024
Share price	**$0.11**
Expected volatility	**129.01%**
Risk-free interest rate	**4.14%**
Expected average life	**1.00**
Exercise price	**$0.15**

The underlying expected volatility was determined by reference to historical data of the Company. Black-Scholes pricing model requires the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

(Unaudited, in Canadian dollars)

(c) Stock options

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

	June 30, 2024		**December 31, 2023**	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Balance outstanding, beginning of period	**7,980,000**	**0.15**	**10,930,000**	0.13
Granted	**12,000**	**0.05**	**1,350,000**	0.08
Exercised	**-**	**-**	**-**	-
Expired	**(2,500,000)**	**0.14**	**(4,000,000)**	0.08
Forfeited	**-**	**-**	**(300,000)**	0.08
Balance outstanding, end of period	**5,242,000**	**0.16**	**7,980,000**	0.15
Balance exercisable, end of period	**3,634,375**	**0.16**	**5,111,875**	0.16

The weighted average remaining contractual life for options outstanding as at June 30, 2024 is 3.43 (December 31, 2023 – 2.22) years.

Share-based compensation recognized under this plan amounted to $18,362 and $46,129 respectively, for the three-month and six-month periods ended June 30, 2024 (2023 - $27,175 and $60,444) related to officers, employees and consultants mainly related to general and administrative expenses.

As at June 30, 2024, stock options expire after an average period of 3.43 years.

(d) Share purchase warrants

There are no outstanding warrants as at December 31, 2023. The Company’s warrants movement for the six-month period ended June 30, 2024 are as follows:

	Number of warrants	**Weighted average exercise price**
		$
Balance outstanding, beginning of period	**-**	**-**
Granted	**14,998,000**	**0.15**
Balance outstanding, end of period	**14,998,000**	**0.15**

7. 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 $18,000 to LVR Capital, a company owned by the Chief Financial Officer. As at June 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 June 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 June 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 June 30, 2024, nil (December 31, 2023 – nil) was due to that company.

(Unaudited, in Canadian dollars)

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 period of key management (including the amounts above) is as follows:

	Three months ended June 30		Six months ended June 30	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
	$	$	**$**	$
Research and development	**131,026**	122,274	**245,397**	171,014
Share-based payments	**12,233**	18,001	**21,350**	41,189
General and administrative:				
Management fees	**153,002**	120,047	**243,002**	240,039
Other fees	**39,455**	6,988	**61,091**	18,508
	335,726	267,309	**570,841**	470,749

8. Net financial (income) expense

	Three months ended June 30		Six months ended June 30	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
	$	$	**$**	$
Financial income	**(2,810)**	(19,032)	**(12,282)**	(43,787)
Change in fair value of investments (note 3)	**-**	5,447	**(4,629)**	(5,656)
Financial expense	**1,932**	3,631	**6,371**	7,601
Foreign currency loss	**(14)**	(760)	**236**	1,529
	(892)	(10,714)	**(10,304)**	(40,313)

9. Comparative figures

In the statement of loss and comprehensive loss and in the statement of cash flows, some comparative figures for the six-month period ended June 30, 2023 have been reclassed to conform to the presentation adopted for the six-month period ended June 30, 2024.