



01 Quantum Inc.
(formerly 01 Communique Laboratory Inc.)

Interim Consolidated Financial Statements

for the period ended July 31, 2025

(Unaudited)

TSX-V: ONE; OTCQB: OONEF

Dated: September 17, 2025

01 QUANTUM INC.

(Formerly 01 Communique Laboratory Inc.)
Consolidated Statements of Financial Position
(In Canadian dollars)

Unaudited

As at July 31, 2025 and October 31, 2024

	31-Jul-25	31-Oct-24
Assets		
Current assets		
Cash	\$ 126,325	\$ 139,126
Guaranteed investment certificate (note 4)	950,000	-
Accounts receivable	93,632	62,902
Prepaid expenses and other assets	41,983	6,037
	1,211,940	208,065
Plant and equipment (note 5)	124,670	32,418
Total assets	<u>\$ 1,336,610</u>	<u>\$ 240,483</u>
Liabilities and Shareholders' Deficit		
Current liabilities		
Accounts payable (notes 2(a), 13)	\$ 182,477	\$ 104,122
Deferred revenue	4,565	3,869
Lease liability (note 6)	42,324	21,071
	229,366	129,062
Non-current liabilities		
Lease liability (note 6)	74,875	-
Total liabilities	304,241	129,062
Shareholders' deficit		
Share capital (note 7 (a))	44,933,071	44,282,090
Contributed surplus (note 7 (b))	6,642,144	6,460,194
Warrants (note 7 (c))	861,650	-
Deficit	(51,404,496)	(50,630,863)
	1,032,369	111,421
Total liabilities and shareholders' deficit	<u>\$ 1,336,610</u>	<u>\$ 240,483</u>

Contingencies (note 13)

See accompanying notes to the consolidated financial statements.

01 QUANTUM INC.

(Formerly 01 Communique Laboratory Inc.)

Interim Consolidated Statements of Operations and Comprehensive Loss

(In Canadian dollars)

Unaudited

For the three month and nine month periods ended July 31, 2025 and 2024

	<i>three months ended</i>		<i>nine months ended</i>	
	<i>31-Jul-25</i>	<i>31-Jul-24</i>	<i>31-Jul-25</i>	<i>31-Jul-24</i>
Revenue (note 8)	\$ 143,957	\$ 126,103	\$ 333,269	\$ 330,793
Expenses (note 14):				
Selling, general and administrative	287,746	119,080	652,852	394,752
Research and development	201,018	34,538	432,049	131,097
Withholding taxes	6,587	12,303	21,554	28,436
	495,351	165,920	1,106,455	554,284
Loss before other income and expense	(351,394)	(39,817)	(773,186)	(223,491)
Interest income	2,123	367	3,095	4,027
Interest expense	(2,140)	(723)	(3,542)	(1,628)
Loss for the period and comprehensive loss	\$ (351,411)	\$ (40,173)	\$ (773,633)	\$ (221,092)
Loss per common share (note 9)				
Basic	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of common shares				
Basic	101,763,576	96,364,554	99,774,807	96,364,554
Diluted	101,763,576	96,364,554	99,774,807	96,364,554

See accompanying notes to consolidated financial statements.

01 QUANTUM INC.

(Formerly 01 Communique Laboratory Inc.)

Interim Consolidated Statements of Changes in Shareholders' Equity

(In Canadian dollars)

Unaudited

For the nine month periods ended July 31, 2025 and 2024

July 31, 2025	Number of shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total shareholders' equity
Balance October 31, 2024	96,364,554	\$44,282,090	\$6,460,194	\$ Nil	\$(50,630,863)	\$ 111,421
Loss and comprehensive loss for the period	-	-	-	-	(773,633)	(773,633)
Stock-based compensation expense (note 7 (b))	-	-	235,000	-	-	235,000
Exercise of options (note 7 (a) (i))	250,000	111,550	(53,050)	-	-	58,500
Private placement (note 7 (a) (ii))	4,000,000	262,558	-	640,000	-	902,558
Private placement (note 7 (a) (iii))	1,705,000	276,873	-	221,650	-	498,523
Balance, July 31, 2025	102,319,554	\$44,933,071	\$6,642,144	\$861,650	\$(51,404,496)	\$ 1,032,369

July 31, 2024	Number of shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total shareholders' equity
Balance October 31, 2023	96,364,554	\$44,282,090	\$6,287,173	\$ 16,875	\$(50,312,073)	\$ 274,065
Loss and comprehensive loss for the period	-	-	-	-	(221,092)	(221,092)
Stock based compensation expense (note 7 (b))	-	-	123,818	-	-	123,818
Balance, July 31, 2024	96,364,554	\$44,282,090	\$6,410,991	\$ 16,875	\$(50,533,165)	\$ 176,791

See accompanying notes to consolidated financial statements.

01 QUANTUM INC.

(Formerly 01 Communique Laboratory Inc.)

Consolidated Statements of Cash Flows

(In Canadian dollars)

Unaudited

For the three and nine month periods ended July 31, 2025 and 2024

	<i>three months ended</i>		<i>nine months ended</i>	
	<i>31-Jul-25</i>	<i>31-Jul-24</i>	<i>31-Jul-25</i>	<i>31-Jul-24</i>
Cash provided by (used in):				
Operating activities:				
Loss and comprehensive loss for the period	\$ (351,411)	\$ (40,173)	\$ (773,633)	\$ (221,092)
Adjustments to reconcile loss for the period to net cash flows from operating activities:				
Depreciation property and equipment (note 5)	1,472	2,062	5,258	6,730
Amortization of right-of-use asset (note 5)	10,733	11,593	33,633	34,405
Stock-based compensation expense	80,000	32,220	235,000	123,818
Non-cash working capital change (note 10)	22,798	(44,277)	12,375	(94,329)
	(236,408)	(38,575)	(487,367)	(150,468)
Financing activities:				
Payment of loan (note 15)	-	-	-	(40,000)
Exercise of stock options (note 7 (a) (i))	-	-	58,500	-
Private placements proceeds (note 7 (a) (ii) and (iii))	511,500	-	1,431,500	-
Private placements costs (note 7 (a) (ii) and (iii))	(12,977)	-	(30,419)	-
Lease payments made (note 6)	(8,224)	(11,539)	(32,672)	(35,813)
	490,299	(11,539)	1,426,909	(75,813)
Investing activities:				
Proceeds from GIC (note 4)	-	-	-	80,000
Purchase of GIC (note 4)	(260,000)	-	(950,000)	-
Purchase of property and equipment	(801)	-	(2,343)	(543)
	(260,801)	-	(952,343)	79,457
Increase (decrease) in cash	(6,910)	(50,114)	(12,801)	(146,824)
Cash, beginning of period	133,235	175,830	139,126	272,540
Cash, end of period	\$ 126,325	\$ 125,716	\$ 126,325	\$ 125,716

See accompanying notes to consolidated financial statements.

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Notes to Interim Consolidated Financial Statements
(In Canadian dollars)
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Notice to reader of the interim consolidated financial statements

These unaudited interim condensed consolidated financial statements (“interim consolidated financial statements”) of 01 Quantum Inc., formerly 01 Communique Laboratory Inc. (the “Company”), which include the accompanying interim consolidated statement of financial position as at July 31, 2025 and the interim consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity and cash flows for the three and nine month periods ended July 31, 2025 and 2024, are the responsibility of the Company’s management. These interim consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors of the Company, McGovern Hurley LLP. The unaudited interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with accounting principles generally accepted in Canada. These unaudited interim consolidated financial statements are prepared under International Financial Reporting Standards (“IFRS”) and reflect management’s best estimates and judgment based on information currently available.

The Company’s shareholders voted in favour of a name change from 01 Communique Laboratory Inc. to 01 Quantum Inc., under which the Company now operates, at a shareholders’ meeting held on September 10, 2025.

01 Quantum Inc. (the “Company”) was incorporated on October 7, 1992 under the laws of Ontario. The Company’s cybersecurity business unit focuses on its IronCAP™ patented cryptographic system. The Company’s remote access business unit focuses on its I’m InTouch suite of secure remote access services and products.

The Company’s head office is located at 789 Don Mills Road, Suite 700, Toronto, Ontario M3C 1T5 and its common shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol ONE and quoted on the OTCQB market in the United States under the symbol OONEF.

1. Significant Accounting Policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated:

(a) Statement of compliance:

These unaudited consolidated financial statements, including comparatives, are prepared by management in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations

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Committee (“IFRC”) effective for the Company’s reporting for the three and nine month periods ended July 31, 2025 and 2024. These consolidated financial statements reflect management’s best estimates and judgment based on information currently available.

These consolidated financial statements were authorized for issue by the Board of Directors on September 17, 2025.

(b) Basis of presentation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 01 Communique (GP) Inc. and 01 Communique Laboratory Hong Kong Limited. Intercompany transactions and balances are eliminated on consolidation.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are deconsolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The consolidated financial statements have been prepared on the historical cost basis, except for certain items which may be accounted for at fair value as further discussed in subsequent notes, using the Significant accounting policies and measurement bases summarized below.

The consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of operations and comprehensive loss are presented using the functional classification for expenses.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company has sustained substantial losses and negative cash flows from operations in recent

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years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or obtain additional financing.

Should the Company not be able to generate sufficient cash flows to become profitable in the future and generate sufficient working capital to fund operations, it will become necessary to secure additional sources of financing. However, there can be no assurances that any such financing will be available to the Company on acceptable terms or at all. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

2. Financial Instruments and Financial Risk Management:

(a) Financial instruments:

The Company has classified its financial instruments as follows:

	31-Jul-25	31-Oct-24
Financial assets:		
Financial assets measured at amortized cost:		
Cash	\$ 126,325	\$ 139,126
Guaranteed investment certificate	950,000	-
Accounts receivable	93,632	62,902
Financial liabilities:		
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	182,477	104,122

Accounts receivable comprises the following:

	31-Jul-25	31-Oct-24
Trade receivables	\$ 66,059	\$ 50,871
Investment tax credits receivable	-	8,000
HST receivable	27,573	4,031
	\$ 93,632	\$ 62,902

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(b) Financial risk management:

(i) Overview:

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company generally does not require collateral for sales on credit. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. At July 31, 2025 and October 31, 2024, the Company had a nil balance in the allowance for doubtful accounts and had no material past due trade receivables.

The Company invests its cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The Company invests its cash with Canadian chartered banks that are of high credit quality. Given these high credit ratings, the Company does not expect these counterparties to fail to meet their obligations.

Concentrations of credit risk:

There was one customer that comprised 98% (in 2025 - 97%) of the Company's total revenue for the three and nine months ended July 31, 2025. No other customers exceeded 10% of revenue during the current or prior period. The customer comprising 98% of revenue in 2025 (2024 – 97%) comprised 100% of trade receivables, as at July 31, 2025 (2024 – 100%).

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the

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Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

However, the Company has sustained substantial losses in recent years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or obtain additional financing, which would be contingent upon market and other conditions in the future, which are beyond the Company's control.

At July 31, 2025, the Company had financial assets, consisting of cash, guaranteed investment certificate and accounts receivable of \$1,169,957 (Oct. 31, 2024 - \$202,028) and financial liabilities, consisting of accounts payable and accrued liabilities, and the lease liability of \$299,676 (Oct. 31, 2024 - \$125,093).

The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and market price risk. The Company is exposed to currency risk and interest rate risk.

Currency risk:

Net monetary assets and liabilities due in U.S. dollars include accounts payable of USD 32,920 (July 31, 2024 - USD 1,265) and cash of USD 64,920 (July 31, 2024 - USD 60,590). Net monetary assets due in Japanese Yen include accounts payable of 712,790 Yen \$6,605 CAD equivalent, (July 31, 2024 - 1,052,000 Yen, \$9,860 CAD equivalent), and accounts receivable of 7,127,897 Yen, \$66,059 CAD equivalent (July 31, 2024 - 10,520,000 Yen, \$96,800 CAD equivalent).

The Company reports its results in Canadian dollars. The Company markets its products in Canada, the United States ("U.S.") and other jurisdictions, including Japan. Sales to Japanese customers are primarily denominated in the Japanese Yen and sales to U.S. and other customers outside Canada in U.S. dollars. Substantially all of the Company's sales are either in U.S. dollars or the Japanese Yen. As a result, the Company is subject to currency risk from sales made and expenses incurred in U.S. dollars and the Japanese Yen. The Company does not hedge the risk related to fluctuations in the exchange rate between the U.S. dollar or the Japanese Yen and the Canadian dollar

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from either the date of the sales transaction to the collection date due or from the date an expense is incurred to the date the payment is made. As at July 31, 2025, the Company had net monetary assets in U.S. dollars of USD 32,000 (July 31, 2024 – USD \$59,325) and net monetary assets in the Japanese Yen of 6,415,107 (July 31, 2024 – 9,468,000 Japanese Yen). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at July 31, 2025 would have resulted in a gain in the amount of \$4,415 (2024 - \$8,100) or a loss of \$4,415 (2024 - \$8,100), respectively. An increase or decrease in the Japanese Yen to Canadian dollar exchange rate by 10% as at July 31, 2025 would have resulted in a gain in the amount of \$5,945 (2024 – \$8,700) or a loss of \$5,945 (2024 - \$8,700), respectively.

Interest rate risk:

The Company is exposed to interest rate risk on its fixed rate financial instruments. Fixed rate instruments subject the Company to fair value interest rate risk, as the fair value of the financial instrument fluctuates due to changes in market interest rates. Financial instruments subject to interest rate risk include demand deposits and the liability component of the debenture.

(ii) Fair values of financial instruments:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets of liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuations techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As at July 31, 2025 and October 31, 2024, the Company measures its investment at fair value, and it is categorized as level 3.

3. Capital Risk Management:

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund operations and discharge liabilities as they become due.

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Management performs regular reviews of its forecasted cash flow requirements to ensure cash flow needs are addressed.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the nine month periods ended July 31, 2025 and 2024.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As at July 31, 2025 and October 31, 2024, the Company believes it is compliant with the policies of the TSXV.

4. Guaranteed Investment Certificate:

	31-Jul-25	31-Oct-24
i) One year prime linked cashable guaranteed investment certificate. At the date of issuance the rate was 3.22% per annum. Maturity date is January 13, 2026.	550,000	\$ -
ii) One year prime linked cashable guaranteed investment certificate. At the date of issuance the rate was 2.70% per annum. Maturity date is June 17, 2026	400,000	\$ -
	\$ 950,000	\$ -

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5. Property and Equipment:

July 31, 2025	Computer systems	Communications equipment	Furniture and fixtures and leasehold improvements	Right of Use Asset	Total
Cost					
Balance at October 31, 2024	\$ 577,145	\$ 3,394	\$ 99,513	\$ 49,291	\$ 729,343
Additions	\$ 2,343	-	-	128,800	\$ 131,143
Dispositions	-	-	-	-	-
Balance at July 31, 2025	\$ 579,488	\$ 3,394	\$ 99,513	\$ 178,091	\$ 860,486
Depreciation					
Balance at October 31, 2024	\$ 568,223	\$ 1,895	\$ 99,513	\$ 27,294	\$ 696,925
Additions	\$ 5,130	\$ 128	-	\$ 33,633	\$ 38,891
Dispositions	-	-	-	-	-
Balance at July 31, 2025	\$ 573,353	\$ 2,023	\$ 99,513	\$ 60,927	\$ 735,816
Carry amounts					
Balance at October 31, 2024	\$ 8,922	\$ 1,499	-	\$ 21,997	\$ 32,418
Balance at July 31, 2025	\$ 6,135	\$ 1,371	-	\$ 117,164	\$ 124,670

July 31, 2024	Computer systems	Communications equipment	Furniture and fixtures and leasehold improvements	Right of Use Asset	Total
Cost					
Balance at October 31, 2023	\$ 576,602	\$ 3,394	\$ 99,513	\$ 134,634	\$ 814,143
Additions	543	-	-	49,291	49,834
Dispositions	-	-	-	(134,634)	(134,634)
Balance at July 31, 2024	\$ 577,145	\$ 3,394	\$ 99,513	\$ 49,291	\$ 729,343
Depreciation					
Balance at October 31, 2023	\$ 559,770	\$ 1,555	\$ 99,513	\$ 115,930	\$ 776,768
Additions	6,475	255	-	34,405	41,135
Dispositions	-	-	-	(134,634)	(134,634)
Balance at July 31, 2024	\$ 566,245	\$ 1,810	\$ 99,513	\$ 15,701	\$ 683,269
Carry amounts					
Balance at October 31, 2023	\$ 16,832	\$ 1,839	-	\$ 18,704	\$ 37,375
Balance at July 31, 2024	\$ 10,900	\$ 1,584	-	\$ 33,590	\$ 46,074

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6. Lease Commitment:

The Company's head office, located at 789 Don Mills Road, Suite 700, Toronto, Ontario M3C 1T5, is leased and considered to be a right-of-use asset. On March 1, 2024 the lease was amended extending the expiry date to March 31, 2025. Lease payments (including the Company's share of property taxes, operating costs, utilities and extra services) for the three and nine months ended July 31, 2025 were \$8,224 (2024 - \$11,539) and \$32,672 (2024 - \$35,813) respectively.

On January 24, 2025 the lease was amended extending the expiry date from March 31, 2025 to March 31, 2028. The lease liability has been measured by discounting future lease payments at the incremental borrowing rate at March 1, 2021 and for the amendments at March 1, 2024 and January 24, 2025. The incremental borrowing rate applied was determined to be 5.0% per annum for the initial term of the lease and 7% for the amendments, which represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment. As a result, the Company recorded an increase in property and equipment, right of use asset, of \$134,634 and \$49,291 for the March 1, 2024 and \$128,800 for the January 24, 2025 amendments and an increase in the corresponding lease liability of \$134,634 and \$49,291 for the March 1, 2024 and \$128,800 for the January 24, 2025 amendments.

The carrying value included as part of property and equipment as at July 31, 2025 is \$127,897 (October 31, 2024 - \$21,997). The lease liability is split between current and non-current amounts. As at July 31, 2025 the current lease liability is \$42,324 (October 31, 2024 - \$21,071) and the non-current lease liability is \$74,875 (October 31, 2024 – Nil). The following details the changes in the lease liability for the nine month period ended July 31, 2025:

Balance, October 31, 2024	\$	21,071
Addition for January 24, 2025 amendment		128,800
Interest expense		3,260
Undiscounted contractual lease payments made		(35,932)
Balance, July 31, 2025	\$	117,199

Future undiscounted contractual lease payments required through to the end of the lease on March 31, 2028 are as follows:

2025	\$	11,929
2026	\$	47,717
2027	\$	47,717
2028	\$	19,882

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7. Shareholders' Equity:

(a) Share capital authorized, issued and outstanding:

	31-Jul-25	31-Oct-24
Authorized:		
50,000 Series A preference shares		
Unlimited preference shares, issuable in series		
Unlimited common shares		
Issued: 102,319,554 common shares (2024 – 96,364,554)	\$ 44,933,071	\$ 44,282,090

The changes in issued and outstanding shares for the nine month period ended July 31, 2025 are as follows:

	Common shares	
	Number	Amount
Balance, October 31, 2024	96,364,554	\$ 44,282,090
Exercise of stock options (note 7 (a)(i))	250,000	111,550
Private placement (note 7 (a)(ii))	4,000,000	262,558
Private placement (note 7 (a)(iii))	1,705,000	276,873
Balance, July 31, 2025	100,614,554	\$ 44,933,071

- (i) There were 250,000 stock options exercised pursuant to the Company's employee option plan at an average exercise price of \$0.23. Total cash proceeds were \$58,500. In addition, \$53,050 of stock-based compensation had been previously recorded for the exercised stock options and has been reclassified from contributed surplus to share capital.
- (ii) On January 7, 2025 the Company completed a non-brokered private placement issuing a total of 4,000,000 units at a unit price of \$0.23 for total gross proceeds of \$920,000 and net proceeds of \$902,558 after costs related to issuance of \$17,442. Each unit consisted of one common share and one Common Share Purchase Warrant (a "Warrant"). Each Warrant entitles the holder to purchase one Common Share of the Company at an exercise price of \$0.75 per Common Share at any time on or before January 7, 2028. The fair value of each Warrant was estimated using the Black-Scholes option pricing model, using the following assumptions: interest rate of 3%, volatility of 154%, expected life of 3 years and 0% expected dividend yield. The fair value of each Warrant was estimated to be \$0.16 resulting in \$640,000 being allocated to the Warrants and \$262,558 to share capital. The securities issued were issued pursuant to a contractual hold (in addition to the regulatory four month hold period) for twelve months which hold will expire on January 7, 2026.

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(iii) On June 6, 2025 the Company completed a non-brokered private placement issuing a total of 1,705,000 units at a unit price of \$0.30 for total gross proceeds of \$511,500 and net proceeds of \$498,523 after costs related to issuance of \$12,977. Each unit consisted of one common share and one-half of one Common Share Purchase Warrant (a "Warrant"). Each Whole Warrant entitles the holder to purchase one Common Share of the Company at an exercise price of \$0.50 per Common Share at any time on or before June 6, 2027. The fair value of each Warrant was estimated using the Black-Scholes option pricing model, using the following assumptions: interest rate of 3%, volatility of 165%, expected life of 2 years and 0% expected dividend yield. The fair value of each Warrant was estimated to be \$0.26 resulting in \$221,650 being allocated to the Warrants and \$276,873 to share capital. The securities issued were issued pursuant to a regulatory four month hold period which hold will expire on October 7, 2025.

(b) Employee option plan:

The Company maintains a share option plan (the "Plan") for the benefit of management, directors, officers, contractors and employees. The Plan is a "rolling" stock option plan, pursuant to which the maximum number of common shares that may be reserved for issuance under outstanding stock options will be 10% of the Company's issued and outstanding common shares, as constituted on the date of any grant of options under the Plan.

Options are granted under the Plan at the discretion of the Board of Directors at exercise prices determined as the trading prices of the Company's common shares on the TSX-V on the day preceding the effective date of the grant. In general, options granted under the Plan vest over the period of up to a maximum of five years from the grant date and expire by no later than the fifth anniversary of the date of grant.

Changes in outstanding options during the nine month period ended July 31, 2025 are as follows:

	Number	Weighted average exercise price
Options outstanding October 31, 2024	6,265,000	\$ 0.15
Granted	2,110,000	\$ 0.42
Exercised	(250,000)	\$ 0.23
Expired	(720,000)	\$ 0.38
Options outstanding July 31, 2025	7,405,000	\$ 0.20

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The following table summarizes information about stock options outstanding at July 31, 2025:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.05 TO \$0.12	2,760,000	2.5	\$ 0.09	1,740,000	\$ 0.09
\$0.13 to \$0.17	2,285,000	1.2	\$ 0.14	2,285,000	\$ 0.14
\$0.23 to \$0.47	2,260,000	2.7	\$ 0.40	822,500	\$ 0.34
	7,405,000	2.2	\$ 0.20	4,665,000	\$ 0.15

There were 2,110,000 options granted during the nine months ended July 31, 2025 (2024 – 1,320,000). The average grant date fair value of options granted during the nine months ended July 31, 2025 was \$0.34 (2024 - \$0.05). The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option-pricing model with the following assumptions used for grants for the nine months ended July 31, 2025: expected dividend yield of nil, expected volatility of between 141% and 201% (2024 – 115%), weighted average risk-free interest rate of 3% (2024 – 3%) and expected lives of between one and four years (2024 – 4 years). During the three and nine month periods ended July 31, 2025 and 2024 the Company recorded stock option expense for stock options granted in the current and previous periods of \$80,000 (2024 - \$32,220) and \$235,000 (2024 - \$123,818) respectively.

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Details of the stock options granted for the nine months ended July 31, 2025 are as follows:

Grant date	Expiry date	Number granted	Exercise price	Vesting date and number
09-Dec-24	09-Dec-25	300,000	\$ 0.32	100,000 on each of 09-Jan-25 09-Feb-25 09-Mar-25
09-Jan-25	09-Jan-27	200,000	\$ 0.45	200,000 on 09-Jul-25
15-Jan-25	15-Jan-29	250,000	\$ 0.47	62,500 on each of 15-Jul-25 16-Jan-26 15-Jul-26 16-Jan-27
05-Feb-25	05-Feb-29	40,000	\$ 0.38	10,000 on each of 05-Aug-25 05-Feb-26 05-Aug-26 05-Feb-27
27-Jun-25	27-Jun-27	200,000	\$ 0.45	66,667 on each of 27-Aug-25 27-Oct-25 27-Dec-25
09-Jul-25	09-Jul-27	100,000	\$ 0.45	50,000 on each of 09-Jan-26 09-Jul-26
15-Jul-25	15-Jul-27	240,000	\$ 0.42	120,000 on each of 15-Nov-25 15-Mar-26
17-Jul-25	17-Jul-29	720,000	\$ 0.42	360,000 on each of 17-Jul-26 17-Jul-27
21-Jul-25	21-Jul-27	40,000	\$ 0.46	20,000 on each of 21-Sep-25 21-Nov-25
29-Jul-25	29-Jul-27	20,000	\$ 0.42	20,000 on 29-Oct-25
		<u>2,110,000</u>		

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(c) Warrants:

The following table summarizes information about warrants outstanding at July 31, 2025:

	Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
Warrants issued on private placement on January 7, 2025 expiring January 7, 2028	\$ 0.75	4,000,000	2.4	\$ 0.75
Warrants issued on private placement on June 6, 2025 expiring June 6, 2027	\$ 0.50	852,500	1.8	\$ 0.50

8. Revenues:

The significant categories of revenue recognized for the three and nine month periods ended July 31, 2025 and 2024 are as follows:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<i>31-Jul-25</i>	<i>31-Jul-24</i>	<i>31-Jul-25</i>	<i>31-Jul-24</i>
Royalty, development fees, engineering and maintenance	\$ 141,232	\$ 123,031	\$ 325,214	\$ 321,408
Subscription fees	2,725	3,072	8,055	9,385
	<u>\$ 143,957</u>	<u>\$ 126,103</u>	<u>\$ 333,269</u>	<u>\$ 330,793</u>

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9. Loss per Common Share:

The computations for basic and diluted loss per share for the three and nine month periods ended July 31, 2025 and 2024 are as follows:

	<i>three months ended</i>		<i>nine months ended</i>	
	<u>31-Jul-25</u>	<u>31-Jul-24</u>	<u>31-Jul-25</u>	<u>31-Jul-24</u>
Loss for the period and comprehensive loss	\$ (351,411)	\$ (40,173)	\$ (773,633)	\$ (221,092)
Loss per common share				
Basic	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of common shares				
Basic	101,763,576	96,364,554	99,774,807	96,364,554
Diluted	101,763,576	96,364,554	99,774,807	96,364,554

As the Company is in a loss position for the three month and nine month periods ended July 31, 2025 and 2024, the inclusion of options and warrants in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

10. Change in Non-Cash Operating Working Capital:

For the three and nine month periods ended:

	<i>three months ended</i>		<i>nine months ended</i>	
	<u>31-Jul-25</u>	<u>31-Jul-24</u>	<u>31-Jul-25</u>	<u>31-Jul-24</u>
Accounts receivable	\$ (1,655)	\$ (41,423)	\$ (30,730)	\$ (13,060)
Prepaid expenses	4,106	1,614	(35,946)	(1,591)
Accounts payable and accruals	20,437	(4,122)	78,355	(80,159)
Deferred revenue	(90)	(346)	696	481
	<u>\$ 22,798</u>	<u>\$ (44,277)</u>	<u>\$ 12,375</u>	<u>\$ (94,329)</u>

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11. Segmented Information:

The Company currently operates in one business segment, which is the development and marketing of its remote access software and its cryptographic software. The Company markets its products primarily in the United States, Asia/Pacific and Canada.

Revenue attributable to geographic location based on the location of the customer for the three and nine month periods ended July 31, 2025 and 2024 is as follows:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-25</u>	<u>31-Jul-24</u>	<u>31-Jul-25</u>	<u>31-Jul-24</u>
United States	\$ 1,158	\$ 1,847	\$ 4,392	\$ 5,403
Canada	1,567	1,225	3,663	3,982
Asia/Pacific	141,232	123,031	325,214	321,408
	<u>\$ 143,957</u>	<u>\$ 126,103</u>	<u>\$ 333,269</u>	<u>\$ 330,793</u>

Substantially all of the Company's identifiable assets as at July 31, 2025 and October 31, 2024 are located in Canada.

12. Related Party Transactions:

The remuneration of directors and other key management personnel of the Company during the three and nine month periods ended July 31, 2025 and 2024 was as follows:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-25</u>	<u>31-Jul-24</u>	<u>31-Jul-25</u>	<u>31-Jul-24</u>
Salaries and contractor fees	\$ 63,500	\$ 61,000	\$ 180,750	\$ 183,000
Stock based compensation	18,141	51,614	56,479	123,818
Total	<u>\$ 81,641</u>	<u>\$ 112,614</u>	<u>\$ 237,229</u>	<u>\$ 306,818</u>

The Company's President and Chief Executive Officer ("CEO") invoices the Company for his services that pertain to research and development pursuant to a contractor agreement. Fees paid under this agreement during the three and nine month periods ended July 31, 2025 were \$16,500 (2024 - \$16,500) and \$39,750 (2024 - \$49,500) respectively and have been included in research and development expenses and are included in the salaries and contractor fees amounts in the above table. In addition, the CEO received a salary for the three and nine month periods ended July 31, 2025 of \$21,000 (2024 - \$21,000) and \$63,000 (2024 - \$63,000) respectively, which has been recorded in selling, general and administrative expenses, and is included in the salaries and contractor fees amounts in the above table.

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Salary and contractor fees included in the above table owing to directors and other key management personnel and so included in accounts payable and accrued liabilities at July 31, 2025 is \$9,800 (October 31, 2024 - \$22,913). They are unsecured, non-interest bearing with no fixed terms of payment and were paid subsequent to the end of the quarter.

13. Contingencies:

The Company is engaged in legal actions from time to time arising in the ordinary course of business. None of these actions, individually or in the aggregate, is expected to have a material adverse effect on the consolidated financial position or results of operations.

for the three months ended 31-Jul-25	Selling, general & administration	Research & development	Total
Salaries, contractors, commissions and benefits	\$ 62,803	\$ 148,035	\$ 210,838
Stock-based compensation	80,000	-	80,000
Other operating expenses	144,943	52,983	197,926
	<u>\$ 287,746</u>	<u>\$ 201,018</u>	<u>\$ 488,764</u>

for the three months ended 31-Jul-24	Selling, general & administration	Research & development	Total
Salaries, contractors, commissions and benefits	\$ 53,446	\$ 23,025	\$ 76,471
Stock-based compensation	32,220	-	32,220
Other operating expenses	33,414	11,513	44,926
	<u>\$ 119,080</u>	<u>\$ 34,538</u>	<u>\$ 153,617</u>

for the nine months ended 31-Jul-25	Selling, general & administration	Research & development	Total
Salaries, contractors, commissions and benefits	\$ 176,599	\$ 252,900	\$ 429,499
Stock-based compensation	235,000	-	235,000
Other operating expenses	241,253	179,149	420,402
	<u>\$ 652,852</u>	<u>\$ 432,049</u>	<u>\$ 1,084,901</u>

for the nine months ended 31-Jul-24	Selling, general & administration	Research & development	Total
Salaries, contractors, commissions and benefits	\$ 152,838	\$ 85,584	\$ 238,422
Stock-based compensation	123,818	-	123,818
Other operating expenses	118,096	45,513	163,608
	<u>\$ 394,752</u>	<u>\$ 131,097</u>	<u>\$ 525,848</u>

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14. Operating Expenses:

The Company presents functional consolidated statements of operations in which expenses are aggregated according to the function to which they relate. The Company has identified the major functions as selling, general and administrative expenses; and research and development expenses. The following tables present the expenses based on their nature:

15. Government Assistance:

The Canada Emergency Business Account (“CEBA”) provides interest-free bank loans, guaranteed by the government of Canada, of up to \$60,000 to small businesses that qualify. The Company’s loan consisted of a \$60,000 CEBA loan that is interest free and was repaid prior to maturity of January 18, 2024 and as such \$20,000 of the loan was forgiven. Management had assessed at the time the loan was received that the Company would be able to repay the balance of the loans by January 18, 2024 and accordingly, the total forgivable amount of \$20,000 was recorded as government assistance income in 2021.