



01 Quantum Inc.

Management's Discussion and Analysis

For the year ended October 31, 2025

ONE : TSX-V; OONEF : OTCQB

Dated: January 21, 2026

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1. Introduction:

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") has been prepared by management and is a review of the consolidated operating results and financial position of 01 Quantum Inc. ("01 Quantum" or the "Company"), based upon International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes to the audited consolidated financial statements as at and for the year ended October 31, 2025.

The Company maintains appropriate systems of internal control, policies, and procedures that provide management reasonable assurance that assets are safeguarded and that its financial information is reliable.

This MD&A and the related audited consolidated financial statements were authorized for issue by the board of directors on January 21, 2026.

All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A is effective as of January 21, 2026.

Additional information on the Company, including its audited consolidated financial statements, is filed on SEDAR.

2. Forward-looking Statements:

This MD&A contains certain statements that may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements use such words as "may", "will", "expect", "believe", "plan", "intend", "are confident" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this MD&A. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, risk factors discussed in this MD&A. Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

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3. Corporate Overview:

On September 10, 2025, shareholders voted in favor, to rename the Company from 01 Communique Laboratory Inc. to **01 Quantum Inc.** This new name underscores the Company's strategic emphasis on quantum-resilient cybersecurity solutions, which serves as its core focus. This reflects a clear alignment with the Company's mission to safeguard digital infrastructure against emerging quantum computing threats.

The Company has developed advanced post-quantum cryptographic (**PQC**) technology that protects digital systems from the growing threat of quantum computers. It's patented IronCAP™ and patent-pending technologies are designed to provide long-term resilience against quantum-enabled attacks. By integrating these technologies into applications such as AI platforms, remote access systems, email and digital-asset platforms, the Company is delivering practical, quantum-safe solutions that can be deployed today.

Quantum computers have the potential to process information at exponentially faster rates than existing classical computers. This capability threatens current encryption methods, particularly public key encryption, as it could potentially render them insecure and vulnerable to hacking.

Q-Day is this anticipated moment when quantum computers become powerful enough to break the public-key cryptography systems that currently secure the world's digital communications and data. In particular, it refers to the point at which quantum algorithms, most notably Shor's algorithm, can efficiently crack widely used encryption schemes such as RSA, and elliptic-curve cryptography (ECC).

In response to this emerging threat, the Company has made a significant investment in researching and developing disruptive cybersecurity technology. As a result, it has created and is commercializing products that incorporate its patented **IronCAP™** technology.

IronCAP™ is designed in alignment with NIST-approved standards for post-quantum cryptography, reinforcing its credibility and future-readiness. NIST, the National Institute of Standards and Technology, is a U.S. federal agency that develops and promotes measurement standards, including cryptographic guidelines used globally to ensure secure and interoperable technologies. NIST's post-quantum cryptography initiative is leading the global effort to standardize quantum-resistant algorithms.

The Company views IronCAP™ as a versatile technology platform with applications across multiple verticals, including blockchain networks, digital assets, email and data security, AI and machine learning systems, VPNs, financial transactions, cloud storage, website development, and password protection. IronCAP™ Toolkits are available to vendors for building secure post-quantum systems and comply with PKCS#11, OpenSSL, and OpenPGP standards.

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The Company has developed and plans to continue to develop new products based on its IronCAP™ technology.

01 Quantum has initially identified four priority verticals for the commercial productization of IronCAP™, aligned with the company's published use cases: quantum-safe remote access, quantum-safe digital assets, quantum-safe AI models, and quantum-safe email.

(i) Quantum-safe remote access

IronCAP™ applies post-quantum cryptography to remote access systems to ensure secure remote access and sessions in a post Q-Day environment. In conjunction with Hitachi Solutions Create Ltd. (HSC) the Company has co-developed a PQC-enhanced version of a zero-trust remote access platform tailored for the Japanese market that HSC is now marketing to enterprise customers. This offering is designed to protect remote-work and privileged-access workflows against attacks from emerging quantum computers.

(ii) Quantum-safe digital assets

01 Quantum's patent-pending Quantum Crypto Wrapper (QCW) and Quantum DeFi Wrapper (QDW) technologies enable quantum-safe transactions on existing cryptocurrencies.

QCW, pairs zero-knowledge proofs with IronCAP™. This dual-layer setup allows for the validation of quantum-resistant transactions on existing blockchains, so there is no new Layer 1 chain nor dedicated validator network required.

QDW works like a quantum-safe circuit breaker for a smart contract operation. Without a valid PQC signature, the "circuit break" kicks in so a smart contract transaction will not proceed even though the ECC signature is satisfied. This effectively protects the foundation Layer 1 tokens even assuming that the ECC signature can no longer be trusted before or after Q-Day.

Utilizing this technology, through its partnership with qLABS Foundation (qLABS), 01 Quantum created qONE tokens for qLABS, a quantum-resistant token and wallet on Hyperliquid (HYPE). Following this, developed by 01 Quantum, is the release by qLABS of a "Quantum Gas Fee" utility token. Users spend qONE to quantum-lock and unlock their existing holdings on Hyperliquid (HYPE), Ethereum (ETH), Solana (SOL), and other smart contract supported chains.

(iii) Quantum-safe AI models

Protects AI model access, inference calls, and API endpoints using PQC-based authentication to mitigate risks of model theft or unauthorized use.

The Company's QAW (Quantum AI Wrapper) technology enables fully encrypted AI inference using Full Homomorphic Encryption (FHE), ensuring that user prompts and vendor

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models remain encrypted at all times. Built with IronCAP™ PQC, QAW is designed to enable a quantum-safe AI service that protects against both current cyber threats and future quantum attacks.

(iv) Quantum-safe email

The Company has developed IronCAP X™, a cybersecurity product for email/file encryption. This digital signature system is built by implementing the Company's IronCAP™ patented technology to provide end-to-end encrypted messages. It provides PQC-secured encryption and signing for email communications, addressing harvest-now-decrypt-later exposure for sensitive correspondence. Offerings in today's market typically store users secured emails on email-servers for recipients to read, making email-servers a central target of cyber-attack. IronCAP X™, on the other hand, delivers each encrypted message end-to-end to the recipients such that only the intended recipients can decrypt and read the message. The individual messages are protected, eliminating the hackers' incentive to attack email servers of email providers.

The Company's go to market strategy is to integrate its technologies into everyday products, from AI applications to remote access, email and digital-asset platforms designed to deliver practical, quantum-safe products organizations can rely on today. The Company is planning a twofold strategy of software subscriptions that generate recurring income and enterprise partnerships that bring in upfront development fees plus ongoing royalties.

There can be no guarantee that the development, integration, or commercialization of the Company's IronCAP™ technology or any products incorporating it or the Company's other technologies as previously described, will be successful, will achieve market adoption, or will generate sufficient revenues for the Company to be profitable. Actual results may differ materially from the Company's expectations due to technological, competitive, regulatory, market, or operational risks.

01 Quantum Inc. 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.

4. Intellectual Property:

- United States patent number 11,271,715 for a Cryptographic System and Method. Our invention relates to public key cryptographic systems and methods that can be used, for example, to build highly secure systems for data storage, access, encryption, decryption, digital signing, and digital signing verification.

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- United States patent number 11,669,833 and International PCT Application No. US22-78536 for blockchain endpoint protection. Quantum security may be enhanced through the use of quantum-safe validators for transactions whereby the quantum-safe validators process quantum-safe addresses and signatures of parties to the transactions. Quantum safety may be added to conventional blockchain transactions, for example, via smart contracts which are executed using cryptographic interlocks to between conventional smart contract execution engines and quantum-safe validators to ensure both quantum-safe processing of addresses and signatures and legitimacy of quantum-safe validators in presenting transactions for incorporation on the chain.
- Japanese patent number 7,328,969 entitled (as translated) "A Cryptographic System and Method".
- United States patent application No. 19/341,748 for an artificial intelligence model marketplace system secures both models and user and data by managing computation-preserving-cryptography (CPC) encryption of data and models with public and private CPC user key pairs. Models can be encrypted by the marketplace system, model vendors, or third parties. e.g., in response to user requests to apply a model to their data to obtain a model prediction. Similarly, execution of the CPC encrypted models on CPC encrypted user data can be performed by the marketplace system, model vendors, or third parties. Selection of third parties for encryption and/or model execution work can be organized via staking mechanisms to create a secure, distributed, competitive marketplace for computational services.
- United States patent application No. 19/344,357 for protection against quantum computing spoofing of conventional blockchains can be provided by using quantum-safe (QS) address and QS signature verification, witness proofs, and/or Merkle trees of quantum security features to conventional blockchain transaction validators, such that QS operations can be confirmed by conventional validators within their computational and memory limits, and the proofs of QS operations can be recorded within the storage limitations of conventional blockchains.
- United States patent application No. 19/396,202 for a Quantum DeFi Wrapper (QDW). At the core of email. QDW is a PQC binding mechanism integrated into smart contracts. Acting as a "quantum circuit breaker," the system halts operations if PQC authentication requirements are not met, thereby preventing unauthorized access through quantum-enabled key extraction.
- United States patent number 8,234,701 entitled "System, method and computer program for remotely sending a digital signal(s) to a computer";
- Japanese patent number 4,875,094 entitled (as translated) "Method of accessing and/or controlling target computer, involves directing proxy server to send digital signal to target computer, so that remote computer is permitted to access/control target computer on receipt of digital signal";

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5. Corporate Update:

The Company continued to advance its strategic initiatives during fiscal 2025, with progress across product development, commercialization partnerships, and corporate activities. These developments reflect management's focus on executing the Company's post-quantum cryptography ("PQC") roadmap and positioning the business for future revenue opportunities. The following summarizes key operational and corporate events that occurred during the year and that management believes are relevant to understanding the Company's performance and outlook.

(i) Strategic alliance with qLABS Foundation:

On July 29, 2025, the Company entered into a strategic alliance agreement with qLABS Foundation, a newly launched crypto foundation focused on developing quantum-safe tokens secured on existing blockchains. Under the agreement, the Company is entitled to milestone-based development fees, a share of token sale proceeds, and a percentage of the founders' token pool. Development work commenced during the year, contributing to increased R&D activity and generating revenue in 2025 as milestones were achieved.

(ii) PQC-enabled zero-trust remote access development:

The Company continued its collaboration with Hitachi Solutions Create Ltd. ("HSC") on the co-development of a PQC-enhanced version of a zero-trust remote access platform for the Japanese market. The Company receives a one-time development fee and future royalties under the agreement. Development progressed during the year, contributing to higher R&D expenditures, with a commercial release – January 15, 2026.

(iii) IronCAP X™ commercialization partnership:

During the year, the Company entered into a strategic partnership with Turnium Technology Group Inc. ("TTGI") to support the commercialization of IronCAP X™, the Company's PQC-enabled email and file encryption product. TTGI began integrating IronCAP X™ into its service offerings, expanding the product's market reach and supporting the Company's long-term commercialization strategy.

(iv) Partnership with Real Matter Technology Company:

In January 2025, the Company entered into an agreement with Real Matter Technology Company, a fintech-semiconductor research firm based in Hong Kong. Real Matter is integrating the Company's IronCAP™ PQC technology into its product line targeting banks and Virtual Asset Service Providers ("VASPs"). Activities during the year included joint marketing initiatives and technical integration work.

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(v) Corporate rebranding:

On September 10, 2025, shareholders approved the rebranding of the Company from 01 Communique Laboratory Inc. to 01 Quantum Inc. The rebranding aligns the Company's identity with its strategic focus on quantum-resilient cybersecurity solutions and reflects its transition to PQC-driven product development and commercialization.

(vi) Private placements completed during the year:

In January 2025, the Company completed a non-brokered private placement for gross proceeds of \$920,000 and net proceeds of \$902,558. The financing consisted of 4,000,000 units issued at a price of \$0.23 per unit. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.75 at any time on or before January 7, 2028. The securities issued under the financing were subject to a statutory four-month hold period, as well as an additional contractual hold period of twelve months expiring on January 7, 2026. Proceeds were used to support product development, commercialization activities, and general working capital.

In June 2025, the Company completed a second non-brokered private placement for gross proceeds of \$511,500 and net proceeds of \$497,523. Units were issued at a price of \$0.30 per unit, with each unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of \$0.50 at any time before June 6, 2027. The securities issued under the financing were subject to a statutory four-month hold period expiring on October 7, 2025. Proceeds from the financing were used to fund ongoing PQC development initiatives and general working capital.

(vii) Financing under the Listed Issuer Financing Exemption ("LIFE"):

In October 2025, the Company completed an equity financing under the Listed Issuer Financing Exemption ("LIFE"), issuing 4,892,499 units at a price of \$0.48 per unit for gross proceeds of \$2,348,400 and net proceeds of \$2,031,463. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at \$0.75 for a period of 36 months from the closing date. The financing was led by Hampton Securities Limited and provided additional working capital to support the Company's ongoing product development and commercialization initiatives.

(viii) Investor relations and marketing initiatives:

To enhance market visibility and support liquidity, the Company expanded its investor relations and marketing activities during the year. Initiatives included the engagement of a market

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maker, an investor relations firm, and a digital marketing agency. These activities contributed to higher selling, general and administrative expenses during the year.

(ix) Product development team expansion:

To support multiple concurrent development projects, the Company expanded its product development capacity by engaging additional third-party developers. The Company also appointed Dr. Edoardo Persichetti, an expert in code-based cryptography, as a strategic advisor to strengthen its cryptographic capabilities.

6. Financial Results – Three-year comparison:

	<i>for the years ended</i>		
	<u>31-Oct-25</u>	<u>31-Oct-24</u>	<u>31-Oct-23</u>
Revenue	\$ 767,993	\$ 412,948	\$ 474,491
Expenses:			
Selling, general and administrative	761,596	418,294	565,684
Stock based compensation	455,157	156,146	203,823
Research and development	663,981	123,729	391,347
Withholding taxes	27,965	36,370	45,896
	<u>1,908,699</u>	<u>734,539</u>	<u>1,206,750</u>
Loss before other income and expense	(1,140,706)	(321,591)	(732,259)
Foreign exchange gain (loss)	1,990	912	(2,041)
Interest income	18,140	4,027	15,343
Interest expense	(5,510)	(2,138)	(3,155)
<u>Loss for the period and comprehensive loss</u>	<u>\$ (1,126,086)</u>	<u>\$ (318,790)</u>	<u>\$ (722,112)</u>
Loss per common share			
Basic	\$ (0.01)	\$ (0.00)	\$ (0.01)
Diluted	\$ (0.01)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares			
Basic	100,934,029	96,364,554	96,296,746
Diluted	100,934,029	96,364,554	96,296,746

Revenue for fiscal 2025 was \$767,993, compared to \$412,948 in fiscal 2024 and \$474,491 in fiscal 2023. The year-over-year increase in 2025 reflects higher development fee revenue earned from the Company's PQC-related projects, including work on the Quantum Crypto Wrapper (QCW), Quantum DeFi Wrapper (QDW), and the zero-trust remote access platform. Revenue in 2024 was lower than 2023 due to the timing of development milestones and the completion of certain projects in the prior year.

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Selling, general and administrative (“SG&A”) expenses increased to \$761,596 in fiscal 2025 from \$418,294 in 2024, primarily due to expanded investor relations and marketing activities, corporate rebranding costs, and additional administrative support required to advance commercialization initiatives. SG&A expenses in 2023 were higher than 2024 due to elevated marketing and consulting expenditures that were reduced in fiscal 2024.

Research and development (“R&D”) expenses increased significantly to \$663,981 in fiscal 2025 from \$123,729 in 2024, reflecting the Company’s expanded development efforts across multiple PQC initiatives. R&D expenses in 2023 were \$391,347, with the decrease in 2024 attributable to the completion of several development projects early in that year.

Stock-based compensation was \$455,157 in fiscal 2025, compared to \$156,146 in 2024 and \$203,823 in 2023. The increase in 2025 reflects the fair value of options granted during the year and the ongoing amortization of options granted in prior years, recorded over their respective vesting periods.

The resulting loss before other income and expense was \$1,140,706 in fiscal 2025, compared to \$321,591 in 2024 and \$732,259 in 2023. The higher loss in 2025 reflects increased R&D and SG&A expenditures as the Company advanced multiple development and commercialization initiatives. Other income and expense items remained relatively stable over the three-year period, consisting primarily of interest income, interest expense, and foreign exchange gains or losses.

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7. Summary of Fiscal 2025 and Fourth Quarter 2025 Results:

	<i>For the three months ended</i>		<i>For the years ended</i>	
	<i>31-Oct-25</i>	<i>31-Oct-24</i>	<i>31-Oct-25</i>	<i>31-Oct-24</i>
Revenue	\$ 434,724	\$ 82,155	\$ 767,993	\$ 412,948
Expenses:				
Selling, general and administrative	343,744	147,361	761,596	418,294
Stock based compensation	220,157	32,328	455,157	156,146
Research and development	231,931	(7,368)	663,981	123,729
Withholding taxes	6,411	7,934	27,965	36,370
	802,244	180,255	1,908,699	734,539
Loss before other income and expense	(367,520)	(98,100)	(1,140,706)	(321,591)
Foreign exchange gain (loss)	1,990	912	1,990	912
Interest income	15,045	-	18,140	4,027
Interest expense	(1,968)	(510)	(5,510)	(2,138)
Loss for the period and comprehensive loss	\$ (352,453)	\$ (97,698)	\$ (1,126,086)	\$ (318,790)
Loss per 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	103,827,136	96,364,554	100,934,029	96,364,554
Diluted	103,827,136	96,364,554	100,934,029	96,364,554

Revenue:

<i>Revenue by region</i>	<i>For the three months ended</i>		<i>For the years ended</i>	
	<i>31-Oct-25</i>	<i>31-Oct-24</i>	<i>31-Oct-25</i>	<i>31-Oct-24</i>
United States	\$ 1,720	\$ 2,028	\$ 6,112	\$ 7,431
Canada	15,902	771	19,565	4,753
Asia/Pacific	141,102	79,356	466,316	400,764
Central America	276,000	-	276,000	-
	\$ 434,724	\$ 82,155	\$ 767,993	\$ 412,948

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<i>Revenue by segment</i>	<i>For the three months ended</i>		<i>For the years ended</i>	
	<i>31-Oct-25</i>	<i>31-Oct-24</i>	<i>31-Oct-25</i>	<i>31-Oct-24</i>
Royalties	\$ 64,101	\$ 79,356	\$ 279,651	\$ 363,714
Development, engineering and maintenance	368,000	-	477,665	37,050
Subscription fees	2,623	2,799	10,677	12,184
	<u>\$ 434,724</u>	<u>\$ 82,155</u>	<u>\$ 767,993</u>	<u>\$ 412,948</u>

Revenue for the three months ended October 31, 2025 was \$434,724, (2024 - \$82,155). For the year ended October 31, 2025, revenue totaled \$767,993, compared to \$412,948 in fiscal 2024. The increases reflect higher development fee revenue earned during the year as the Company advanced multiple PQC-related commercialization initiatives.

Revenue by region is presented in the table above. The majority of revenue in both the quarter and the year was generated from international customers, reflecting the Company's partnerships and development activities outside North America. International revenue increased to \$417,102 for the three months ended October 31, 2025 (2024 - \$79,356) and to \$742,316 for fiscal 2025 (2024 - \$400,764), driven primarily by development work associated with PQC-enabled applications. Revenue from Canada and the United States remained modest and consistent with prior-year levels.

Revenue by segment is also presented in the table above. Higher development fee revenue earned during the year reflects the Company's PQC-related commercialization initiatives. Royalty revenue is earned from the Company's legacy products which will transition as it's PQC offerings are commercialized. Subscription revenue from the Company's legacy remote access services continued to decline modestly, totaling \$2,623 for the three months ended October 31, 2025 (2024 - \$2,799) and \$10,677 for fiscal 2025 (2024 - \$12,184), consistent with the Company's strategic shift toward PQC-based products and development partnerships.

Selling, general and administrative ("SG&A"):

SG&A expenses for the three months ended October 31, 2025 were \$343,744 (2024 - \$147,361). The increase reflects higher marketing and investor relations expenditures, costs associated with the Company's rebranding to 01 Quantum Inc., and additional administrative support required to advance the Company's commercialization strategy. For fiscal 2025, SG&A expenses were \$761,596, compared to \$418,294 in fiscal 2024, reflecting similar factors.

Stock-based compensation:

Stock-based compensation reflects the expense recognized for stock options granted during the current year as well as prior years, with the expense recorded over the respective vesting periods. For the three months ended October 31, 2025 stock-based compensation was \$220,157 (2024 -

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\$32,328). For fiscal 2025, stock-based compensation totaled \$455,157, compared to \$156,146 in fiscal 2024.

The average grant date fair value of options granted during 2025 was \$0.38 (2024 - \$0.04). 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 year ended October 31, 2025: expected dividend yield of nil (2024 - 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 – four years).

Research and development (“R&D”):

R&D expenses were \$231,931 for the three months ended October 31, 2025 (2024 - \$(7,368)). The increase reflects expanded development activity related to the Company’s PQC product roadmap, including work on the Quantum Crypto Wrapper (QCW), Quantum DeFi Wrapper (QDW), PQC-enabled AI initiatives, and the zero-trust remote access platform. For fiscal 2025, R&D expenses were \$663,981, compared to \$123,729 in fiscal 2024, reflecting increased investment in product development, patent filings, and third-party contractor support.

Total operating expenses:

Total operating expenses for the three months ended October 31, 2025 were \$802,344 (2024 - \$180,255). For fiscal 2025, total operating expenses were \$1,908,699, compared to \$734,539 in fiscal 2024. The increases reflect the Company’s expanded development efforts, higher stock-based compensation, and increased SG&A expenditures.

The loss before other income and expenses:

The loss before other income and expenses for the three months ended October 31, 2025 was \$367,520 (2024 - \$98,100). For fiscal 2025, the loss before other income and expenses was \$1,140,706, compared to \$321,591 in fiscal 2024. The higher losses reflect increased investment in product development and commercialization activities.

Other income:

Other income for the three months ended October 31, 2025 included \$15,045 of interest income (2024 – nil) and a foreign exchange gain of \$1,990 (2024 – \$912). Interest expense for the three months ended October 31, 2025 was \$1,968 (2024 – \$510). For fiscal 2025, interest income totaled \$18,140 (2024 – \$4,027), interest expense was \$5,510 (2024 – \$2,138), and the foreign exchange gain was \$1,990 (2024 – \$912).

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Net and comprehensive loss:

The Company recorded a net and comprehensive loss of \$352,453 for the three months ended October 31, 2025 (2024 - \$97,698). For fiscal 2025, the net and comprehensive loss was \$1,126,086, compared to \$318,790 in fiscal 2024. The increased losses reflect higher operating expenses associated with the Company's expanded development and commercialization activities.

Basic and diluted loss per share:

Basic and diluted loss per share for the three months ended October 31, 2025 was \$0.00 (2024 – \$0.00). For fiscal 2025, basic and diluted loss per share was \$0.01 (2024 – \$0.00). The weighted average number of common shares outstanding increased year-over-year due to private placements completed during fiscal 2025.

8. Use of Non-IFRS Terms:

- (i) In the Company's financial reporting, reference is made to cash operating expenses, which is a non-IFRS term. This term does not have a standardized meaning under IFRS and therefore it is unlikely it will be comparable to similar measures by other companies. Cash operating expenses are operating expenses (selling, general and administrative expenses plus research and development expenses) excluding the non-cash operating expenses of stock-based compensation, depreciation and amortization. This measure is used to assist in monitoring cash expenses of the Company as it is an indication of the amount of expenses required to fund the Company's operations on a cash basis. Stock-based compensation is a non-cash expense and is largely dependent on the accounting assumptions and methods used for the calculation. The table below summarizes cash operating expenses.

	<i>For the three months ended</i>		<i>For the years ended</i>	
	<u>31-Oct-25</u>	<u>31-Oct-24</u>	<u>31-Oct-25</u>	<u>31-Oct-24</u>
Total operating expenses	\$ 795,833	\$ 172,320	\$ 1,880,734	\$ 698,169
Less - Stock based compensation	220,157	32,328	455,157	156,146
Depreciation	1,471	2,064	6,729	8,794
Cash operating expenses	<u>\$ 574,205</u>	<u>\$ 137,928</u>	<u>\$ 1,418,848</u>	<u>\$ 533,229</u>

Cash operating expenses for the three months ended October 31, 2025 were \$574,205, compared to \$137,928 in the same period of the prior year. For the year ended October 31, 2025, cash operating expenses totaled \$1,418,848, compared to \$533,229 in fiscal 2024. Cash operating expenses consist solely of research and development ("R&D") expenses and selling, general and administrative ("SG&A") expenses, as these represent the Company's core cash outflows required to operate the business.

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The year-over-year increase reflects higher R&D spending associated with the Company's PQC product development initiatives, including work on the Quantum Crypto Wrapper (QCW), Quantum DeFi Wrapper (QDW), PQC-enabled AI technologies, and the zero-trust remote access platform. SG&A expenses also increased due to expanded investor relations and marketing activities, the corporate rebranding, and additional administrative support required to advance commercialization efforts.

Stock-based compensation and depreciation are excluded from cash operating expenses as they are non-cash charges. Stock-based compensation reflects the expense recognized for stock options granted during the current year as well as prior years, with the expense recorded over the respective vesting periods. For the three months ended October 31, 2025 stock-based compensation was \$220,157 (2024 - \$32,328). For fiscal 2025, stock-based compensation totaled \$455,157, compared to \$156,146 in fiscal 2024.

The average grant date fair value of options granted during 2025 was \$0.38 (2024 - \$0.04). 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 year ended October 31, 2025: expected dividend yield of nil (2024 - 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 - four years).

Depreciation remained relatively stable and represents a small portion of total operating expenses.

Management uses cash operating expenses as a supplemental measure to assess the Company's cash requirements and to monitor the level of expenditures necessary to support ongoing operations and product development activities.

- (ii) In the Company's financial reporting, reference is made to adjusted loss, which is a non-IFRS term. This term does not have a standardized meaning under IFRS and therefore it is unlikely it will be comparable to similar measures by other companies. The adjusted loss is the loss for the period and comprehensive loss excluding non-cash operating expenses, unusual items and is indicative of the loss for the period excluding non-cash operating expenses which are stock-based compensation, and depreciation and amortization. This measure is used to assist in monitoring cash requirements of the Company as it is an indication of the amount of cash required to fund the Company's operations, on a cash basis. Stock-based compensation is a non-cash expense and is largely dependent on the accounting assumptions and methods used for the calculation. The table below summarizes the adjusted loss.

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	<i>For the three months ended</i>		<i>For the years ended</i>	
	<u>31-Oct-25</u>	<u>31-Oct-24</u>	<u>31-Oct-25</u>	<u>31-Oct-24</u>
Loss for the period and comprehensive loss	\$ (352,453)	\$ (97,698)	\$ (1,126,086)	\$ (318,790)
Less: non cash operating expenses	<u>221,628</u>	<u>34,392</u>	<u>461,886</u>	<u>164,940</u>
Adjusted Loss for the period	<u>\$ (130,825)</u>	<u>\$ (63,306)</u>	<u>\$ (664,200)</u>	<u>\$ (153,850)</u>

The net loss and comprehensive loss for fiscal 2025 was \$1,126,086 (2024 – \$318,790) and includes non-cash operating expenses of \$461,886 (2024 – \$164,940) recorded within operating expenses. Excluding these non-cash items, the adjusted loss for fiscal 2025 was \$664,200 (2024 – \$153,850). For the three months ended October 31, 2025, the adjusted loss was \$130,825 (2024 – \$63,306).

The increase in adjusted loss for both the year and the fourth quarter reflects higher cash operating expenses associated with the Company's expanded product development and commercialization activities. As described above, R&D spending increased due to work on the Quantum Crypto Wrapper (QCW), Quantum DeFi Wrapper (QDW), PQC-enabled AI technologies, and the zero-trust remote access platform. SG&A expenses also increased as the Company advanced its investor relations and marketing initiatives and completed its corporate rebranding. These factors contributed to higher cash expenditures during fiscal 2025 compared to the prior year.

9. Operating Expenses:

The Company presents a functional consolidated statement of operations and comprehensive income 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:

	<i>For the three months ended</i>			Stock-based compensation	Total
	<u>31-Oct-25</u>	<u>SG&A</u>	<u>R&D</u>		
Salaries, contractors, commissions and benefits	\$ 65,521	\$ 188,260	\$ -	\$ 253,781	
Other operating expenses	278,223	43,671	-	321,895	
Stock-based compensation	-	-	220,157	220,157	
	<u>\$ 343,744</u>	<u>\$ 231,931</u>	<u>\$ 220,157</u>	<u>\$ 795,833</u>	

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For the three months ended					
31-Oct-24	SG&A	R&D	Stock-based compensation	Total	
Salaries, contractors, commissions and benefits	\$ 58,467	\$ 502	\$ -	\$ 58,969	
Other operating expenses	88,894	(7,870)	-	81,024	
Stock-based compensation	-	-	32,328	32,328	
	<u>\$ 147,361</u>	<u>\$ (7,368)</u>	<u>\$ 32,328</u>	<u>\$ 172,321</u>	

For the year ended					
31-Oct-25	SG&A	R&D	Stock-based compensation	Total	
Salaries, contractors, commissions and benefits	\$ 242,120	\$ 441,160	\$ -	\$ 683,280	
Other operating expenses	519,476	222,821	-	742,297	
Stock-based compensation	-	-	455,157	455,157	
	<u>\$ 761,596</u>	<u>\$ 663,981</u>	<u>\$ 455,157</u>	<u>\$ 1,880,734</u>	

For the year ended					
31-Oct-24	SG&A	R&D	Stock-based compensation	Total	
Salaries, contractors, commissions and benefits	\$ 234,614	\$ 86,086	\$ -	\$ 320,700	
Other operating expenses	183,680	37,643	-	221,323	
Stock-based compensation	-	-	156,146	156,146	
	<u>\$ 418,294</u>	<u>\$ 123,729</u>	<u>\$ 156,146</u>	<u>\$ 698,169</u>	

For the three months ended October 31, 2025, salaries, contractors, commissions and benefits totaled \$253,781, compared to \$58,969 in the same period of the prior year. The increase reflects higher development activity and additional administrative and technical resources required to support the Company's PQC product development initiatives. Other operating expenses for the quarter were \$321,895, compared to \$81,024 in the prior year, primarily due to increased investor relations and marketing expenditures, as well as higher development-related costs. Stock-based compensation for the quarter was \$220,157 (2024 – \$32,328), reflecting the expense recognized for stock options granted in the current and prior years, recorded over their respective vesting periods.

For the year ended October 31, 2025, salaries, contractors, commissions and benefits totaled \$683,280, compared to \$320,700 in fiscal 2024. The increase reflects expanded development efforts across multiple PQC initiatives, including the Quantum Crypto Wrapper (QCW), Quantum DeFi Wrapper (QDW), PQC-enabled AI technologies, and the zero-trust remote access platform. Other operating expenses for the year were \$742,297, compared to \$221,323 in fiscal 2024, driven by increased marketing and investor relations activities, corporate rebranding costs, and higher development-related expenditures. Stock-based compensation for the year was \$455,157 (2024 –

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\$156,146), reflecting the fair value of options granted during the year and the ongoing amortization of options granted in prior years.

Overall, the increases across most expense categories reflect the Company's expanded development and commercialization activities during fiscal 2025, as well as higher SG&A expenditures associated with supporting these initiatives.

10. Liquidity and Capital Resources:

	<u>31-Oct-25</u>	<u>31-Jul-25</u>	<u>31-Oct-24</u>
Cash	\$ 159,133	\$ 126,325	\$ 139,126
Guaranteed investment certificate (GIC)	2,913,518	950,000	-
Combined amounts	<u>\$ 3,072,651</u>	<u>\$ 1,076,325</u>	<u>\$ 139,126</u>

As at October 31, 2025, the Company held cash and guaranteed investment certificates ("GICs") totaling \$3,072,651, compared to \$1,076,325 at July 31, 2025 and \$139,126 at October 31, 2024. The increase of \$1,996,326 during the fourth quarter and \$2,933,525 for the fiscal year reflects the impact of financing activities, operating results, and changes in working capital.

The increase in combined cash and GICs of \$1,996,326 during the fourth quarter was primarily attributable to:

1. Funding the adjusted loss for the quarter of \$130,825 (use of funds).
2. A decrease in non-cash working capital of \$80,417 (source of funds).
3. Net proceeds from the LIFE financing of \$2,031,464 (gross proceeds of \$2,348,400 less issuance costs of \$316,936).
4. Proceeds from the exercise of warrants totaling \$18,750.

For fiscal 2025, the increase in combined cash and GICs of \$2,933,525 was primarily attributable to:

1. Funding the adjusted loss for the year of \$664,200 (use of funds).
2. A decrease in non-cash working capital of \$92,792 (source of funds).
3. Net proceeds from equity financings:
 - a. LIFE financing: \$2,040,000 (gross \$2,348,400 less issuance costs of \$316,936).
 - b. June 2025 private placement: \$497,523 (gross proceeds of \$511,500 less issuance costs of \$13,977).
 - c. January 2025 private placement: \$902,558 (gross proceeds of \$920,000 less issuance costs of \$17,442).
4. Proceeds from the exercise of warrants and stock options totaling \$77,250.

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Overall Liquidity Position:

The Company's liquidity position is influenced primarily by its cash operating expenses, non-cash charges, working capital requirements, and access to external financing. Cash operating expenses for fiscal 2025 were \$1,418,848 (2024 – \$533,229), reflecting increased R&D and SG&A expenditures as the Company advanced multiple PQC-related development projects, expanded investor relations and marketing activities, and completed its corporate rebranding. Non-cash operating expenses, consisting mainly of stock-based compensation and depreciation, totaled \$461,886 (2024 – \$164,940). The Company does not have long-term debt, and interest expense relates to short-term financing arrangements.

Liquidity Risk and Going Concern Considerations:

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company manages this risk by monitoring forecasted and actual cash flows and ensuring that sufficient liquidity is maintained to meet operational and financial commitments. Where necessary, management may seek additional funding through equity or debt transactions.

The Company has incurred significant losses in recent years, and its ability to continue as a going concern depends on generating future profitable operations and cash flows and/or obtaining additional financing. These outcomes are subject to market conditions and other factors outside the Company's control.

As at October 31, 2025, the Company had financial assets consisting of cash, GICs, and accounts receivable totaling \$3,264,967 (2024 – \$202,028) and financial liabilities consisting of accounts payable, accrued liabilities, and the lease liability totaling \$453,892 (2024 – \$125,193).

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

11. 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 22,688 (2024 – USD 3,030), accounts receivable of USD 55,000 (2024 – nil) and cash of USD 47,286 (2024 – USD 62,050). Net monetary assets due in Japanese Yen include accounts payable of 476,520 Yen, \$4,242 CAD equivalent, (2024 – 564,889 Yen, \$5,179 CAD equivalent) and accounts

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receivable of 4,765,199 Yen, \$42,425 CAD equivalent (2024 – 5,648,892 Yen, \$51,790 CAD equivalent) and cash of 2,111,304 YEN, \$19,150 CAD equivalent (2024 – Nil).

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 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 October 31, 2025, the Company had net monetary assets in U.S. dollars of USD 79,598 (2024 – USD 59,020) and net monetary assets in the Japanese Yen of 6,399,982 (2024 – 5,084,003). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at October 31, 2025 would have resulted in a gain in the amount of \$11,143 (2024 - \$8,150) or a loss of \$11,143 (2024 - \$8,150), respectively. An increase or decrease in the Japanese Yen to Canadian dollar exchange rate by 10% as at October 31, 2025 would have resulted in a gain in the amount of \$3,817 (2024 - \$4,660) or a loss of \$3,817 (2024 – \$4,660), 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.

12. 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 October 31, 2025 and 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

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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.

13. Contingencies and Commitments:

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.

14. Capital Management:

The Company's objectives when managing capital are to maintain financial flexibility in order to support its research and development activities, meet its financial obligations as they come due, and position the business for future growth opportunities. The Company defines capital as shareholders' equity, which is comprised of share capital, contributed surplus, and deficit. The Company does not have any long-term debt and relies primarily on equity financings, development fee revenue, and working capital management to fund its operations.

The Company manages its capital structure by monitoring actual and forecasted cash flows, operating expenditures, and working capital requirements. Management reviews the capital structure on an ongoing basis and adjusts it as necessary in light of changes in economic conditions, the Company's operating plans, and the availability of financing. To maintain or adjust the capital structure, the Company may issue new equity, issue debt, or adjust the level of operating expenditures.

During fiscal 2025, the Company strengthened its capital position through three equity financings: a non-brokered private placement completed in January 2025, a second non-brokered private placement completed in June 2025, and a financing completed under the Listed Issuer Financing Exemption ("LIFE") in October 2025. These financings provided additional working capital to support the Company's expanded development and commercialization initiatives.

The Company is not subject to any externally imposed capital requirements. Management believes that the current capital structure, together with anticipated revenue and the Company's ability to access additional financing if required, is sufficient to support its planned operations for the foreseeable future. However, the Company's ability to continue as a going concern is dependent on generating future profitable operations and cash flows and/or obtaining additional financing, the outcome of which is subject to market conditions and other factors outside the Company's control.

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15. Adoption of New Accounting Policies:

Adoption of new accounting policies:

During the year ended October 31, 2025, the Company adopted a number of amendments and improvements of existing standards, including those to IAS 10 and IAS 1. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

Recent accounting pronouncements effective for year ends beginning on or after January 1, 2024:

IFRS 10 - Consolidated Financial Statements ("IFRS 10") and IAS 28 - Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IFRS 9 - Financial Instruments and IFRS and IFRS 7 Financial Instruments – Disclosures were amended in May 2024. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI.

The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

IFRS 18 - Presentation and Disclosure in Financial Statements - In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standard replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

Annual Improvements to IFRS Accounting Standards - The IASB issued narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 7 Financial Instruments:

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Disclosures and its accompanying Guidance on implementing IFRS 7; IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements; and IAS 7 Statement of Cash Flows.

The amendments to IFRS 9 address a conflict between IFRS 9 and IFRS 15 Revenue from Contracts with Customers over the initial measurement of trade receivables; and how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9.

The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

16. Related Party Transactions:

The remuneration of directors and other key management personnel of the Company during the three months and years ended October 31, 2025 and 2024 was as follows:

	<i>for the three months ended</i>		<i>for the years ended</i>	
	<u>31-Oct-25</u>	<u>31-Oct-24</u>	<u>31-Oct-25</u>	<u>31-Oct-24</u>
Salaries and contractor fees	\$ 83,500	\$ 49,500	\$ 264,250	\$ 232,500
Stock-based compensation	52,827	18,557	109,316	142,375
Total	<u>\$ 136,327</u>	<u>\$ 68,057</u>	<u>\$ 373,566</u>	<u>\$ 374,875</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 for the three months ended October 31, 2025 were \$34,000 (2024 – Nil) and fiscal 2025 were \$73,750 (2024 - \$49,500) 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 months ended October 31, 2025 of \$21,000 (2024 - \$21,000) and fiscal 2025 of \$84,000 (2024 - \$84,000) which has been recorded in selling, general and administrative expenses, and is included in the salaries and contractor fees amounts in the above table.

The Company recognized \$276,000 of development fee revenue during 2025 (2024 – Nil) from a corporation that the Company's CEO is acting as the Chief Technology Officer.

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 October 31, 2025 is \$16,071 (2024 - \$22,913). They are unsecured, non-interest bearing with no fixed terms of payment and were paid subsequent to the end of the year.

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17. Critical Accounting Estimates:

The preparation of consolidated financial statements prepared in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Actual results could differ from those estimates. Management must also make estimates and judgements about future results of operations in assessing recoverability of assets and the value of liabilities. These judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the years in which the estimates are revised and in any future years affected.

Critical judgements and estimates used in the preparation of the consolidated financial statements include the following:

Going concern

The Company's ability to continue its ongoing and planned software development activities and to continue operations as a going concern is dependent on the Company achieving profitable operations and/or the ability to obtain external financing from time to time.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments and warrants

Management estimates the values for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and

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assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Development costs qualifying for capitalization

In assessing whether development costs qualify for capitalization, management makes judgments and estimates related to expectations of technical feasibility in completing the project, the probability of future economic benefits, the availability of adequate technical and financial resources to complete the development, the ability to reliably measure the costs, and whether the Company intends to complete development, and to use or sell the assets.

In making these judgments and estimates, management has assessed various sources of information, including but not limited to, criteria for the capitalization of development costs, forecasted cash flows associated with the developments and with operations, in general, which are used to support whether or not the Company will have sufficient resources to complete the development of the assets. Changes in management's judgments, estimates and assumptions, could have a material effect in the future on the Company's financial position and results of operations.

Revenue recognition

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple performance obligations. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables.

In certain situations, data used to determine such matters is also subject to judgment, management estimate and uncertainty. The data includes estimates of time and costs to complete the services as well as assessments of the stage of completion of the services.

Discount rate used on leases

The determination of the Company's lease liabilities and right-of-use assets depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's estimated incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

18. Risks and Uncertainties:

An investment in Common Shares is speculative and involves a high degree of risk, is subject to the following specific risks, among others, and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. Common Shares should not

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be purchased by persons who cannot afford the possibility of the loss of their entire investment. Prospective investors should review these risks as well as other matters disclosed elsewhere in this Management Discussion and Analysis with their professional advisors.

Prospects for companies in the computer and software industry generally may be regarded as uncertain given the inherent nature of the industry and, accordingly, investments in such companies should be regarded as speculative.

(a) Lack of Revenue and Profitability

There can be no guarantee that the development, integration, or commercialization of the Company's IronCAP™ technology or any products incorporating it or the Company's other technologies as previously described in this MD&A, will be successful, will achieve market adoption, or will generate sufficient revenues for the Company to be profitable. Actual results may differ materially from the Company's expectations due to technological, competitive, regulatory, market, or operational risks.

01 Quantum Inc. 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.

(b) The Future of Quantum Computers

A Quantum Computer can process information exponentially faster than "classical computers" which could render existing public key encryption unsecure. Public key encryption is a cornerstone of cyber security today and Quantum Computers may have the ability to hack applications that are based on and using public key encryption. Quantum Computers are evolving and the timing as to when one will be available that renders public key encryption unsecure is unknown. The Company believes the introduction of such a Quantum Computer will be instrumental for successful commercialization of its PQC technologies and until one is available successful commercialization could be delayed.

In addition, when such a Quantum Computer becomes available and while the Company believes and has designed its PQC technologies to provide a safeguard against malicious attacks by such a Quantum Computer there can be no guarantee such will be the case.

(c) Dependence on Key Personnel

The Company's success depends significantly on the continued leadership, expertise, and strategic direction provided by its Chief Executive Officer, Andrew Cheung, as well as other members of senior management and its technical development team. Mr. Cheung plays a central role in the Company's product strategy, technology development, partner relationships, and overall corporate direction. The loss of his services, whether temporary or permanent,

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could have a material adverse effect on the Company's operations, research and development activities, commercialization efforts, and long-term strategic objectives.

The Company's ability to attract and retain qualified personnel with specialized expertise in post-quantum cryptography, cybersecurity, blockchain technologies, and AI security is critical to its success. Competition for individuals with these skills is intense, and the Company may not be able to recruit or retain such personnel on acceptable terms. If the Company is unable to maintain adequate staffing levels or replace key individuals in a timely manner, its ability to execute its business plan could be adversely affected.

(d) Technology Development and Commercialization Risk

The Company's products incorporate advanced post-quantum cryptographic technologies that require ongoing research, testing, and refinement. There is no assurance that the Company's technologies will perform as intended, achieve market acceptance, or remain competitive as cryptographic standards evolve. Delays or failures in development, integration, or commercialization could materially impact revenue and growth prospects.

(e) Market Adoption and Competitive Risk

The markets for PQC, blockchain security, and AI security are emerging and rapidly evolving. Adoption depends on customer awareness, regulatory guidance, industry standards, and the perceived urgency of quantum-related threats. The Company faces competition from established cybersecurity vendors, academic research groups, and emerging PQC startups. Competitors may develop superior technologies or achieve market adoption more quickly.

(f) Intellectual Property Protection Risk

The Company's competitive position depends on its ability to protect its intellectual property, including patents, trade secrets, and proprietary algorithms. There is no assurance that existing or future patents will not be challenged, invalidated, or circumvented. The Company may also face claims of infringement from third parties, which could result in costly litigation or licensing arrangements.

The Company's success will depend, in part, on its ability to maintain copyright and trademark protection, trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that the Company's intellectual property rights, copyright and/or trademarks will not be challenged by any third parties, or that the intellectual property rights of others will not have a material adverse effect on the ability of the Company to do business. Furthermore, there can be no assurance that others will not independently develop products similar to those developed by the Company or duplicate any of the Company's products. The Company may be required to obtain licenses for proprietary rights of third

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parties. No assurance can be given that any licenses required will be available on terms acceptable to the Company. If the Company does not obtain such licenses, it could encounter delays in introducing one or more of its products to the market or could find that the development, manufacture or sale of products requiring such licenses could be precluded. In addition, the Company could incur substantial time, effort and/or costs in policing unauthorized use of its intellectual property and/or in defending itself in suits brought against it or in suits in which the Company attempts to enforce its own intellectual property rights against other parties.

(g) Revenue Concentration and Contract Risk

A significant portion of the Company's revenue is derived from development fees and milestone-based contracts with a limited number of partners. Revenue may fluctuate materially from quarter to quarter based on the timing of deliverables and customer budgets. The loss of a major customer or delays in milestone acceptance could adversely affect financial performance.

(h) Cybersecurity and Data Security Risk

As a cybersecurity company, the Company is exposed to the risk of cyberattacks, data breaches, and security vulnerabilities. A successful attack on the Company's systems, products, or development infrastructure could damage its reputation, disrupt operations, or expose it to legal liability.

(i) Regulatory and Compliance Risk

The Company operates in sectors subject to evolving regulatory frameworks, including cryptography, digital assets, AI security, and data protection. Changes in laws, regulations, or industry standards, particularly those related to encryption, blockchain transactions, or cross-border data flows could require modifications to the Company's products or limit market opportunities.

(j) Foreign Exchange and International Operations Risk

A substantial portion of the Company's revenue is generated from international customers. As a result, the Company is exposed to foreign exchange fluctuations. 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

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to fluctuations in the exchange rate between the U.S. dollar or the Japanese Yen and the Canadian dollar 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.

(k) Dependence on Third-Party Partners

The Company relies on strategic partners, including technology integrators, blockchain foundations, and enterprise customers, for development, commercialization, and distribution. The Company has limited control over the performance, priorities, and financial stability of these partners. Failure by a partner to meet its obligations could delay or impair commercialization efforts.

(l) Rapid Technological Change

The cybersecurity and cryptography industries evolve rapidly. Advances in quantum computing, cryptographic research, AI security, or competing PQC algorithms may render the Company's technologies less competitive or obsolete. Continuous innovation is required to maintain relevance.

(m) Listing of the Company's Common Shares

The stock exchange on which the Company's Common Shares currently trade and upon which they may trade in the future have certain minimum listing requirements that must be met in order to be eligible to continue to trade on such exchanges. If the Company is unable to continue to satisfy these criteria it may be delisted from these exchanges and will be required to find a different exchange on which to list. A change in the exchange on which the Common Shares are listed may result in a decreased share price and/or decreased liquidity. Furthermore, if the Company is not able to find a different exchange on which to list shareholders may not be able to transfer their shares. The trading symbol for the Company where the shares are traded in Canada on the TSX-V is ONE and where the shares are traded in the U.S. the symbol is OONEF and the shares are quoted in the US on the OTC Pink market.

(n) New Products and Technological Change

The communications software industry is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions, any of which could make the Company's products obsolete. There can be no assurance that the Company will be successful in enhancing existing products or introducing, manufacturing or marketing new products to meet changing end-user requirements and emerging industry standards and protocols. The Company must devote continued efforts and financial resources to develop and enhance existing products and conduct research to develop new products. The development of new, technologically advanced products is a complex and uncertain process requiring high levels of innovation, as well as the accurate anticipation of technological and market trends.

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The Company may not be able to identify, develop, manufacture, market or support new or enhanced products successfully or on a timely basis and may not be able to respond effectively to product announcements by competitors, technological changes or emerging industry standards which could, among other things, have a material adverse effect on the Company's business, operating results or financial condition. The Company may also announce new products or product enhancements, capabilities or technologies that have the potential to replace or shorten the life cycle of its existing product offerings and that may cause customers to defer purchasing its existing products.

(o) Public Market and Volatility of Share Price

Factors such as announcements of technological innovation or the introduction of new products by the Company or its competitors, actual or anticipated fluctuations in the Company's operating results, changes in estimates of the Company's future operating results by securities analysts or developments with respect to proprietary rights may have a significant impact on the market price of the Common Shares. In addition, the stock market has experienced volatility which has particularly affected the market prices of equity securities of many high technology companies and which often has been unrelated to the operating performance of such companies. These market fluctuations may materially adversely affect the market price of the Common Shares.

(p) Potential Fluctuations in Quarterly Financial Results

The Company's quarterly financial results could be impacted significantly by the timing of substantial orders and shipments as well as new releases of its products and intellectual property agreements. The Company's operating expenses are based on anticipated revenue levels in the short term, are relatively fixed and are incurred throughout the quarter. Additionally, the Company's products may be subject to long sales cycles. As a result, if expected revenues are not realized as anticipated, the Company's quarterly financial results could be materially adversely affected. Quarterly financial results in the future may be influenced by these or other factors, including possible delays in the shipment of new products and entering into or failing to enter into or renew a material contract or order. Accordingly, there may be significant variations in the Company's quarterly financial results and such results may not meet the expectations of analysts or investors. If this occurs, the price of the Common Shares may decline. See also "Distribution Agreements", "Volatility of Share Price".

(q) Control of Shares by Principal Shareholder

Andrew Cheung, the President and Chief Executive Officer of the Company and the principal shareholder of the Company, maintains effective control of the Company through control and/or ownership of, in the aggregate, approximately 10.5% of the outstanding Common Shares. As a result, Mr. Cheung could exercise significant influence over all matters requiring shareholder approval, including the ability to elect directors and approve fundamental changes

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to the Company. Such concentration of ownership may have the effect of delaying or preventing a change in control of the Company, its Board or management.

19. Quarterly Results of Operations:

The following tables sets forth certain information from the unaudited consolidated statements of operation for the eight most recent quarters of operations ended October 31, 2025 as prepared in accordance with IFRS.

<i>For the 3 months ending</i>	31-Oct-25	31-Jul-25	30-Apr-25	31-Jan-25
Revenue	\$ 434,724	\$ 143,957	\$ 102,807	\$ 86,505
Expenses:				
Selling, general and administrative	343,744	207,746	113,118	96,988
Stock-based compensation	220,157	80,000	79,300	75,700
Research and development	231,931	201,018	190,175	40,856
Withholding taxes	6,411	6,587	7,142	7,825
	802,244	495,351	389,735	221,369
Loss before interest, other income and expense	\$ (367,520)	\$ (351,394)	\$ (286,928)	\$ (134,864)
Foreign exchange gain (loss)	1,990	-	-	-
Interest income	15,045	2,123	972	-
Interest expense	(1,968)	(2,140)	(827)	(575)
Loss for the period and comprehensive loss	\$ (352,453)	\$ (351,411)	\$ (286,783)	\$ (135,439)

<i>For the 3 months ending</i>	31-Oct-24	31-Jul-24	30-Apr-24	31-Jan-24
Revenue	\$ 82,155	\$ 126,103	\$ 106,220	\$ 98,470
Expenses:				
Selling, general and administrative	147,361	86,860	85,627	98,447
Stock-based compensation	32,328	32,220	37,931	53,667
Research and development	(7,368)	34,538	44,812	51,747
Withholding taxes	7,934	12,303	7,623	8,510
	180,255	165,920	175,993	212,371
Loss before interest, other income and expense	\$ (98,100)	\$ (39,817)	\$ (69,773)	\$ (113,901)
Foreign exchange gain (loss)	912	-	-	-
Interest income	-	367	1,548	2,112
Interest expense	(510)	(723)	(413)	(492)
Loss for the period and comprehensive loss	\$ (97,698)	\$ (40,173)	\$ (68,638)	\$ (112,281)

Revenue fluctuated over the eight most recent quarters due to the timing of development milestones and the level of activity on the Company's PQC-related projects. Revenue increased significantly in fiscal 2025, with the fourth quarter which ended October 31, 2025 reflecting higher development fee revenue from work on the Quantum Crypto Wrapper (QCW), Quantum DeFi Wrapper (QDW), and the zero-trust remote access platform. Revenue in fiscal 2024 was

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comparatively lower and more variable, reflecting the completion of several development projects early in that year.

Selling, general and administrative (“SG&A”) expenses increased beginning in the first quarter of fiscal 2025 which ended January 31, 2025 and remained elevated throughout the year. The increases reflect expanded investor relations and marketing activities, corporate rebranding costs, and additional administrative support required to advance commercialization initiatives. SG&A expenses in fiscal 2024 were lower and more stable, with certain marketing and consulting expenditures reduced during that year.

Research and development (“R&D”) expenses increased substantially in fiscal 2025 as the Company advanced multiple PQC development initiatives. R&D spending was highest in the second, third, and fourth quarters of fiscal 2025, reflecting concurrent work on several projects. In contrast, R&D expenses in fiscal 2024 were lower, with the first quarter including a credit related to the completion of earlier development work.

Stock-based compensation fluctuated quarter-to-quarter based on the timing of option grants and the amortization of previously granted options over their vesting periods. The fourth quarter of fiscal 2025 included a significant stock-based compensation charge related to options granted during the year.

Overall, the quarterly losses reflect the Company’s increased investment in product development and commercialization activities during fiscal 2025, partially offset by higher development fee revenue.

20. Disclosure Controls and Internal Controls over Financial Reporting:

In the course of evaluating its internal controls over financial reporting as at October 31, 2025, management has identified the following material weakness:

There is limited segregation of duties which could result in a material misstatement in the Company’s consolidated interim or annual financial statements. Given the Company’s limited staff level, certain duties within the accounting and finance department cannot be properly segregated. This deficiency, which is pervasive in impact, did not result in a material misstatement to the consolidated financial statements. The Company relies on certain mitigating controls, including periodic substantive review of the consolidated financial statements by the Chief Executive Officer, Audit Committee and Board of Directors; however, these mitigating controls do not eliminate the existence of the material weakness.

As at October 31, 2025 the Company’s management evaluated the effectiveness of the design and operation of its disclosure controls and procedures and internal control over financial reporting. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures and internal control over financial reporting

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are ineffective as a result of the material weakness in internal control over financial reporting described above.

There have been no significant changes to the Company's internal control environment during the year ended October 31, 2025 that would have materially affected the Company's internal controls over financial reporting.

21. Disclosure of Outstanding Share Data as at January 21, 2026:

The Company's share capital consists of the following:

Authorized: 50,000 Series A preference shares

Unlimited preference shares, issuable in series

Unlimited common shares.

Issued 108,312,886 common shares after giving consideration for the exercise of warrants and stock options as described below.

As at January 21, 2026, there were 8,230,000 stock options outstanding convertible into common shares at exercise prices ranging from \$0.05 to \$089. The options expire between March 22, 2026 and January 02, 2030. The following table summarizes the changes from October 31, 2025:

	Number	Weighted average exercise price
Options outstanding October 31, 2025	7,405,000	\$ 0.22
Granted	875,000	\$ 0.74
Exercised	(50,000)	\$ 0.45
Options outstanding January 21, 2026	8,230,000	\$ 0.27

The following table summarizes the changes in warrants outstanding from October 31, 2025:

	Exercise price	Number outstanding
Issued on January 7, 2025 private placement	\$ 0.75	4,000,000
Issued on June 6, 2025 private placement	\$ 0.50	852,500
Exercised subsequent to year end	\$ 0.50	(500,000)
Balance, January 21, 2026	\$ 0.50	352,500
Issued on October 3, 2025 LIFE financing	\$ 0.75	2,421,250
Exercised subsequent to year end	\$ 0.75	(525,833)
Balance, January 21, 2026	\$ 0.75	1,895,417

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22. Subsequent Events:

(a) Exercise of warrants:

1. There were 500,000 warrants exercised subsequent to October 31, 2025 at an exercise price of \$0.50 for net proceeds of \$250,000. The warrants had been issued as part of a private placement completed on June 6, 2025.
2. There were 525,833 warrants exercised subsequent to October 31, 2025 at an exercise price of \$0.75 for net proceeds of \$394,375. The warrants had been issued as part of a LIFE financing completed on October 23, 2025.

(b) Grant of Options

The Company granted 875,000 stock options to third party contractors for business development, marketing activities and product development, summarized in the following table:

Grant date	Expiry date	Number granted	Exercise price	Vesting date
12-Nov-25	12-Nov-29	100,000	\$ 0.89	50,000 on each of: 12-May-2026 12-Nov-2026
05-Nov-25	05-Nov-27	25,000	\$ 0.83	12,500 on each of: 05-Jan-2026 05-Mar-2026
02-Jan-26	02-Jan-30	750,000	\$ 0.72	250,000 on each of: 02-Apr-2026 02-Jul-2026 02-Oct-2026
Total		875,000		

CORPORATE INFORMATION

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Andrew Cheung
President & CEO

William A. Train
Chairman
Private investor

Gary Kissack
Lawyer, Fogler, Rubinoff LLP

Tyson Macaulay
Director

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Andrew Cheung
President & CEO

Brian Stringer
Chief Financial Officer

Gigi Loo
Controller & Corporate Secretary

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