

Condensed financial statements of

QUANTUM eMOTION CORP.

Three-month period ended March 31, 2025, and 2024
(Unaudited, in Canadian dollars)

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

QUANTUM eMOTION CORP.

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

	Notes	March 31, 2025	December 31, 2024
		\$	\$
Assets			
Current assets:			
Cash		6,546,491	1,359,406
Accounts receivable		-	-
Taxes receivable		86,290	46,678
Prepaid expenses and other		53,704	34,641
Investments	3	5,070,516	87,335
		11,757,001	1,528,060
Non-current assets:			
Intangible assets	4	323,813	329,389
Property, plant and equipment		5,455	-
Total assets		12,086,269	1,857,449
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		613,184	473,254
Total current liabilities		613,184	473,254
Non-current liabilities:			
Loan payable	5	48,514	46,352
Total liabilities		661,698	519,606
Shareholders' Equity			
Share capital	6	21,406,572	15,471,282
Warrants	6	5,391,659	454,877
Contributed surplus	6	4,106,100	1,540,107
Deficit		(19,479,760)	(16,128,424)
		11,424,570	1,337,843
Total liabilities and Shareholders' equity		12,086,269	1,857,449

Nature of operations
See accompanying notes to condensed financial statements.

Approved on behalf of the Board:

"Francis Bellido"
Francis Bellido CEO

"Marc Rousseau"
Marc Rousseau CFO

QUANTUM eMOTION CORP.
Statements of Loss and Comprehensive Loss
(Unaudited, in Canadian dollars)

		Three months ended	
		March 31, 2025	March 31, 2024
	Notes	\$	\$
Expenses			
Research and development	7	211,878	155,961
General and administrative	7	458,553	279,287
Marketing		106,342	17,534
Share-based payments	6,7	2,565,993	43,324
		3,342,766	496,106
Other items			
Amortization	4	5,638	5,499
Net financial (income) expense	8	2,932	(9,412)
		8,570	(3,913)
Net loss and comprehensive loss		3,351,336	492,193
Basic and diluted loss per share		0.020	0.004
Weighted average number of common shares outstanding		170,684,308	137,438,064

See accompanying notes to condensed financial statements.

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

	Notes	Number of shares	Units to be issued	Share capital \$	Units to be issued	Warrants \$	Contributed Surplus \$	Deficit \$	Total Equity \$
Balance as of December 31, 2023		135,502,838	-	13,413,478	-	-	1,165,145	(13,159,685)	1,418,938
Unit issuance		14,998,000	-	749,900	(19,900)	-	-	-	730,000,
Unit issue costs				(1,000)	-	-	-	-	(1,000)
Share-based payments	6	-	-	-	-	-	43,324	-	43,324
Net loss		-	-	-	-	-	-	(492,193)	(492,193)
Balance as of March 31, 2024		150,500,838	(19,900)	14,162,378	(19,900)	-	1,208,469	(13,651,878)	3,188,957
	Notes	Number of shares	Units to be issued	Share capital \$	Units to be issued	Warrants \$	Contributed surplus \$	Deficit \$	Total Equity
Balance as of December 31, 2024		64,652,838	50,000	15,462,594	8,688	454,877	1,540,107	(16,128,423)	1,337,843
Unit issuance	6	13,333,333	(50,000)	5,063,218	(8,688)	5,408,863	-	-	10,463,393
Unit issuance costs	6	-	-	(811,413)	-	(472,083)	-	-	(1,283,496)
Share-based payments	6	-	-	-	-	-	2,565,993	-	2,565,993
Exercise of warrants		10,000,000	-	1,551,188	-	-	-	-	1,551,188
Exercise of options		975,000	-	140,985	-	-	-	-	140,985
Net loss		-	-	-	-	-	-	(3,351,336)	(3,351,336)
Balance as of March 31, 2025		188,961,171	-	21,406,573	-	5,391,657	4,106,100	(19,479,760)	11,424,570

Statements of Changes in Shareholders' Equity

(Unaudited, in Canadian dollar See accompanying notes to condensed financial statements.

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

	Notes	Three months ended	
		March 31, 2025	March 31, 2024
		\$	\$
Operating Activities			
Net loss		(3,351,336)	(493,193)
Adjustments to net loss for non-cash items			
Share-based payments	6	2,565,993	43,324
Amortization & depreciation	4	5,638	5,499
Accretion expense		2,162	2,162
Change in fair value of investments	3,8	-	(4,629)
Net changes in non-cash working capital items			
Taxes receivable		(39,613)	(50,517)
Accounts receivable		-	1,437
Prepaid expenses and other		(19,427)	33,794
Accounts payable and accrued liabilities		139,930	(12,492)
		(696,653)	(464,390)
Investing Activities			
Additions to intangible assets	4	-	-
Additions to property, plant & equipment	4	(5,516)	-
Acquisition of investments	3	(5,001,808)	(27,827)
Proceeds from sale of investments	3	19,000	357,485
		(4,988,324)	329,658
Financing Activities			
Proceeds from issuance of units	6	11,683,485	730,000
Units issue costs	6	(811,413)	(1,000)
		10,872,072	729,000
Increase (Decrease) in cash		5,187,095	594,268
Cash, beginning of period		1,359,396	315,626
Cash, end of period		6,546,491	909,894

See accompanying notes to condensed financial statements.

QUANTUM eMOTION CORP.
Notes to condensed financial statements
Periods ended March 31, 2025, and 2024
(Unaudited, in Canadian dollars)

1. Nature of operations and going concern

Quantum eMotion Corp. (the "Company") was incorporated under the *Business Corporations Act* of Ontario on July 19, 2007.

The head office, principal address and records office of the Company are located at 2300 Alfred Nobel, bureau 209, Montreal, Qc, H4S 2A4. The Company is a developer of a new generation of cryptographic solutions pursuant to the acquisition of licenses.

2. Basis of preparation

These condensed financial statements have been prepared by management in accordance with IAS 34 Interim Financial Reporting and using the same accounting policies and methods of computation as those used in preparing the audited annual consolidated financial statements for the year ended December 31, 2024. The unaudited condensed financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes for the year ended December 31, 2024, which have been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved and authorized for issue, these condensed financial statements on May 29, 2025.

3. Investments

	March 31, 2025	December 31, 2024
	\$	\$
Balance, beginning of period	87,335	765,858
Additions	5,000,000	577,491
Dispositions	(16,819)	(1,245,979)
Change in fair value	-	(10,035)
Balance, end of period	5,070,516	87,335

The Company invested in 5 1-year non-redeemable GICs, each with a value of \$1,000,000 bearing interest of 3.3% with a Canadian chartered bank. These GICs mature on March 28, 2026.

4. Non-current assets

	Computer Hardware Licenses ⁽¹⁾		Rights on royalties ⁽²⁾		Total
		\$		\$	\$
Cost					
December 31, 2024	-	446,112	350,000	-	796,112
Additions	5,516	-	-	-	5,516
March 31, 2025	5,516	446,112	350,000	-	801,628

QUANTUM eMOTION CORP.**Notes to condensed financial statements****Periods ended March 31, 2025, and 2024****(Unaudited, in Canadian dollars)****Accumulated Depreciation and Amortization**

	Computer Hardware		Licenses ⁽¹⁾	Rights on royalties ⁽²⁾	Total
			\$	\$	\$
Cost					
December 31, 2024	-	116,723		350,000	466,723
Additions	61	5,576		-	5,637
March 31, 2025	61	122,299		350,000	472,360

Net Book Value

	Computer Hardware		Licenses ⁽¹⁾	Rights on royalties ⁽²⁾	Total
			\$	\$	\$
December 31, 2024	-	329,389		-	329,389
March 31, 2025	5,455	323,813		-	329,268

5. Loan payable

	March 31, 2025	December 31, 2024
	\$	\$
Balance as at December 31, 2024	46,352	40,000
Accretion expense	2,162	6,352
Balance as at March 31, 2025	48,154	46,352

Maturity date the loan is: December 31, 2026

6. Share capital*(a) Authorized*

The Company is authorized to issue an unlimited number of:

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

without nominal or par value.

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

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

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

(b) Issued and outstanding

On February 24, 2025, the Company completed a brokered LIFE financing, issuing a total of 13,333,333 units at a price of \$0.75 per unit for gross proceeds of \$10,000,000. Each unit is comprised of one common share and one warrant of the Company. Each warrant entitles its holder to acquire one common share of the Company at a price of \$1.10 for a period of 3 years following the closing of the date of issuance. There is no hold period for trading the warrants.

Unit issuance costs, which include a broker fee of 6.5% as well as legal and listing costs, of \$811,413 were recorded in the first quarter of 2025. In addition, the Company issued 666,666 warrants representing 5% of the issued units to the Agent that brokered the private placement.

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

	2025
Share price	\$0.75
Expected volatility	156.075%
Risk-free interest rate	2.62%
Expected average life	3.00
Exercise price	\$1.10

On November 15, 2024, the Company completed a non-brokered private placement, issuing a total of 7,500,000 units at a price of \$0.10 per unit for gross proceeds of \$750,000. Each unit is comprised of one common share and one warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.20 for a period of 24 months following the closing of the private placement. The securities issued in the private placement are subject to a four-month and one day hold period expiring on March 16, 2025.

Unit issuance costs of \$100 were recorded and paid in the fourth quarter of 2024

On March 20, 2024, the Company completed a non-brokered private placement, issuing a total of 14,998,000 units at a price of \$0.05 per unit for gross proceeds of \$730,000 (\$19,900 to be issued in April 2024). Each unit is comprised of one common share and one warrant of the Company. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.15 for a period of 12 months following the closing of the private placement. The securities issued in the private placement are subject to a four month and one day hold period expiring on July 22, 2024.

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

As at March 31, 2025, no dividends were declared or unpaid (March 31, 2024 – nil).

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(c) *Stock options*

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

	March 31, 2024		December 31, 2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance outstanding, beginning of period	10,452,237	0.15	9,139,737	0.13
Granted	5,120,000	0.63	1,850,000	0.08
Exercised	(975,000)	0.17	(250,000)	-
Cancelled / Expired	(950,000)	0.21	(250,000)	0.08
Forfeited	-	-	(37,500)	0.08
Balance outstanding, end of period	13,647,237	0.32	10,452,237	0.15
Balance exercisable, end of period	10,986,612	0.37	8,791,612	0.16

Share-based compensation, which is a non-cash expense, recognized under this plan amounted to \$2,565,993 (2024 - \$399,843) related to officers, employees and consultants mainly related to general and administrative expenses.

The weighted average remaining contractual life for options outstanding as at March 31, 2025, is 7.24 (2024 – 4.64) years.

(d) *Share purchase warrants*

The Company's warrants movement for the three-month period ended March 31, 2025, are as follows:

	Number of warrants	Weighted average exercise price
		\$
Balance outstanding, beginning of period	16,050,000	0.17
Granted	13,999,999	1.09
Exercised	(5,800,000)	0.15
Balance outstanding, end of period	24,249,999	0.70

QUANTUM eMOTION CORP.**Notes to condensed financial statements****Periods ended March 31, 2025, and 2024****(Unaudited, in Canadian dollars)****7. Related party transactions**

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

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

- Management fees of \$18,050 to LVR Capital, a company owned by the Chief Financial Officer. As at March 31, 2025, \$nil (December 2024 – \$6,000) was due to that company.
- Management fees of \$75,000 to Aurakle Research, a company owned by the Chief Executive Officer. As at March 31, 2025, \$145,000 (2024 – \$161,306) was due to that company.
- Consulting fees of \$15,000 to Klaus Kepper. As at March 31, 2025, \$7,500 was due to him (2024: nil).
- Management fees of \$7,500 and other fees of \$19,410 to Baystream Corporation, a company owned by a Director. As at March 31, 2025, \$2,875 (2024 – \$17,680) was due to that company.
- Management fees of \$7,500 to Red River Solutions a company owned by a Director. As at March 31, 2025, \$7,875 (2024 – \$7,875) was due to that company.
- Management fees of \$7,500 to SLT Solutions, a company owned by a Director. As at March 31, 2025, \$17,246 (2024 – \$7,500) was due to that company.
- Management fees of \$10,714 to CyberDef LLC, a company owned by a Director. As at March 31, 2025, \$10,790 (2024 – \$10,790) was due to that company.
- Research and development costs of \$113,062 to Fileglobal, a company owned by a Director. As at March 31, 2025, nil (2024 – \$25,775) was due to that company.

Transactions with key management

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

	Three months ended	
	March 31, 2025	March 31, 2024
	\$	\$
Research and development	113,062	114,361
Share-based payments	2,425,363	26,773
General and administrative:		
Management fees	126,214	90,000
Other fees	34,410	21,636
	2,699,049	236,852

8. Net financial (income) expense

	Three months ended	
	March 31, 2025	March 31, 2024
	\$	\$
Financial income	(1,808)	(9,472)
Change in fair value of investments (note 3)	-	(4,629)
Financial expense	3,526	4,439

QUANTUM eMOTION CORP.
Notes to condensed financial statements
Periods ended March 31, 2025, and 2024
(Unaudited, in Canadian dollars)

Foreign currency loss	<u>1,215</u>	<u>250</u>
	<u>2,933</u>	<u>(9,412)</u>

9. Comparative figures

In the statement of loss and comprehensive loss and in the statement of cash flows, some comparative figures for the three-month period ended March 31, 2024, have been reclassified to conform to the presentation adopted for the three-month period ended March 31, 2025.

10. Subsequent events

On April 10, 2025, the Company incorporated its subsidiary, Quantum eMotion America Inc., in Irvine, California.