QUANTUM eMOTION CORP.

Management's Discussion and Analysis

Periods ended September 30, 2026, and 2025

The following management's discussion and analysis ("MD&A") of the financial position and results of operations and cash flows of Quantum eMotion Corp. (the "Company", "QeM" or "Quantum") constitutes management's review of the factors that affected the Company's financial and operating performance for the quarter ended September 30, 2026, compared to the same period of the prior year, which has been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

1.1 FORWARD LOOKING STATEMENTS

This MD&A contains *forward-looking information* within the meaning of applicable Canadian securities legislation and *forward-looking statements* within the meaning of applicable U.S. securities laws (collectively, "forward-looking statements"). Forward-looking statements include, but are not limited to, statements relating to the Company's strategy and action plan, its intellectual property, research and development activities, and financial reporting that reflect management's current expectations, estimates, projections or assumptions about future events or results.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, without limitation: the Company's ability to secure future financing (including through the exercise of outstanding stock options and warrants); the risk that ongoing or future research and development may not result in the timely achievement of additional patents; risks inherent in the high-technology industry; and the timing of market readiness and adoption of quantum solutions. These and other risks and uncertainties are described in this MD&A and in the Company's annual information form and other continuous disclosure documents filed on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made and, except as required by applicable securities laws, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

1.2 INCORPORATION AND NATURE OF OPERATIONS

Quantum eMotion Corp. was incorporated under the *Business Corporations Act* of Ontario on July 19, 2007, and continued under the *Canada Business Corporations Act* on August 28, 2012.

The head office, principal address and records office of the Company are located at 2300 Alfred Nobel, Montreal, QC, H4S 2A4.

On June 28, 2024, the Company established a wholly owned subsidiary, Quantum eHealth Technologies Inc. located at the same address; and on April 10, 2025, the Company established Quantum eMotion America Inc. ("QeMA"), a wholly owned subsidiary in Irvine, California.

The Company is a developer of a new generation of quantum-based cryptographic solutions pursuant to the development of intellectual property and commercialization of cybersecurity solutions. (See 1.4 patent summary).

1.3 SENIOR MANAGEMENT CHANGE

The Company appointed Mr. David (Wayne) Teeple as its Chief Technology Officer (CTO) effective October 1, 2026. Mr. Teeple previously served on Quantum eMotion's Board of Directors. He brings more than 30 years of experience in cybersecurity, telecommunications, information technology and executive leadership. His appointment strengthens the Company's technical leadership as it speeds up the development, integration and commercialization of its quantum-safe cybersecurity solutions.

The Company appointed Mr. Edward (Larry) Moore as its Vice President, Research and Development effective October 1, 2026. Mr. Moore previously served on Quantum eMotion's Board of Directors. Dr. Moore brings relevant business knowledge and a significant network, developed during his 40-year tenure in the software, semiconductor and cybersecurity industries.

The Company appointed Mr. Jason Thomas as Director of Product Development of QeMA effective April 1, 2026. Jason Thomas is an expert in high-assurance cryptographic systems with over 15 years of experience designing and delivering secure solutions for U.S. government and commercial markets. His expertise spans the full cryptographic lifecycle, including embedded systems, OS hardening, and NSA Type 1-aligned architectures supporting classified infrastructure.

The Company appointed Mr. John Young, MBA, as Chief Operating Officer of QeMA, effective April 1, 2025. Mr. Young has over 35 years of experience in cybersecurity and IT operations, having held senior roles at Fortune 50 companies, including IBM and McDonnell Douglas. Notably, he is one of only 11 professionals globally to hold all nine ISC2 cybersecurity certifications. Mr. Young is also a board member of QeM.

The Company appointed Ms. Farrah N. Khan as Senior Vice President of Business Development of QeMA, effective April 1, 2025. Ms. Khan served as Mayor of Irvine, a city recognized as a global innovation hub. During her tenure, she spearheaded initiatives that attracted substantial investments in emerging technologies including artificial intelligence, quantum communications, biotechnology, and cybersecurity. Her vision and leadership helped position Irvine as a magnet for high-impact ventures and Fortune 500 partnerships.

The Company appointed Ms. Helen Woo as Vice President of Business Development of QeMA, effective April 1, 2025. Ms. Woo brings a distinguished track record in corporate development, with deep expertise in navigating complex financial ecosystems and forging high-impact relationships across the public and private sectors. Her accomplishments have been recognized by the U.S. House of Representatives and the California State Senate, underscoring her leadership and civic engagement. In 2023, she was named Ambassador of the Year by the Greater Irvine Chamber of Commerce, and was most recently honored as Ambassador of the Month by the Newport Beach Chamber of Commerce in February 2025.

The Company appointed Mr. Klaus Kepper, CPA, as the Controller / Finance Director of the Company on February 10, 2025. Mr. Kepper has over 30 years of experience in senior financial positions, mostly in the health care field. He also holds an MBA from Concordia University.

1.4 COMPANY OVERVIEW AND STRATEGY

RESEARCH AND DEVELOPMENT ACTIVITIES

Technology

Our primary objective is to make our cryptographic solutions and technology accessible as rapidly as possible to potential clients and partners, ensure their effectiveness and ensure that the intellectual property is well protected. In order to stay focused on this objective, we are working closely with our partners to maximize the potential and security of our technology. The Company is developing complementary metal-oxide semiconductor ("CMOS") implementations with l'École de Technologie Supérieure ("ETS") to ensure greater competitiveness.

On September 23, 2026, QeM announced that its recently acquired subsidiary, SKV Technology Inc. ("SKV"), has received a Notice of Allowance from the United States Patent and Trademark Office ("USPTO") for U.S. patent application No. 18/819,165 relating to its SecureKey™ technology indicating that the USPTO has determined that the patent application is entitled to proceed toward issuance as a U.S. patent, subject to the completion of the applicable administrative requirements.

On May 19, 2026, QeM announced that it has signed an international project consortium agreement with JMEM TEK, establishing a framework for developing a quantum-resilient Universal Security SoC platform that integrates QeM's diode-based quantum entropy source with JMEM's secure chip capabilities. The project is intended to support secure boot, root-of-trust functions, hardware-level security architecture, and future quantum-resilient deployments. The agreement also provides a structured implementation plan that includes an SoC prototype, PCIe boards and server appliances for CaaS/EaaS applications, cryptographic SDKs and APIs, and supporting compliance documentation aligned with frameworks such as FIPS 140-3 and FedRAMP.

On March 17, 2026, QeM announced that it is receiving advisory services and funding of up to $600,000 from the National Research Council of Canada Industrial Research Assistance Program ("NRC IRAP") to support a research and development project focused on quantum-secure semiconductor technology in collaboration with JMEM Technology Co., Ltd ("JMEM Tek").

On December 29, 2025, QeM announced a rare convergence of independent audit validation, quantum-attack performance testing, and formal certification progress, underscoring the real-world security performance of its patented quantum entropy technology. The assessment, which achieved a perfect 100/100 security audit score and 5-Star Confidence Rating for Krown Network and KrownDEX, used entropy produced by QeM's Quantum Random Number Generator 2 engine.

On December 15, 2025, QeM announced its integration into Kirq, a quantum communication testbed developed by Numana. The collaboration supports QeM's ongoing research, testing, and validation of quantum-safe cybersecurity technologies within a collaborative testing environment. The Kirq testbed provides an infrastructure for participating organizations to evaluate quantum and cybersecurity technologies in applied settings. Through its participation, Quantum eMotion will be able to integrate and evaluate its patented Quantum Random Number Generator ("QRNG") technology alongside other contributors within the Kirq environment.

On December 2, 2025, QeM announced that it, in conjunction with Aegis Critical Energy Defence Corp. and in partnership with Malahat Battery Technologies and SEETEL New Energy Co., Ltd. of Taiwan, has developed the rugged 10-ft Tough Bhoy™ fully integrated energy storage system. The unit provides resilient, secure power for harsh climates, remote communities, military operations, and critical infrastructure. The system is further reinforced with quantum-secured cybersecurity through QeM's Canadian-developed platform, protecting against advanced and future threats.

On November 26, 2025, QeM and Exascale Labs Inc. announced a multi-year initiative to integrate quantum-grade cryptographic technology directly into large-scale AI compute infrastructure. The partnership brings together Exascale's full-stack GPU platform with QeM's QRNG hybrid technology including cryptographic modules—setting the stage for one of the more secure environments for high-density AI workloads.

On October 23, 2025, QeM along with Energy Plug Technologies and SEETEL New Energy Co. Ltd. announced a strategic alliance to co-develop and commercialize a 261-kilowatt-hour (kWh) fully integrated AC plug-and-play Battery Energy Storage System ("BESS") engineered for Arctic and high-resilience environments worldwide.

On October 14, 2025, QeM announced a joint agreement with Energy Plug Technologies Corp. and Malahat Battery Technology Corp. to develop and commercialize quantum-secured energy storage and defence systems for critical infrastructure. This partnership integrates QeM's patented technologies with Energy Plug and MBT's advanced BESS and Energy Management Platforms to deliver cyber-resilient,

quantum-safe power systems capable of protecting national and industrial energy assets from emerging cyber and post-quantum threats.

On October 6, 2025, QeM announced that it has signed a contract with Lightship Security Inc. to conduct FIPS 140-3 validation of its Quantum Crypto Module, a key milestone toward NIST certification.

On September 29, 2025, QeM announced a strategic alliance with JMEM Tek, a Taiwanese IC design company, to co-develop a quantum-resilient System-on-Chip ("SoC"). The unique platform generated by this alliance is to integrate three essential layers of protection into a single SoC: QeM's QRNG; JMEM Tek's Physical Unclonable Function ("PUF"); and NIST-aligned Post-Quantum Cryptography Module.

On September 22, 2025, QeM along with its partner Krown Technologies LLC ("Krown") announced the successful completion of the Qastle Quantum-Safe Hot Wallet. This milestone represents a breakthrough in securing cryptocurrencies and digital assets against both today's advanced cyber threats and the looming risks of quantum computing.

On July 2, 2025, Krown, in collaboration with QeM, announced that significant progress has been made in the development of two quantum-secure cryptocurrency wallets: the Qastle Quantum Hot Wallet and the Excalibur Quantum Cold Wallet. These advancements mark a pivotal step in safeguarding digital assets against the emerging threats of quantum computing.

On June 26, 2025, QeM announced the completion of an internal quantum simulation project assessing aspects of its cryptographic architecture. The benchmarking project, conducted in collaboration with PINQ², utilized IBM's Qiskit quantum computing framework to simulate Grover's algorithm—a quantum search algorithm known for its theoretical ability to speed up brute-force attacks on symmetric encryption schemes. The analysis focused on evaluating the relative complexity of attacking symmetric encryption algorithms when enhanced with entropy from QeM's proprietary QRNG.

On May 26, 2025, QeM announced the successful completion and validation of its first-generation QRNG chip design. The 65-nm CMOS finalized design has been submitted for fabrication to Taiwan Semiconductor Manufacturing Company, a leading global semiconductor foundry. The chip integrates critical components such as an ultra-low-noise wideband amplifier and a high-precision analog-to-digital converter, both successfully prototyped and validated by academic teams at ÉTS Montréal and the Institut Quantique at Université de Sherbrooke. This significant milestone permits QeM to target the global QRNG chip market, which was valued at approximately USD 150 million in 2024 and is projected to reach USD 2 billion by 2033, registering a compound annual growth rate of 34.5% from 2026 to 2033.

On January 22, 2025, QeM announced results for its quantum-based hardware wallet, designed to improve security in blockchain and cryptocurrency transactions. Recent studies highlight that this innovative solution reduces the risk of monetary loss by up to 98% compared to conventional hierarchical deterministic ("HD") wallets. Announced last July, the wallet leverages QeM's proprietary QRNG technology and an intelligent key generation scheme, ensuring optimal performance for commercial blockchain applications. It provides a cost-effective and compact solution by reusing hardware components for generating both parent and child keys, thus reducing costs and complexity.

Significant Research and Development Projects

Project Name: Quantum-Based Unified Cryptography System ("QBUCS")

Objective: To develop and validate a QBUCS in collaboration with JMEM Tek, integrating QeM's quantum random number generation (QRNG) technology into JMEM Tek's cryptographic System-on-Chip (SoC) architecture. The project aims to demonstrate the integration of quantum-grade entropy into secure communications, data protection, and cryptographic operations, while establishing a foundation for future commercialization of quantum-enhanced cybersecurity solutions.

Plan:
The project plan is to collaborate with JMEM Tek to design, integrate, and validate a unified cryptographic system combining QeM's QRNG technology with JMEM Tek's SoC platform. Activities include defining the hardware architecture, reviewing GPIO and SPI interfaces, establishing frequency and timing requirements, and developing the necessary hardware modifications to enable reliable entropy transfer between the two technologies.

The project follows a phased approach, beginning with the modification of QeM's existing QRNG hardware to demonstrate compatibility and validate system-level integration with JMEM Tek's hardware. This preliminary validation will reduce technical risks associated with the development of the final integrated SoC design. In parallel, the Company will continue evaluating and developing the architecture for the final commercial solution.

Status of Plan: During Q3 2026, the Company continued technical development and coordination with JMEM Tek, focusing on advancing the hardware integration strategy and preparing the proof-of-concept implementation.

A significant milestone was achieved with the selection of the critical supplier (B) as the engineering partner responsible for modifying QeM's existing QRNG hardware. The modified device will be tested with JMEM Tek's hardware to demonstrate interface compatibility, validate system functionality, and assess the reliability of quantum entropy transfer between the two technologies.
This approach will allow the Company to identify and resolve potential integration challenges at an early stage, thereby reducing technical uncertainties and development risks before proceeding with the final integrated SoC design.

Technical activities also included continued assessment of SPI communication, GPIO control signals, interface compatibility, and frequency and timing requirements. In parallel, the Company progressed with the evaluation of an alternative architecture for the final integrated solution, with emphasis on integration efficiency, reliability, and manufacturability.

Expenditures: To September 30, 2026, the Company spent $438,377 on this project (cumulative $438,377).

Next Stage: The next stage is for Company B to execute the required modifications to QeM's existing QRNG hardware, followed by integration testing with JMEM Tek's hardware to demonstrate compatibility and validate system-level performance.

Key Dependencies: The continuation and success of the project depends on the timely execution of the QRNG hardware modifications by the supplier (B), sustained technical collaboration with JMEM Tek, availability of qualified engineering resources, and successful validation of the hardware interfaces and quantum entropy transfer between the two systems.

The proof-of-concept results will be an important input to the final design decisions and are expected to significantly reduce technical risks associated with the development of the integrated SoC.
There are currently no material financial threats to the continuation of this project.

Project Name: SecureKey

Objective: To develop and commercialize the SecureKey cryptographic engine and eShield-Q platform products consisting of hardened runtime solutions that protect cryptographic keys during execution, eliminating plaintext key exposure in memory and enabling secure deployment across cloud, container, and enterprise environments.

Plan: The project focuses on advancing the core cryptographic library, including the OpenSSL provider integration, high-performance encryption implementations, and runtime memory protection mechanisms. Development includes building deployable hardened container and virtual machine images (e.g., NGINX,

VPN, and data services) that integrate SecureKey with quantum entropy sources in commercially consumable packaging.

Status of Plan: During the third quarter, the Company progressed integration of the eShield-Q VPN Gateway and the eShield-Q Hardened Container Images. The Gateway validation testing has advanced while commercial marketplace hosting and broader enterprise adoption efforts are underway.

Expenditures: To September 30, 2026, the Company spent $295,467 on this project (cumulative $295,467).

Next Stage: Roll out the production Container registry and Gateway VM offerings and accelerate commercialization through cloud marketplace listings and enterprise deployments.

Key Dependencies: Continued development resources, alignment with cloud marketplace requirements, and integration with QeM's quantum entropy services. There are currently no material threats to the continuation of this project.

Project Name: FIPS

Objective: To achieve FIPS 140-3 validation for the SecureKey cryptographic module, ensuring compliance with recognized government and enterprise security standards and enabling adoption in regulated environments.

Plan: The FIPS project focuses on defining and implementing a certifiable cryptographic module boundary, integrating approved algorithms, and aligning with Cryptographic Module Validation Program ("CMVP") requirements. This includes validation of required self-tests, entropy source, and engagement with accredited testing laboratories (Intertek) to support certification efforts.

Status of Plan: The entropy generator stochastic model was completed and submitted for testing.
Further validation of all functions related to entropy generation was completed by means of validation of input/output vectors.

Expenditure: To September 30, 2026, the Company spent $159,636 on this project (cumulative $159,636).

Next Stage: Awaiting confirmation of submission from NIST.

Key Dependencies: Subject to test results.

System Development Kit ("SDK")

Objective: To provide developers and system integrators with a powerful, flexible interface to access and utilize quantum-grade randomness within their applications. Designed to work seamlessly with QeM's QRNG and EaaS platform (as defined below), the SDK allows easy integration of true quantum entropy into cryptographic, Internet of Things, fintech, and enterprise security systems.

Plan: The SDK intends to build an extensive library of functions, encompassing Symmetric and Asymmetric cryptography. The milestones are to incorporate a wide variety of "helper primitives" encompassing "Hashing", Packaging, Memory Management and much more. This library of functions is constantly being enhanced to broaden the Agility and Ease of Adoption of the SDK, thereby reducing the specialized knowledge necessary to apply it.

Status of Plan: Continued to work towards the 4.0 version which should be released during the month of November. This includes several corrections and enhancements, a better interface to EaaS but especially the inclusion of a full-stack Bill of Materials (BOM) standard (ECMA-424) that supports both VEX (Vulnerability Exploitability eXchange) and CBOM (Cryptographic Bill of Materials) to manage software supply chain risk and crypto-agility.

Expenditures: To September 30, 2026, the Company spent $229,985 on this project (cumulative $818,610).

Next Stage: To continue to embed quantum entropy directly into software workflows, allowing the SDK to help bridge the gap between cutting-edge quantum physics and real-world cybersecurity needs.

Key Dependencies: There are currently no material threats to the continuation of this project.

Project Name: Entropy-as-a-Service ("EaaS") System

Objective: EaaS is a cybersecurity technology designed to provide organizations with access to true, quantum-generated randomness and is delivered as a cloud-based or on-premises service to provide scalability and compliance, offering API-based integration for developers and system architects.

Plan: To integrate EaaS into existing IT infrastructures, enabling secure key generation, encryption, authentication, and digital signing across diverse applications, thereby offloading the complexity of entropy generation to a dedicated quantum source.

Status of Plan: In 2025, the Company focused on reliability aspects. This meant enhancing resiliency in the case of various failures including power supply or corruption of the data center servers. There was little focus on this project in the past quarter.

Expenditures: To September 30, 2026, the Company spent $95,612 on this project (cumulative $228,972).

Next Stage: In 2026 it is expected that the Company will also be creating extensions to its EaaS product palette, responding to needs stemming from more flexible authorization mechanisms as well as online monitoring.

Key Dependencies: There are currently no material threats to the continuation of this project.

Project Name: PCI Express Card

Objective: To develop a Quantum Tunnel Effect Entropy Generator, targeted to the PCI Express Card.

Plan: First, create a PCI Express Card that will implement our current USB-C-based Entropy Generator. This device is being created in a modular fashion expecting that it will be expanded to a full HSM as a second step. As a separate project we will endeavour to obtain FIPS 140 certification for the device and subsequent HSMs. We expect the device to be functional in a first version at the latest by H2 of 2027 with more advanced (HSM) models becoming available 6 to 12 months later. The certification work is carried out in parallel and we predict certification by the end of 2027 (there are long wait times for this).

Status of Plan: Finalized schematic design including the analog chain, ADC (analog-to-digital converter) and FPGA (field-programmable gate array) components. This includes overall functional testing. The majority of the effort was in the FPGA, where startup testing, self-test, zeroization and other systems needed to be completed. Simulation, including power simulation, and finalization of the layout are expected during the next quarter.

Expenditures: To September 30, 2026, the Company spent $425,979 on this project (cumulative $448,906).

Next Stage: Develop a first prototype by the end of 2026 or early 2027.

Key Dependencies: There are currently no material threats to the continuation of this project.

Patents

Status of patents

First Patent Family:

Method for generating random numbers and associated random number generator

The 1st generation technology is the revolutionary technology which is at the origin of Quantum eMotion. Several patents protect the exclusivity of this technology. In particular, two patents were obtained in the United States to fully cover the technology, and patents were also obtained in Australia, Brazil, Canada, China, Germany, Spain, Finland, France, Great Britain, Italy, India, South Korea, the Netherlands, Russia, Sweden and Thailand. Quantum eMotion mandated a law firm to perform a very exhaustive novelty verification, including independent professional patent searches in three different jurisdictions, which provides an extraordinary level of confidence in the strength of these patents.

Country	Status
United States	Two patents were granted in the United States, including a first one granted on August 7, 2018, and a second granted on October 8, 2019.
European Patent Office	EPO granted the patent on February 19, 2020. The European Patent has been validated in several countries: Germany, Spain, Finland, France, Great Britain, Italy, Sweden and the Netherlands.
Australia, Brazil, Canada, China, India, Republic of Korea, Russia, Thailand	Patent granted

Second Patent Family:

Method and system for generating a random bit sample

The 2nd generation technology has a particular synergy with the 1st generation technology. Indeed, in practical applications, electronic elements such as amplifiers may impart classical noise into the quantum signal, which may make the signal not truly quantum, and thus not truly random. The 2nd generation technology provides means of extracting a purely random quantum signal as a quantum number source independently of the presence of classical noise. Several patents protect the exclusivity of this technology. In particular, two patents were obtained in the United States to fully cover the technology, and patents were also obtained in Australia, Germany, Spain, Finland, France, Great Britain, Indonesia, Italy, Japan, the Netherlands, Russia, Canada, China, India, South Korea and Sweden, and the patent application remains pending in Brazil and Thailand.

Country	Status
European Patent Office	EPO granted the patent on October 23, 2019. The European Patent has been validated in Germany, Spain, United Kingdom, Finland, France, Italy, Sweden and the Netherlands.
United States	Two patents were granted.
Brazil, Thailand	Patent pending
Australia, Russia, Indonesia, Canada, China, India, Japan, South Korea	Granted

Third Patent Family:

System and Method for Generating a Random Number, and Circuit for Communicating an Analog Random Signal

3rd generation technology harnesses the commercial availability and low costs of consumer electronics, such as audio processing hardware in particular, in quantum number generation, further democratizing the availability of truly random numbers.

Country	Status
United States	Patent pending

Fourth Patent Family:

Method of Operating a Blockchain Wallet

Cryptocurrency (e.g., blockchain) wallets make heavy use of large series of numbers referred to as keys. There are different schemes to generate keys, such as ND and HD, and each scheme has its advantages and disadvantages. When providing a blockchain wallet to an unknown user, it is not possible to adapt the key generation scheme to the user's type of use, leading to mismatches between the types of key generation schemes and the users. Quantum eMotion's 4th generation technology

alleviates these inconveniences by providing a wallet which intelligently selects the key generation scheme, based on a comparison of cost values of the different key generation schemes. Moreover, by leveraging Quantum eMotion's QRNG technologies, a blockchain wallet combining the advantages of true random number generation with intelligent key generation scheme selection can now be made available to consumers, a product of an unparalleled level of functionality.
Quantum eMotion's 4th generation technology is now patent pending in several countries and regions. More specifically, a patent application was filed under the Patent Cooperation Treaty on March 28, 2024, bearing number PCT/CA2024/050391 and claiming March 30, 2023 as a priority date. The international phase has ended, and the application has entered the national phase in the countries and regions listed below, where it is now pending.

Country	Status
Australia, Canada, China, European Patent Office, New Zealand, Republic of Korea, Russia, United States, Vietnam	Patent pending

Fifth Patent Family:

Hardware Wallet Apparatuses and Method of Generating Cryptographic Keys Using Same
Quantum eMotion Corp. is proud to announce that it has developed yet another technology associated with the cryptocurrency industry. More specifically, we have developed our own hardware wallet technology which has a low footprint and competitive cost, while allowing the Company to leverage several of its other core technologies, such as the Quantum Random Number Generation (QRNG) and its intelligent key generation scheme selection technologies, in new commercial applications. A combination of a patent application and trade secret for the hardware wallet technology will target international intellectual property protection. Namely, Quantum eMotion's 5th generation technology is now patent pending worldwide. More specifically, the patent application was filed under the Patent Cooperation Treaty. The Patent Cooperation Treaty is an international treaty which provides a means of reserving international patent protection in more than 150 member states until December 2026, at which point pendency will continue nationally in the countries and regions which will have been ultimately selected.

Country	**Status**
Patent Cooperation Treaty	Rights reserved in all PCT member states until December 2026

Sixth Patent Family:

System and Method for Securing Cryptographic Key Material
Through its acquisition of SKV, Quantum eMotion acquired the SecureKey technology, which protects the cryptographic keys used to encrypt and decrypt data. Conventional cryptographic libraries store keys in memory, leaving them exposed to memory-based and side-channel attacks. In the SecureKey approach, operational keys protected by a root key are decrypted directly into processor registers and used from there, so that the plaintext keys are not placed in memory. A patent application was filed in the United States on August 29, 2024, claiming February 13, 2024 as a priority date. The United States Patent and Trademark Office issued a Notice of Allowance on September 1, 2026, and a patent is expected to issue following payment of the issue fee.

Country	**Status**
United States	Patent application allowed; patent expected to issue

1.4 COMPANY OVERVIEW AND STRATEGY

BUSINESS DEVELOPMENT ACTIVITIES

On October 21, 2026, QeM and Plurilock announced that Plurilock has filed its notice of meeting, management information circular and related documents with applicable securities regulators in connection with the special meeting of shareholders of common shares of Plurilock. The meeting is scheduled for November 18, 2026. At the Meeting, Shareholders will be asked to consider and vote on a special resolution to approve the acquisition of Plurilock by QeM. If approved, the closing will be on or about November 23, 2026.

On September 30, 2026, QeM announced the appointment of Bernard Crotty to its Board of Directors. Bernard Crotty is an accomplished technology executive, corporate director and lawyer with extensive experience spanning cryptography, cybersecurity, corporate governance and cross-border legal matters.

On September 28, 2026, QeM, a developer of quantum-secure cybersecurity technologies, and Plurilock Security Inc. announced that they have entered into a definitive arrangement agreement whereby QeM will acquire, either directly or indirectly through a wholly-owned subsidiary of QeM, 100% of the issued and outstanding Plurilock Shares by way of a court-approved plan of arrangement under the Business Corporations Act (British Columbia). The proposed acquisition is intended to accelerate QeM's transition from primarily developing and validating quantum-secure technologies toward a broader commercial cybersecurity business with existing revenues, customers, sales channels and delivery capabilities.

On May 8, 2026, QeM announced the appointment of Catherine Loubier to its Board of Directors. Catherine Loubier is an accomplished executive, entrepreneur, governance leader, and public affairs strategist with extensive experience in both private and public sectors and who is a recognized expert in Canada–U.S. relations and public policy.

On May 4, 2026, QeM announced the launch and availability of eShield-Q, a new cybersecurity platform designed to address one of the fastest-growing risks in the digital economy: the exposure of cryptographic operations during application runtime. eShield-Q introduces a dedicated runtime cryptographic protection layer designed to protect critical secrets, including encryption keys, entropy sources, deterministic random bit generator states, and cryptographic execution environments, even under advanced attack conditions where memory, operating systems, kernels, or hypervisors may no longer be fully trusted. The platform reflects QeM's "assume compromise" security model, recognizing that modern cryptography must increasingly be protected while it is actively in use.

On April 12, 2026, QeM entered into a mutually exclusive strategic partnership with Krown, establishing a focused alliance to deploy quantum-secure technologies across the global crypto ecosystem. The partnership follows the recently announced six-year strategic agreement between Krown and BTC Inc., an influential organization in the Bitcoin ecosystem, creating a unique combination of technology, distribution, and market access at a pivotal time for digital asset security.

On April 2, 2026, QeM completed the acquisition of 100% of the issued and outstanding shares of SKV Technology Inc. ("SKV"). As a result of the transaction, QeM has acquired the SecureKey™ platform, developed and commercialized by Jet Lab Technologies Inc. and held by SKV.

On March 6, 2026, QeM announced a security milestone for the Krown blockchain ecosystem as 45 billion KROWN tokens—valued at approximately $67.5 million—are now protected within vesting infrastructure supported by quantum-secure cryptographic technology.

On February 24, 2026, QeM started trading on the NYSE American exchange (the "NYSE American") under the symbol "QNC." The uplisting to the NYSE American marked a significant advancement in the Company's strategy to expand its shareholder base and increase its U.S. capital markets exposure.

On December 18, 2025, Greybox Solutions Inc. ("Greybox") announced the official launch of its first reimbursed chronic care and remote patient monitoring services for senior living in the United States, in partnership with QeM and Vigilant Care Monitoring LLC. The initiative includes the opening of Greybox's U.S. operations and offices via the collaboration with QeM in Irvine, California, positioning the Company at the center of one of the most dynamic senior care, medical device and digital health ecosystems in North America.

On November 3, 2025, QeM and its partner, Krown, announced the global launch of Qastle, the world's first quantum-secured hot wallet to leverage Quantum EaaS and Post-Quantum Cryptography to safeguard digital assets against emerging cyber and quantum-based threats. Qastle is now live and available to users worldwide.

On October 8, 2025, QeM and its partner Krown announced the global release of Qastle, the world's first quantum-secured hot wallet designed for everyday use. Following extensive development and successful final testing, Qastle will officially launch on November 1, 2025.

On September 9, 2025, QeM announced an investment in Krown of US$400,000 through a convertible debenture. QeM has the right to convert the debenture into equity which would represent a significant stake in Krown. The rationale is to strengthen the strategic collaboration between the parties, particularly regarding the booming blockchain and crypto markets.

On June 30, 2025, QeM announced the conversion of $350,000 in an intangible asset into equity and an additional investment of $350,000 in Greybox, strengthening its position as the second-largest shareholder in that company. This strategic investment, made at an attractive valuation, reflects QeM's strong confidence in Greybox's rapid growth trajectory and unique position in the fast-evolving Remote Care Management and Digital Therapeutics sector. Greybox's recent launch of the secure TakeCare™ platform across leading rehabilitation centers in Quebec has led to strategic commercial wins, positioning the company as a rising leader in digital health with a scalable, value-based model across Canada and beyond.

On June 18, 2025, QeM announced that its partner Greybox has begun to deploy its secure digital health platform, TakeCare™, across leading rehabilitation centers in Quebec.

On June 2, 2025, QeM closed a brokered private placement for proceeds of $12,000,000 upon the issuance of 8,000,000 units. See section 1.10 Cash Flows below for more details on this transaction.

On April 8, 2025, QeM announced the official launch of its U.S. subsidiary, QeMA, headquartered in Irvine, California. This strategic expansion marked a significant milestone in QeM's international growth, designed to accelerate sales, forge new partnerships, and drive business development across the U.S. cybersecurity sector. California was selected for QeM's first American office due to its vibrant technology ecosystem, access to top-tier talent, strategic global connectivity, and strong support for innovative enterprises. Irvine, in particular, offers proximity to major defense, enterprise, and academic hubs, positioning QeMA for sustained growth and market leadership.

On February 24, 2025, QeM closed a brokered private placement for proceeds of $10,000,000 upon the issuance of 13,333,333 units. See section 1.10 Cash Flows below for more details on this transaction.

On February 20, 2025, Krown officially unveiled Excalibur, the world's first quantum-secured crypto cold wallet, powered by QeM's QRNG technology. This next-generation hardware wallet redefines digital asset security by integrating true quantum randomness. After months of collaboration and meticulous development planning, Excalibur is designed to safeguard digital assets against even the most advanced cyber threats, including those posed by quantum computing. With its sleek, compact form, no larger than a thumb drive, Excalibur delivers unbreakable cryptographic security to crypto holders worldwide. As part of this partnership, Krown has secured a five-year, non-exclusive global license to integrate QeM's proprietary QRNG technology into blockchain applications. Both companies will collaborate on the commercialization of Excalibur, operating under a revenue-sharing business model that aligns their mutual commitment to advancing secure digital asset storage.

On February 19, 2025, QeM announced a non-exclusive licensing agreement with Quantolio, a leading provider of AI-driven financial solutions. This strategic partnership grants Quantolio access to QeM's proprietary EaaS technology, enabling advancements in financial applications and quantum artificial

intelligence ("Quantum AI"). Under the terms of the agreement, Quantolio will integrate QeM's quantum-based technology into its AI-powered financial platforms. QeM's EaaS technology provides robust, high-entropy quantum randomness, ensuring enhanced security and performance in sensitive financial computations and AI-driven decision-making processes. Quantolio receives a non-exclusive, worldwide license to leverage QeM's proprietary EaaS technology within finance, FinTech, and Quantum AI applications. In exchange, once the quantum-powered financial platforms are commercially available, Quantolio will pay QeM an annual licensing fee of $1.0 million, with additional revenue-sharing terms.

1.5 SELECTED PERIODIC INFORMATION

	Periods ended September 30		
	2026 $	2025 $	2024 $
Net revenues	**12,730**	-	-
Research & development	**1,749,304**	863,648	655,406
General and administrative	**4,289,191**	1,551,642	1,025,325
Marketing and selling	**666,794**	624,074	70,107
Share-based payments	**1,489,644**	3,773,687	59,960
Other	**(939,482)**	(256,781)	7,187
Net loss and comprehensive loss	**(7,243,321)**	(6,556,270)	(1,817,985)
Basic and diluted loss per share	**0.033**	0.036	0.013

	Balance on	
	September 30, 2026 $	December 31, 2025 $
Cash and marketable securities	**32,027,505**	39,190,779
Total assets	**45,245,160**	42,886,847
Total liabilities	**8,392,819**	647,856
Equity	**36,852,341**	42,238,991

1.6 Licenses, Intangible Assets and Property, Plant and Equipment

The carrying amount of non-current assets on **September** 30, 2026, is:

	PP&E	**Licenses**	**Intangible Assets**	**Total**
		$		$
Cost				
December 31, 2025	31,928	446,112	-	478,040
Additions	**70,681**	**-**	**10,085,274**	**10,155,955**
September 30, 2026	**102,609**	**446,112**	**10,085,274**	**10,693,995**
Accumulated amortization, impairment and loss on derecognition				
December 31, 2025	2,951	139,028	-	141,979
Amortization	11,661	16,729	1,008,527	1,036,918
September 30, 2026	**14,612**	**155,757**	**1,008,527**	**1,178,897**
Net book value				
December 31, 2025	28,977	307,084	-	336,061

September 30, 2026	**87,997**	**290,355**	**9,076,747**	**9,455,098**

In relation to the license, the Company will pay a royalty of 5% calculated on the net sales price of products sold by the Company until the expiry of the last patent, which is expected to be in May 2035.

Contingent Liability

The carrying amount of non-current liability on September 30, 2026, is

December 31, 2025	-
Additions	**10,085,274**
Milestone payments	**(1,500,000)**
Fair value adjustment	**(1,644,190)**
September 30, 2026	**6,941,084**

On April 2, 2026, the Company acquired 100% of the issued and outstanding shares of SKV Technology Inc., a California-based cybersecurity company. The assets include the SecureKey™ platform developed and commercialized by Jet Lab Technologies Inc. and held by SKV. Pursuant to the agreement, the Company will make milestone-based earn-out payments (the "Earn-Out Payments") of up to $7,000,000, payable at the Company's election in cash, common shares of the Company (the "Consideration shares"), or a combination thereof. The Company will also pay royalties of up to CDN$15,000,000, subject to specified sales thresholds, on products incorporating the SecureKey™ technology for a term of up to five years.

The milestones are as follows, all payable in Canadian dollars or equity at the discretion of the Company:
M1: integration of the Corporation's SecureKey software development kit and application programming interface with the Purchaser's entropy-as-a-service platform. Earn-out of $750,000
M2: Quantum-Secured VPN Prototype: the development of a functional virtual private network prototype incorporating SecureKey Technology and utilizing entropy sourced from the Purchaser's entropy-as-a-service platform. Earn-out of $750,000
M3 – FIPS 140-3 Submission Accepted. Earn-out of $1,500,000
M4 – Government or Defense Contract signed for aggregate value greater than $250,000. Earn-out of $1,000,000
M5 – Cloud Marketplace Listing of a SecureKey-based virtual private network product under the Company's branding on at least one of Amazon Web Services Marketplace, Microsoft Azure Marketplace, Google Cloud Marketplace, or similar Marketplace, that incorporates, embeds, or materially relies upon the SecureKey. Earn-out of $1,000,000
M6 – Commercialization Tier 1 Sales of greater than C$1.0 million. Earn-out of $500,000
M7 – Commercialization Tier 2 Sales of greater than C$2.0 million. Earn-out of $500,000
M8 – Commercialization Tier 3 Sales of greater than C$3.0 million. Earn-out of $500,000
M9 – Commercialization Tier 4 Sales of greater than C$5.0 million. Earn-out of $500,000

Royalty payments were structured along the lines of the Sales Tiers as follows:

- Tier 1 sales at a royalty rate of 5%
- Tier 2 sales at a royalty rate of 6%
- Tier 3 sales at a royalty rate of 7%
- Tier 4 sales at a royalty rate of 8%; this would be the maximum royalty rate on future sales.

The Company had offered the Seller a three-month consulting agreement prior to the transaction and subsequently hired the Seller as its Director of Product Development in its US subsidiary.

At the time of the transaction, the Seller's product was fully developed and ready for sales and it was determined prior to the transaction that the Seller's product could be integrated and embedded with/into

the Company's platform.

The transaction was structured so that earn-out payments would only be due upon successful completion of the milestones and subsequent sales. It was expected that the milestones would be achieved within the first year. The agreement specifies in detail the specific criteria that will determine when a milestone has been achieved. Royalty payments would be payable for a maximum of five years with the date of the first sale triggering the start of the five-year term.

The Company used the discounted cash flow method to determine the fair value of the intangible asset and corresponding contingent liability. Estimates for the timing of the milestones and start of sales were agreed upon by the parties. As the royalties were payable for a term of five years with the start of the royalty term being the date of the first sale, sales were estimated over the 5-year period so that the earn-out would equal $15.0 million. The Company estimated its cost of capital to be 30% and used that as the discount rate. The fair value based on these assumptions was $10,085,274. The Company recognized an intangible asset of this amount with a corresponding amount as a contingent liability. Under IFRS 13, the contingent liability is a Level 3 fair value measurement due to its significant unobservable inputs which include the timing of achievement of the milestones, the discount rate used, and the estimated sales over the 5-year royalty period. Furthermore, the asset was determined to have a term of 5 years which corresponds to the term of the contingent liability, and an amortization of three months was recorded in the second quarter.

The Company recognized an initial value of the contingent liability to be $10,085,274. The first two milestones, with a combined earn-out value of $1.5 million, were paid and recorded against contingent liability in the second quarter. In addition, the Company performed a fair value assessment of this liability as of September 30, 2026, resulting in a reduction in the fair value of the contingent liability of $1,644,185 reducing the balance to $6,941,089. As with the initial assessment, a 30% discount rate was used. The key factor in this reduction was a significant reduction in the five-year sales projections which resulted in lower royalties to be paid over the five-year period. The Company based the reduction on the most recent data available, including discussions with prospective customers which reflected lower prices and volumes as well as increased competitive activity.

1.7 SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

	Periods ended September 30		
	2026	2025	Variance Inc/(dec)
	$	$	$
Revenues			
Greybox	**8,342**	-	8,342
Krown	**4,388**	-	4,388
Total Revenues	**12,730**	-	12,730
Expenses			
- Product development - compensation	**653,387**	63,565	589,822
- Product development - third parties	**1,198,342**	609,735	588,607
- Intellectual property	**72,737**	46,348	26,389
- Regulatory & compliance	**209,731**	144,000	65,731
- Tax credits and Grant	**(384,893)**	-	(384,893)
Total Research and Development	**1,749,304**	863,648	885,656
- Compensation	**1,495,916**	804,916	691,000
- Professional fees (board fees; legal; audit;)	**1,484,873**	358,455	1,126,418
- Administration (IT; Lease; travel; insurance)	**994,728**	244,032	750,696
- Capital market costs (NYSE/TSXV; listing/filing fees)	**313,674**	144,239	169,435
Total General and Administrative	**4,289,191**	1,551,642	2,737,549

-Compensation	**88,256**	59,614	28,642
-Market development / consulting	**136,549**	127,700	8,849
- Conferences & promotion	**441,989**	436,760	5,229
Total Marketing and Selling	**666,794**	624,074	42,720
Share-based payments	**1,489,644**	3,773,687	(2,284,043)
Amortization	**1,036,067**	18,182	1,017,885
Fair-value adjustment	**(1,033,013)**	-	(1,033,013)
Interest income	**(939,249)**	(302,874)	(636,375)
Other (FX; bank charges; interest expense)	**(4,060)**	27,912	(31,972)
Net financial expense (income)	**(1,976,327)**	(256,781)	(1,719,546
Total Expenses	**7,256,051**	6,556,270	699,781
Net loss and comprehensive loss for the year	**(7,243,321)**	(6,556,270)	-687,051
Basic and diluted loss per share	**0.033**	0.036	-
Weighted average number of common shares outstanding	**219,036,183**	183,617,509	-

			Periods ended September 30
Number of employees at period end	**2026**	2025	Variance Inc/(dec)
Research and development	**10**	2	8
General and administrative	**7**	7	-
Marketing and selling	**1**	1	-
Total	**18**	10	8

- Revenues: In the first nine months of 2026 revenues continued to be modest. Royalties with Greybox going forward will be at a royalty rate of 10% to 20% while royalties with Krown will increase to 10% starting in November 2026.
- R&D: Increase of $885,656, relates primarily to additional R&D headcount and spending has been ramped up on key projects particularly with QBUCS, SecureKey and FIPS as reported under key projects;
- G&A: Increase of $2.7 million: the increase relates primarily to the legal and other professional fees relating to the US listing and the SKV and Plurilock acquisitions; higher D&O insurance premiums relating to the US listing; impact of full-year additional headcount to develop the US market; increased compensation costs; and higher travel/conference costs;
- Marketing: Increase of $42,720: relates primarily to higher compensation costs;
- Interest Income: The gain of $636,375 relates to investing excess cash in safe investments;
- Share-based payments: The gain of $2.3 million in this non-cash expense is related to an Optionee forfeiting 3.0 million options as the Optionee did not meet the performance requirements set out in the initial award. Under IFRS, the entire expense including the expense incurred in the prior year is recognized as income in the current period;
- Amortization: Increase of $1.0 million relates to the amortization of the intangible asset acquired through the acquisition of SKV. The Company determined to amortize this asset over 5 years to correspond to the period of the corresponding contingent liability.
- Fair-value adjustment: This gain of $1,033,013 relates to two impairment evaluations. The first relates to the SKV acquisition which resulted in a gain to the P&L of $1.6 million. The impairment is the result of a significant reduction in projected sales over the five-year period in which royalties are due which results in significantly lower royalty payments. As per the Agreement no royalties are due after the first 60 months of sales. The projected reduction in sales relates to lower prices and

volumes determined through discussions with prospective customers as well as the change in competitive activity. The impairment evaluation continued to use a 30% discount rate. The second impairment relates to our investment with VGE which resulted in a loss to the P&L of $611,172. The loss was determined based on our evaluation of the fair-value of cash and investments currently held by VGE less the recorded valuation of $1.7 million, including interest.

1.8 SUMMARY OF QUARTERLY RESULTS

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

Three-month period ended	Net loss and comprehensive loss for the period	Basic and diluted loss per share
	$	$
September 30, 2026	**1,081,323**	**0.005**
June 30, 2026	**(4,736,312)**	**(0.022)**
March 31, 2026	**(3,588,329)**	**(0.016)**
December 31, 2025	(4,345,054)	(0.021)
September 30, 2025	(1,687,499)	(0.008)
June 30, 2025	(1,517,433)	(0.008)
March 31, 2025	(3,351,336)	(0.020)
December 31, 2024	(1,151,251)	(0.008)
September 30, 2024	(597,403)	(0.004)
June 30, 2024	(727,891)	(0.005)
March 31, 2024	(492,193)	(0.004)
December 31, 2023	(792,952)	(0.006)

1.9 LIQUIDITY

On September 30, 2026, the Company had net working capital (current assets in excess of current liabilities) of $31,974,151 compared to net working capital of $37,116,981 on December 31, 2025. The decrease relates to the payment of a $1.5 million milestone in relation to the SKV acquisition; the impact of listing on the US exchange and ramping up investments in R&D and promotional activity.

1.10 CASH FLOWS

	Periods ended September 30		
	2026	2025	Variance Inc/(dec)
Net cash from:	**$**	$	$
Operating activities	**(5,374,059)**	(2,794,506)	(2,579,553)
Investing activities	**5,197,283**	(25,112,367)	30,309,650
Financing activities	**360,907**	27,018,386	(26,657,779)
Increase (decrease) in cash	**160,313**	(888,187)	-
Cash, beginning of period	**246,653**	1,359,406	**-**
Cash, end of period	**406,966**	471,270	**-**

Cash used in operations to September 30, 2026, increased by $2.6 million versus a year ago reflecting increased professional fees relating to the NYSE listing and the acquisitions of SKV and Plurilock Securities Inc.; increased D&O insurance relating to the US listing; investment in staff and promotional activity to speed up commercialization; and to increase its investment in product development to develop

additional intellectual property. The operating cash also had a net from $1.0 million from impairment valuations of two investments describer earlier in this report.

The Company redeemed some of its investments in the current nine-month period to fund its operations while in the first nine months of 2025 the Company invested its excess cash derived from the proceeds of its two financings. This was partially offset by the acquisition of SKV whereby the Company paid $1.5 million in earn-out payments as the first two of nine milestones were achieved.

Financing activities in the current nine-month period included the proceeds from the exercise of stock options and warrants. In 2025, during the same period, the Company received cash from two brokered LIFE financings as well as significant proceeds from the exercise of warrants and options.

Summary of financing in the first half of 2025:

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 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. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.88 for a period of 2.5 years following the date of issuance. There is no hold period for trading the warrants.

Financing	**Projected expenditures of proceeds**	**Actual expenditures of proceeds; variances and the impact of the variances, if any, on the Company's ability to achieve its business objectives and milestones**
February 24, 2025: Private placement of units for gross proceeds of $10,000,000	The net proceeds were intended to be used to accelerate the pace of R&D efforts; hire staff for commercialization initiatives; be opportunistic in securing value-adding collaboration agreements; and for general working capital needs.	No variance. The Company continues to invest in its research and development and promotional activity and used part of the proceeds to obtain a U.S. listing providing the Company with valuable exposure to the US market; thereby carrying out its intended use of funds.
June 2, 2025: Private placement of units for gross proceeds of $12,000,000	The net proceeds were intended to further accelerate R&D through hiring more staff and further expand our current R&D programs; significantly increase our promotional budgets to establish the QeM brand in the U.S. and elsewhere which is expected to accelerate the transition to commercialization; to be opportunistic in our search for collaboration partners and/or seek out M&A opportunities; and for general working capital purposes.	No variance. The Company was able to acquire some valuable intellectual property through its acquisition of SKV. This new technology in combination with our own is expected to advance our commercialization capabilities which again was an important use of funds. In addition, the Company had the ability to execute an M&A transaction and has entered into a definitive agreement to purchase Plurilock

Financing	Projected expenditures of proceeds	Actual expenditures of proceeds; variances and the impact of the variances, if any, on the Company's ability to achieve its business objectives and milestones
		Securities Inc. with a projected closing in late November.

1.11 STOCK OPTIONS

	September 30, 2026		December 31, 2025	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Balance outstanding, beginning of period	**17,184,737**	**0.97**	10,452,237	0.14
Granted	**3,630,618**	**3.92**	10,245,000	1.57
Exercised	**(101,000)**	**1.05**	(2,162,500)	0.25
Expired / cancelled	**(300,000)**	**0.08**	(1,350,000)	0.23
Forfeited	**(3,000,000)**	**2.89**	-	-
Balance outstanding, end of period	**17,414,355**	**1.27**	17,184,737	0.97
Balance exercisable, end of period	**11,552,487**	**0.50**	11,017,237	0.45

The weighted average remaining contractual life for options outstanding on September 30, 2026, is 7.43 (September 30, 2025 – 6.44) years.

Share-based compensation recognized under this plan amounted to $1,489,544 for the nine-month period ended September 30, 2026 (September 30, 2025 - $3,773,687). Options are awarded to officers, employees, consultants and occasionally to third parties and are recorded to general and administrative expenses.

1.12 OFF-BALANCE SHEET ARRANGEMENTS

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

1.13 FINANCIAL INSTRUMENTS

All financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flows from the financial assets expires, or when the financial asset and all substantial risks and rewards are transferred. Refer to Note 15 of the annual consolidated financial statements for the year ended December 31, 2025, for additional information on the Company's financial instruments.

1.14 FINANCIAL RISK MANAGEMENT

In the normal course of operations, the Company is exposed to various financial risks. Refer to Note 15 of the annual consolidated financial statements for the year ended December 31, 2025, for additional information on the Company's main financial risks.

1.15 MANAGEMENT OF CAPITAL

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Refer to Note 15 of the annual consolidated financial statements for the year ended December 31, 2025, for additional information on the Company's management of capital.

The Company is not subject to externally imposed capital requirements other than the terms of its GICs.

1.16 RELATED PARTY TRANSACTIONS

The Company's related parties include companies owned by key management. The Company paid management fees to key management through their management companies as follows for the period ended September 30, 2026:

- LVR Capital Management, a company owned by Marc Rousseau, the Chief Financial Officer of the Company, was paid compensation of $58,000. As at September 30, 2026, $11,500 (December 2025 – $6,898) was due to that company.
- Francis Bellido, the CEO of the Company, was paid a salary of $360,385. As at September 30, 2026, nil (December 2025 – $120,000) was due to Mr. Bellido.
- Larry Moore, who resigned as a director effective June 30, 2026, is no longer a related party. Through to June 30, 2026, he was paid $15,000 in director's fees and $75,723 was paid to his company, Baystream Corporation that provides IT services to the Company; and fees of $482,392 were paid to Fileglobal that provides R&D services which is another company controlled by Larry Moore. No money is due to him in relation to services provided up to June 30, 2026.
- Red River Solutions is a company owned by Wayne Teeple, who is a director of the Company. That company was paid $22,500 in director's fees. As at September 30, 2026, $8,475 was due to that company (December 2025 - $8,475).
- Red River Solutions provides business development services to the Company. That company was paid $154,000 for consulting services. As at September 30, 2026, that company was owed $25,775 (December 2025 $5,700).
- SLT Solutions, a company owned by Tullio Panarello, was paid $22,500 in director's fees. As at September 30, 2026, $8,623 (2025 – $8,475) was due to that company.
- CyberDef LLC, a company owned by John Young, who is a director of the Company, was paid $31,492 (US$22,500) in director's fees. As at September 30, 2026, that company was owed $10,649 (December 2025 $5,700).
- CyberDef LLC was paid compensation of $161,000 (US$108,000) for serving as the Chief Operating Officer of Quantum eMotion America. As at September 30, 2026, $nil (2025 – US$14,210) was due to that company.
- Catherine Loubier, who is a director, earned $17,143 (USD $12,500) in director's fees. As at September 30, 2026, $10,641 was due to Catherine Loubier (December 2025 - $Nil).

Transactions with key management

The Company's key management personnel are the members of senior management and the Board. The remuneration and other expenses for the period ended September 30, 2026, for key management (including the amounts above) are as follows:

	September 30, 2026	September 30, 2025
	$	$
Research & Development	482,392	442,782
Management salaries	579,016	378,195
Directors' fees	108,573	127,188
Other fees	229,723	65,968
Share-based compensation	1,930,428	2,407,963
	3,330,137	3,422,096

1.17 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting estimates and judgements are described in Note 2 of the annual consolidated financial statements for the year ended December 31, 2025.

1.18 CHANGES IN MATERIAL ACCOUNTING POLICIES

The accounting policies used are those described in the Company's annual consolidated financial statements in Note 3 for the year ended December 31, 2025.

1.19 OTHER

Disclosure of Outstanding Securities as of **September** 30, 2026.

Outstanding common shares:	219,419,670
Outstanding options:	17,414,355
Outstanding share purchase warrants:	7,250,000

(s) Francis Bellido, Chief Executive Officer

(s) Marc Rousseau, Chief Financial Officer

Montreal (Quebec), November 13, 2026