

# **Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

## **QUANTUM METAL EXCHANGE, INC.**

One World Trade Center, Suite 8500  
New York, NY 10007  
USA

---

(212) 220-7301  
<https://qmexchange.world/en/>  
[info@qmexchange.world](mailto:info@qmexchange.world)  
SIC - 7812

## **Quarterly Report**

**For the period ending December 31, 2022 (the "Reporting Period")**

### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

35,898,026 as of December 31, 2022

35,898,026 as of June 30, 2022

### **Shell Status**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

### **Change in Control**

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes:  No:

<sup>1</sup> "Change in Control" shall mean any events resulting in:

Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(i) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(ii) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**1) Name and address(es) of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

<u>PaperWorks, Inc.:</u>	<u>April 30, 2008, to May 1, 2012</u>
<u>VuMee Inc.:</u>	<u>May 2, 2012, to June 12, 2018</u>
<u>AltSol, Inc.:</u>	<u>June 12, 2018, to July 10, 2018</u>
<u>VuMee Inc.:</u>	<u>July 10, 2018, to April 28, 2021</u>
<u>Quantum Metal Exchange Inc. (the "Company"):</u>	<u>April 27, 2021, to Present</u>

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Nevada; "Active Status"

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

- a. On September 2, 2021, the Company entered into a Stock Purchase Agreement to acquire 60% of the issued and outstanding shares of Quantum Metal Corporate Academy PTE LTD (an England and Wales Corporation) ("QA"). QA is principally engaged in providing worldwide educational and developmental training services to individuals in the precious metal commodities industry.
- b. On October 8, 2021, the Company entered into a Stock Purchase Agreement to acquire 70% of the issued and outstanding shares of common stock of Quantum Metal Recovery, Inc. (a Nevada corporation) ("QMR"). QMR was established to provide gold mining support to QMEI and its subsidiaries.
- c. On December 28, 2021, the Company entered into a Stock Purchase Agreement to acquire 70% of the issued and outstanding shares of common stock of Quantum Metal Bullion Pte. Ltd (an Australian Company) ("QMB"). QMB was established to provide gold mining support to QMEI and its subsidiaries.
- d. On July 26, 2022, the Company's majority-owned subsidiary Quantum Metal Bullion Pty Ltd, completed an acquisition of Red Moon Ventures Pty Ltd, an Australian company. Accordingly, Red Moon Ventures became a wholly owned subsidiary of Quantum Metal Bullion Pty Ltd, and thereby an indirect majority-owned subsidiary of the Company.
- e. On August 16, 2022, Quantum Metal Exchange, Inc. acquired of 10% of the CDIs (Units) of Bersa Gold Inc., a Canadian company. Accordingly, Quantum Metal Exchange, Inc. is a control affiliate of Bersa Gold Inc.

\*QMEI, QA, QMR, and QMB are collectively referred to as the "Company."

The address(es) of the issuer's principal executive office:

One World Trade Center, Suite 8500, New York, NY 10007

The address(es) of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

\_\_\_\_\_

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No:  Yes:  If Yes, provide additional details below:

\_\_\_\_\_

## 2) Security Information

### **Transfer Agent**

Name: Securities Transfer Corp.  
Phone: +1 (469) 633-0101  
Email: info@stctransfer.com  
Address: 2901 N. Dallas Parkway, Ste. 380, Dallas, TX 75093

### **Publicly Quoted or Traded Securities:**

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

Trading symbol:	<u>QMEI</u>
Exact title and class of securities outstanding:	<u>Common Stock</u>
CUSIP:	<u>74768C100</u>
Par or stated value:	<u>\$0.00001</u>
Total shares authorized:	<u>1,500,000,000</u> as of date: <u>December 31, 2022</u>
Total shares outstanding:	<u>35,898,026</u> as of date: <u>December 31, 2022</u>
Total number of shareholders of record:	<u>41</u> as of date: <u>December 31, 2022</u>

*All additional class(es) of publicly quoted or traded securities (if any):*

Trading symbol:	_____
Exact title and class of securities outstanding:	_____
CUSIP:	_____
Par or stated value:	_____
Total shares authorized:	_____ as of date: _____
Total shares outstanding:	_____ as of date: _____
Total number of shareholders of record:	_____ as of date: _____

Trading symbol:	_____
Exact title and class of securities outstanding:	_____
CUSIP:	_____
Par or stated value:	_____
Total shares authorized:	_____ as of date: _____
Total shares outstanding:	_____ as of date: _____
Total number of shareholders of record:	_____ as of date: _____

**Other classes of authorized or outstanding equity securities:**

*The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.*

Exact title and class of the security: \_\_\_\_\_  
CUSIP (if applicable): \_\_\_\_\_  
Par or stated value: \_\_\_\_\_  
Total shares authorized: \_\_\_\_\_ as of date: \_\_\_\_\_  
Total shares outstanding (if applicable): \_\_\_\_\_ as of date: \_\_\_\_\_  
Total number of shareholders of record  
(if applicable): \_\_\_\_\_ as of date: \_\_\_\_\_

Exact title and class of the security: \_\_\_\_\_  
CUSIP (if applicable): \_\_\_\_\_  
Par or stated value: \_\_\_\_\_  
Total shares authorized: \_\_\_\_\_ as of date: \_\_\_\_\_  
Total shares outstanding (if applicable): \_\_\_\_\_ as of date: \_\_\_\_\_  
Total number of shareholders of record  
(if applicable): \_\_\_\_\_ as of date: \_\_\_\_\_

**Security Description:**

*The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:*

**1. For common equity, describe any dividend, voting and preemption rights.**

All common equity holders have equal rights to dividends, equal voting, and preemption rights.

**2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

There is currently no class of preferred stock.

**3. Describe any other material rights of common or preferred stockholders.**

There is currently no class of preferred stock.

**4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

There have been no material modifications to the rights of holders during this reporting period.

**3) Issuance History**

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

### A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:  Yes:  (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u> Date <u>June 30, 2021</u> Common: <u>35,388,026</u> Preferred: _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to.  *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>August 23, 2021</u>	<u>New Issuance</u>	<u>700,000</u>	<u>Common Stock</u>	<u>\$0.1</u>	<u>Yes</u>	<u>Lim Khong Soon</u>	<u>Share Exchange Agreement</u>	<u>Restricted</u>	<u>Exemption: Section 4(a)(2) of the Securities Act</u>
<u>August 23, 2021</u>	<u>New Issuance</u>	<u>150,000</u>	<u>Common Stock</u>	<u>\$0.1</u>	<u>Yes</u>	<u>Tan Eng Foo</u>	<u>Share Exchange Agreement</u>	<u>Restricted</u>	<u>Exemption: Section 4(a)(2) of the Securities Act</u>
<u>August 23, 2021</u>	<u>New Issuance</u>	<u>150,000</u>	<u>Common Stock</u>	<u>\$0.1</u>	<u>Yes</u>	<u>Thor Seng Wah</u>	<u>Share Exchange Agreement</u>	<u>Restricted</u>	<u>Exemption: Section 4(a)(2) of the Securities Act</u>

Shares Outstanding on Date of This Report:	
Ending _____ Balance	
Ending Balance:	
Date <u>December 31, 2022</u>	
Common: <u>35,898,026</u>	
Preferred: _____	

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

\_\_\_\_\_

## B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No:  Yes:  (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. <small>*You must disclose the control person(s) for any entities listed.</small>	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

\_\_\_\_\_

## 4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. (Please ensure that these descriptions are updated on the Company's Profile on [www.otcm Markets.com](http://www.otcm Markets.com)).

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

No operations.

B. List any subsidiaries, parent company, or affiliated companies.

1. Quantum Metal Sdn. Bhd., a Malaysia company;
  - a. ACO Gold Sdn. Bhd.

2. Quantum Metal Capital, Inc, a New York company; and its subsidiaries:
  - a. Quantum Metal Exchange Pte. Ltd., a Singapore company;
  - b. Quantum Metal Pte. Ltd., a United Kingdom company;
  - c. Quantum Metal Pty. Ltd., an Australian company;
  - d. Quantum Metal Thailand Co. Ltd., a Thailand Company; and
  - e. Quantum Metal Africa Limited; a Nigeria Company.
3. Quantum Metal Corporate Academy Pte. Ltd., a United Kingdom Company;
4. Quantum Metal Bullion Pty. Ltd. An Australian Company;
5. Quantum Metal Recovery Inc, a Nevada Company;
6. Red Moon Ventures Pty Ltd; and,
7. Bersa Gold Inc.

C. Describe the issuers' principal products or services.

Quantum Metal (QM, company registration number: 1011907U) was registered on July 30, 2012, with a paid-up capital of RM10,000,000.00. It is one of the largest gold bar distributors in Malaysia. QM's core business is to provide 99.99% of LBMA gold products to the Malaysian market, including government agencies, banks, financial institutions, merchants and individual distributors. QM initiated links between local banks and international bullion suppliers (including PERTH MINT).

Business pillars under Quantum Metal Exchange include Quantum Metal Bullion that provides a wide range of services for the precious metal industry (include the trading and leasing of gold, gold collateral facilities, gold custody, gold tokenisation, logistics, and services for mining and refinery companies), Quantum Metal Capital in finance technology services and development, and Quantum Metal Mining in precious metal. These pillars are supported by Quantum Metal Corporate University in nurturing the corporate culture and developing the human resource within the ecosystem.

## 5) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

1. 4, Jalan Residensi, 10450 George Town, Penang, Malaysia.  
*Contract for 24 months (1 January 2022 – 31 December 2023)*
2. Sarwak Office - #OG-02, Gateway Kuching, No. 9, Jalan Bukit Mata, 92100, Kuching Sarwak, Malaysia.  
*Contract for 36 months (1 February 2021 – 31 January 2024)*
3. Suite 16-01 Level 16, G Tower 199, Jalan Tun Razak, 50400 Kuala Lumpur.  
*Contract for 36 months (1 April 2022 – 31 March 2025)*
4. No 53-02 & 55-02, Jalan Setia Tropika 1/8, Taman Setia Tropika, 8100 Johor Bahru.  
*Contract for 24 months (1 May 2023 – 30 April 2025)*
5. Level 39, Marina Bay Financial Centre, Tower 2, 10 Marina Blvd., Singapore 018983.  
*Contract for 12 months (31 March 2023 – 30 March 2024)*
6. 1-7 Level 8 Zuellig House Building, Silon Road, Silom, Bangrak, Bangkok 10500, Thailand  
*Contract for 12 months (1 August 2022 – 31 July, 2023) now renewed monthly*
7. No 37, Jalan Seia Tropika 1/8, Taman Setia Tropika, 81200 Johor Bahru  
*Contract for 36 months (10 September 2022 – 9 September 2025)*

## 6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuer's securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>Lim, Khong Soon</u>	<u>Founder President / Chief Executive Officer/ Director</u>	<u>Penang, Malaysia</u>	<u>700,000</u>	<u>Common</u>	<u>1.95%</u>	<u>_____</u>
<u>Quantum Metal Investment Holding PTE LTD./ Controlling persons: Mr. Lim Khong Soon</u>	<u>Owner of more than 5%</u>	<u>Singapore</u>	<u>29,488,000</u>	<u>Common</u>	<u>82.14%</u>	<u>Lim, Khong Soon</u>
<u>Wang, Ping</u>	<u>Owner of more than 5%</u>	<u>Wenling City, Zhejiang Prov., China</u>	<u>3,150,000</u>	<u>Common</u>	<u>8.77%</u>	<u>_____</u>
<u>Mashal, Nezar</u>	<u>Chief Financial Officer</u>	<u>North Carolina, USA</u>	<u>0</u>	<u>None</u>	<u>None</u>	<u>_____</u>

## 7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## **8) Third Party Service Providers**

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Jessica Haggard, ESQ  
Firm: Anthony L.G., PLLC  
Address 1: 625 N Flagler, Suite 600  
Address 2: West Palm Beach, FL 33401  
Phone: (561) 514-0936  
Email: LAnthony@AnthonyPLLC.com

Accountant or Auditor

Name: Steven Riviera, CPA  
Firm: Berman Hopkins CPAs and Associates, LLP  
Address 1: 255 S. Orange Ave., Ste. 1200  
Address 2: Orlando, FL 32801  
Phone: (407) 421-6126  
Email: riviera@bermanhopkins.com

Investor Relations

Name: \_\_\_\_\_

Firm: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

*All other means of Investor Communication:*

Twitter: \_\_\_\_\_  
Discord: \_\_\_\_\_  
LinkedIn: \_\_\_\_\_  
Facebook: \_\_\_\_\_  
[Other ]: \_\_\_\_\_

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Nature of Services: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

**9) Financial Statements**

A. The following financial statements were prepared in accordance with:

- IFRS  
 U.S. GAAP

B. The following financial statements were prepared by (name of individual)<sup>2</sup>:

Name: Steve Rivera  
Title: Certified Public Accountant  
Relationship to Issuer: Outside Accountant

Describe the qualifications of the person or persons who prepared the financial statements: CPA

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;  
b. Balance Sheet;

---

<sup>2</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

## 10) Issuer Certification

### *Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Mr. Lim Khong Soon certify that:

1. I have reviewed this Disclosure Statement for Quantum Metal Exchange, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

October 27, 2023

/s/Mr. Lim Khong Soon [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

### *Principal Financial Officer:*

I, Mr. Nezar Mashal certify that:

1. I have reviewed this Disclosure Statement for Quantum Metal Exchange, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

October 27, 2023

/s/Mr. Nezar Mashal [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")



**QUANTUM METAL  
EXCHANGE, INC. AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL  
STATEMENTS**

**For the three months and six  
months ended December 31,  
2022 and 2021**



**BERMAN HOPKINS**  
CPAs & ASSOCIATES, LLP

**255 S. Orange Ave., Ste 1200  
Orlando, FL 32801**

## TABLE OF CONTENTS

	Page
Consolidated Balance Sheets	1
Consolidated Statements of Operations	2
Consolidated Statements of Comprehensive Income (Loss)	3
Consolidated Statements of Changes in Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

**Quantum Metal Exchange, Inc. and Subsidiaries**

**CONSOLIDATED BALANCE SHEETS**

	December 31, 2022	June 30, 2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,719,604	\$ 5,417,414
Receivables	10,212,181	560,986
Inventories	274,233,779	555,014,389
Prepaid expenses and other current assets	120,194,000	71,507,526
Current income tax receivable	17,128,845	-
Other investment - Paper Gold	-	99,241,366
Total current assets	424,488,409	731,741,681
<b>Non-Current Assets</b>		
Equipment, net	79,457	95,753
Right of use assets, net	1,082,312	880,339
Investments in non-consolidating subsidiary	6,655,315	19
Total non-current assets	7,817,084	976,111
<b>Total Assets</b>	\$ 432,305,493	\$ 732,717,792
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 384,583,431	\$ 625,557,243
Due to related party	2,130,906	1,649,611
Current income tax liability	-	24,709,253
Lease liabilities, current portion	310,573	256,722
Term loan, current portion	41,406	44,147
Commissions payable	1,032,575	1,072,612
Total current liabilities	388,098,891	653,289,588
<b>Non-Current Liabilities</b>		
Lease liabilities, net of current portion	922,081	864,502
Term loan, net of current portion	323,101	159,016
Total non-current liabilities	1,245,182	1,023,518
<b>Total Liabilities</b>	\$ 389,344,073	\$ 654,313,106
<b>Stockholders' Equity</b>		
Common stock	359	359
Additional paid-in capital	3,708,682	3,700,668
Retained earnings	5,362,436	70,703,604
Accumulated other comprehensive income	32,047,375	4,085,584
Non-controlling interest	1,842,568	(85,529)
<b>Total Stockholders' Equity</b>	42,961,420	78,404,686
<b>Total Liabilities and Stockholders' Equity</b>	\$ 432,305,493	\$ 732,717,792

**See accompanying notes to the consolidated financial statements.  
We do not provide any assurance on these consolidated financial statements.**

Quantum Metal Exchange, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months and six months ended December 31,

	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
<b>Revenues</b>	\$ 68,057,548	\$ 16,740,182	\$ 179,100,775	\$ 28,944,311
<b>Cost of sales</b>	54,649,119	15,633,763	148,937,255	26,956,802
<b>Gross profit</b>	13,408,429	1,106,419	30,163,520	1,987,509
<b>Operating expenses</b>	30,197,065	3,105,453	27,570,893	4,117,981
<b>Operating income (loss)</b>	(16,788,636)	(1,999,034)	2,592,627	(2,130,472)
<b>Other income (expense)</b>				
Interest income	1,696	293	1,886	14
Realized loss on gold stock	-	-	(685,058)	-
Storage fees income (expense)	3,243,898	(486)	11,747,986	-
Unrealized loss on paper gold	-	-	(97,095,774)	-
Other income	79,608	1,048,237	81,097	1,052,311
Total other income (expense)	3,325,202	1,048,044	(85,949,863)	1,052,325
<b>Net loss before income taxes</b>	(13,463,434)	(950,990)	(83,357,236)	(1,078,147)
Income tax benefit	3,141,125	220,537	19,887,991	262,319
<b>Net loss</b>	(10,322,309)	(730,453)	(63,469,245)	(815,828)
<b>Net income (loss) attributable to non-controlling interest</b>	1,119,894	(23,198)	1,928,097	(26,711)
<b>Net loss attributable to parent</b>	\$ (11,442,203)	\$ (707,255)	\$ (65,397,342)	\$ (789,117)
<b>Net loss per share basic and diluted:</b>				
Net loss attributable to stockholders per share	\$ (0.32)	\$ (0.02)	\$ (1.82)	\$ (0.02)
Weighted average shares outstanding basic and diluted:	35,898,026	35,138,900	35,898,026	35,138,900

See accompanying notes to the consolidated financial statements.  
We do not provide any assurance on these consolidated financial statements.

**Quantum Metal Exchange, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**For the three months and six months ended December 31,**

	Three months ended December 31,		Six months ended December 31,	
	2022	2021	2022	2021
Net loss	\$ (11,442,203)	\$ (707,255)	\$ (65,397,342)	\$ (789,117)
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of tax	26,353,066	(10,538)	27,961,791	(31,207)
Other comprehensive income (loss) attributable to stockholders	\$ 14,910,863	\$ (717,792)	\$ (37,435,551)	\$ (820,324)

**See accompanying notes to the consolidated financial statements.  
We do not provide any assurance on these consolidated financial statements.**

Quantum Metal Exchange, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the three and six months ended December 31, 2022 and 2021

	Common Stock		Additional Paid-in- Capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interest	Total stockholders' equity
	Shares	Amount					
<b>Balance at October 1, 2022</b>	35,898,026	\$ 359	\$ 3,700,668	\$ 15,684,745	\$ 5,694,309	\$ 722,674	\$ 25,802,755
Net income (loss)	-	-	-	(10,322,309)	-	1,119,894	(9,202,415)
Contributions	-	-	8,014	-	-	-	8,014
Foreign currency translation adjustment	-	-	-	-	26,353,066	-	26,353,066
<b>Balance at December 31, 2022</b>	<b>35,898,026</b>	<b>\$ 359</b>	<b>\$ 3,708,682</b>	<b>\$ 5,362,436</b>	<b>\$ 32,047,375</b>	<b>\$ 1,842,568</b>	<b>\$ 42,961,420</b>
<b>Balance at October 1, 2021</b>	35,898,026	\$ 359	\$ 3,490,283	\$ 935,706	\$ 2,029,846	\$ (3,513)	\$ 6,452,681
Net loss	-	-	-	(707,255)	-	(23,198)	(730,453)
Contributions	-	-	248,672	-	-	-	248,672
Foreign currency translation adjustment	-	-	-	-	(10,537)	-	(10,537)
<b>Balance at December 31, 2021</b>	<b>35,898,026</b>	<b>\$ 359</b>	<b>\$ 3,738,955</b>	<b>\$ 228,451</b>	<b>\$ 2,019,309</b>	<b>\$ (26,711)</b>	<b>\$ 5,960,363</b>
<b>Balance at Jul 1, 2022</b>	35,898,026	\$ 359	\$ 3,708,682	\$ 70,759,778	\$ 4,085,584	\$ (85,529)	\$ 78,468,875
Net income (loss)	-	-	-	(65,397,342)	-	1,928,097	(63,469,245)
Foreign currency translation adjustment	-	-	-	-	27,961,791	-	27,961,791
<b>Balance at December 31, 2022</b>	<b>35,898,026</b>	<b>\$ 359</b>	<b>\$ 3,708,682</b>	<b>\$ 5,362,436</b>	<b>\$ 32,047,375</b>	<b>\$ 1,842,568</b>	<b>\$ 42,961,420</b>
<b>Balance at July 1, 2021</b>	34,388,026	\$ 344	\$ 3,396,314	\$ 1,017,568	\$ 2,050,516	\$ -	\$ 6,464,742
Net loss	-	-	-	(789,117)	-	(26,711)	(815,828)
Common stock issued for conversion of notes payable	510,000	15	-	-	-	-	15
Common stock issued for acquisition of Quantum Metal Sdn Bhn	1,000,000	-	-	-	-	-	-
Contributions	-	-	342,641	-	-	-	342,641
Foreign currency translation adjustment	-	-	-	-	(31,207)	-	(31,207)
<b>Balance at December 31, 2021</b>	<b>35,898,026</b>	<b>\$ 359</b>	<b>\$ 3,738,955</b>	<b>\$ 228,451</b>	<b>\$ 2,019,309</b>	<b>\$ (26,711)</b>	<b>\$ 5,960,363</b>

See accompanying notes to the consolidated financial statements.  
We do not provide any assurance on these consolidated financial statements.

Quantum Metal Exchange, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended December 31,

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (65,397,342)	\$ (815,828)
Adjustments to reconcile net loss to cash flows provided by (used in) operating activities:		
Depreciation of equipment	58,220	2,472
Amortization of right of use assets	29,634	24,804
Gain/ (Loss) from non-controlling interest	1,928,097	(26,711)
Loss on paper gold	99,241,366	-
Changes in operating assets and liabilities		
Decrease (increase) in operating assets:		
Receivables	(9,651,195)	(193,536)
Inventories	280,780,610	(157,894,138)
Current income tax receivable	(41,838,098)	-
Prepaid expenses and other assets	(55,341,769)	(928,162)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(240,917,639)	168,013,362
Due to related party	481,295	1,453,601
Lease liabilities	(120,177)	(77,386)
Current income tax liability	-	(516,325)
Commissions payable	(40,037)	444,236
<b>Net cash provided by (used) in operating activities</b>	<u>(30,787,035)</u>	<u>9,486,389</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	(41,924)	(17,221)
<b>Net cash used in investing activities</b>	<u>(41,924)</u>	<u>(17,221)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings on term loan	186,898	-
Repayments on term loan	(25,554)	(3,355)
Common stock issued	-	15
Contributions	8,014	342,641
<b>Net cash provided by financing activities</b>	<u>169,358</u>	<u>339,301</u>
Effect of exchange rate changes on cash and cash equivalents	<u>27,961,791</u>	<u>(31,207)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,697,810)	9,777,262
Cash and cash equivalents at beginning of the period	<u>5,417,414</u>	<u>(364,571)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>\$ 2,719,604</u>	<u>\$ 9,412,691</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
<b>NON-CASH FINANCING ACTIVITIES</b>		
Right of use assets acquired with financing leases	<u>\$ 231,607</u>	<u>\$ 413,491</u>

See accompanying notes to the consolidated financial statements.  
We do not provide any assurance on these consolidated financial statements.

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE A - BACKGROUND

Quantum Metal Exchange, Inc. (“QMEI”) was originally incorporated in the State of Nevada on April 30, 2008 as PaperWorks, Inc. On July 10, 2018, the acting CEO and sole director of QMEI filed a Second Amended and Restated Articles of Incorporation with the Nevada Secretary of State changing the name of the Company to Quantum Metal Exchange, Inc. QMEI’s management is focused on seeking and acquiring cash-generating businesses.

On August 6, 2021, QMEI entered into a Stock Purchase Agreement to acquire 100% of the issued and outstanding shares of common stock of Quantum Metal Capital, Inc. and subsidiaries (a New York corporation) (“QMC”). Subsidiaries of QMC as of December 31, 2022 and 2021 include Quantum Metal Exchange (Singapore) Pte. Ltd., Quantum Metal (Thailand) Company Limited, Quantum Metal (UK) Pte. Ltd., PT Quantum Metal (Indonesia), Quantum Metal (Nigeria), and Quantum Metal (AUS) Pty. Ltd. QMC is designed with the intention for it to become the business service, development and investment product arm of QMEI, to provide business development and investment-related services to companies and partners in Asia, Middle East, Europe, Africa, and Australia, specifically in the area of precious metal commodities.

On August 20, 2021, QMEI entered into a Share Exchange Agreement to acquire 100% of the issued and outstanding shares of Quantum Metal Sdn. Bhd. and subsidiary (Incorporated in Malaysia) (“QMSB”) in exchange for the issuance to the shareholders of QMSB of one million shares of common stock of QMEI. QMSB is principally engaged in sale and purchase of gold products and related services.

On September 2, 2021, the Company entered into a Stock Purchase Agreement to acquire 60% of the issued and outstanding ordinary shares of Quantum Metal Corporate Academy PTE LTD (an England and Wales corporation) (“QA”). QA is principally engaged in providing worldwide educational and developmental training services to individuals in the precious metal commodities industry.

On October 8, 2021, the Company entered into a Stock Purchase Agreement to acquire 70% of the issued and outstanding shares of common stock of Quantum Metal Recovery, Inc. (a Nevada corporation) (“QMR”). QMR was established to provide gold mining support to QMEI and its subsidiaries.

On December 28, 2021, the Company entered into a Stock Purchase Agreement to acquire 70% of the issued and outstanding shares of common stock of Quantum Metal Bullion Pte. Ltd (an Australian Company) (“QMB”). QMB was established to provide gold mining support to QMEI and its subsidiaries.

QMEI, QMSB, QMC, QA, QMR, and QMB are collectively referred to as the “Company”.

Effective for the year ended June 30, 2022, the Company changed its fiscal year end from August 31 to June 30. As such, the accompanying consolidated financial statements are presented to reflect the recast of the consolidated financial statements as a result in the Company’s change in its fiscal year.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE B - BASIS OF CONSOLIDATED FINANCIAL STATEMENTS PREPARATION**

1. Basis of presentation

QMSB maintains its accounting records in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 2016 in Malaysia. QMC, QA, QMR, and QMB maintain accounting records under the functional authoritative accounting standards of the countries in which they are located.

The accompanying consolidated financial statements have been prepared from those accounting records and adjusted as necessary to comply, in all material respects, with the requirements of accounting principles generally accepted in the United States of America ("US GAAP").

2. Functional and reporting currency

The accounting records of the QMSB and QMB are prepared in its functional currency, Malaysian Ringgit ("RM") and the Australian Dollar (AUD), respectively.

The accompanying consolidated financial statements have been prepared using the US dollar as the Company's reporting currency, utilizing period-end exchange rates for assets and liabilities, corresponding period yearly average exchange rates for consolidated statement of operations and historic rates for equity accounts in accordance with the relevant provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 830, *Foreign Currency Matters*. As a result of these translation procedures, a cumulative translation adjustment, net of tax was recorded directly in stockholders' equity in the amount of approximately \$26,353,066 and (\$10,538) for the three months ended December 31, 2022 and 2021, respectively, and approximately \$27,961,791 and (\$31,207) for the six months ended December 31, 2022 and 2021. The RM to US dollar closing rates of exchange as of the reporting dates and the period average exchange rates for corresponding reporting periods are indicated below.

	For the three months ended		For the six months ended	
	December 31,		December 31,	
	2022	2021	2022	2021
	<u>Malaysian Ringgit</u>		<u>Malaysian Ringgit</u>	
As of beginning of the period	\$ 0.215679	\$ 0.238953	\$ 0.226874	\$ 0.240866
As of end of the period	0.227146	0.240036	0.227146	0.240036
Average for the period	<u>\$ 0.218796</u>	<u>\$ 0.238952</u>	<u>\$ 0.221969</u>	<u>\$ 0.238663</u>
	<u>Australian Dollar</u>		<u>Australian Dollar</u>	
As of beginning of the period	\$ 0.643657	\$ 0.722836	\$ 0.690420	\$ 0.749515
As of end of the period	0.681310	0.726783	0.681310	0.726783
Average for the period	<u>\$ 0.657021</u>	<u>\$ 0.728204</u>	<u>\$ 0.670423</u>	<u>\$ 0.731667</u>

**We do not provide any assurance on these consolidated financial statements.**

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE B - BASIS OF CONSOLIDATED FINANCIAL STATEMENTS PREPARATION (continued)

2. Functional and reporting currency (continued)

Management considers foreign currency translation effects of the subsidiaries of QMC to be insignificant for the three months and six months ended December 31, 2022 and 2021.

3. Consolidation principles

These consolidated financial statements include all majority-owned and controlled subsidiaries of the Company. All significant intercompany accounts and transactions have been eliminated.

#### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied by the Company from one reporting period to another with the exception of newly adopted accounting pronouncements.

1. Use of estimates

The preparation of consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenue and expenses during the periods reported.

Estimates are used when accounting for certain items such as allowances for doubtful accounts; employee compensation programs; depreciation and amortization lives; asset retirement obligations; legal and tax contingencies; inventory values; valuations of investments and determining when investment impairments are other than temporary; goodwill; assets and liabilities assumed in a purchase, business combinations and deferred tax assets and liabilities, including valuation allowances. Estimates are based on historical experience, where applicable and other assumptions that management believes are reasonable under the circumstances. Actual results may differ from those estimates under different assumptions or conditions.

2. Fair value of financial instruments

The carrying amounts of financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments.

**We do not provide any assurance on these consolidated financial statements.**

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 3. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash on current accounts with banks, bank deposits and other highly liquid short-term investments with original maturities of less than three months.

##### 4. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries through the end of the reporting period.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

The Company has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

In accordance with ASC 805, *Business Combinations*, subsidiaries are consolidated for the entirety of the fiscal year of the parent company as there was not a significant change in ownership of the Company or its subsidiaries as a result of the acquisition.

Intercompany transactions, balances, income and expenses are eliminated on consolidation. Intercompany losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Company.

##### a. *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Company at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognized as a profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognized in profit or loss. Non-controlling interests in the entities acquired may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

**We do not provide any assurance on these consolidated financial statements.**

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Basis of consolidation (continued)

*b. Non-controlling Interests*

Non-controlling interests are presented within equity in the consolidated balance sheets, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income (loss) are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income (loss) is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. There was approximately \$1,119,894 and (\$23,198) recognized relating to non-controlling interests for the three months ended December 31, 2022 and 2021, respectively, and approximately \$1,928,097 and (\$26,711) for the six months ended December 31, 2022 and 2021, respectively.

*c. Changes in Ownership Interests in Subsidiaries Without Change of Control*

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in the equity of the Company.

*d. Loss of control*

Upon the loss of control of a subsidiary, the Company recognizes any gain or loss on disposal in profit or loss which is calculated as the difference between:

- i.* the aggregate of the fair value of the consideration received and the fair value of any retained interest in the subsidiary; and
- ii.* the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognized in other comprehensive income (loss) in relation to a subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the subsidiary at the date when control is lost is regarded as the fair value on of the initial recognition for subsequent accounting or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture. There were no amounts recognized in other comprehensive income (loss) relating to a subsidiary for the three months and six months ended December 31, 2022 and 2021.

**We do not provide any assurance on these consolidated financial statements.**

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 5. Receivables

Receivables are stated at cost less an allowance for doubtful accounts. Management quantifies this allowance based on current information regarding the customers' and borrowers' ability to repay their obligations. Amounts previously written off which are subsequently collected is recognized as income. As of December 31, 2022 and June 30, 2022, there was no allowance for doubtful accounts.

The Company's normal trade credit term range from 1 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

##### 6. Inventories

Inventories are comprised primarily of gold bullion and bar, and are stated at the lower of acquisition cost inclusive of completion expenses or net realizable value. Inventories are released to production or written-off otherwise at average cost. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads. As of December 31, 2022 and June 30, 2022, all inventories presented on the accompanying consolidated balance sheets represent finished goods inventory.

The provision for obsolescence is calculated on the basis of slow-moving and obsolete inventories analysis. As of December 31, 2022 and June 30, 2022, management determined there were no slow-moving and obsolete inventories, and as such, no provision was recorded.

##### 7. Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. The Company is required to test goodwill and other indefinite-lived intangible assets for impairment on an annual basis and if current events or circumstances require, on an interim basis. To test goodwill for impairment, the Company first performs a qualitative assessment to determine if it is more likely than not that the carrying amount of a reporting unit exceeds its fair value. If it is, a quantitative assessment is required. Alternatively, the Company may bypass the qualitative assessment and perform a quantitative impairment test.

The excess of the fair value of net assets acquired over acquisition cost represents negative goodwill (or "bargain purchase") which is recognized as a gain in the consolidated statements of operations on the date of the acquisition.

Intangible assets that have limited useful lives are amortized on a straight-line basis over the shorter of their useful or legal lives.

As of December 31, 2022 and June 30, 2022, no amounts were recorded as goodwill or intangible assets in the accompanying consolidated balance sheets.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

8. Financial instruments

A financial asset is defined as cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to either receive cash or another financial instrument from a second entity, or exchange other financial instruments on potentially favorable terms with the second entity. A financial asset exists if and when two or more parties agree to payments terms and those payment terms are reduced to a contract. To be a financial asset, an asset must arise from a contractual agreement between two or more parties, not by an imposition of an obligation by one party on another.

A financial liability is a contract that imposes on one entity an obligation to either deliver cash or another financial instrument to a second entity, or exchange other financial instruments on potentially unfavorable terms with the second entity.

Financial assets and financial liabilities are recognized in the consolidated balance sheets when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset only when the parties owe each other determinable amounts, there is a right and intention to set-off, and the right of set-off is enforceable by law.

Financial assets are recognized initially at fair value. Financial liabilities and equity instruments are recorded initially at the fair value of the property, goods, services, or other consideration received or at the fair value of the financial instrument used, whichever is more clearly determinable.

All equity investments are subsequently measured at fair value with gains and losses recognized in profit or loss.

Dividend income from this category of financial assets is recognized in profit or loss.

The Company's management believes the carrying values of its assets and liabilities approximate to a reasonable estimate of their fair value due to their short-term maturities.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

8. Financial instruments (continued)

*Derecognition*

A financial asset or part of it is derecognized and accounted for as a sale when the transferor surrenders control over those financial assets if and only if the transferred assets have been isolated from the transferor, the transferee has the right to pledge or exchange the assets received without any constraints, and the transferor does not maintain effective control over the transferred asset.

A financial liability or a part of it is derecognized when it has been extinguished, either when the debtor pays the creditor and is relieved of its obligation for the liability, or the debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

9. Investments in subsidiaries

Investments in subsidiaries are stated at cost in the consolidated balance sheets, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognized in profit or loss.

10. Equipment, net

All items of equipment greater than \$5,000 are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all equipment is stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognized. The costs of the day- to-day servicing of equipment are recognized in profit or loss as incurred.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Equipment, net (continued)

Depreciation on equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. The principal estimated useful lives of equipment used for this purpose are:

Computer and peripheral	5-10 years
Furniture and fittings	10 years
Handphone	5 years
Office equipment	10 years
Signboard	6-7 years

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognized in profit or loss.

11. Right of use assets, net and lease liabilities

Leases are presented in accordance with FASB issued ASU 2016-02 (*Leases (Topic 842)*), which requires an entity to recognize a liability and corresponding asset for leases that meet certain criteria.

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right of use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less.

For these leases, the Company recognizes the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

**We do not provide any assurance on these consolidated financial statements.**

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 11. Right of use assets, net and lease liabilities (continued)

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use assets and the associated lease liabilities are presented as a separate line item in the consolidated balance sheets.

The right of use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right of use asset is subsequently measured at cost less accumulated amortization and any impairment losses, and adjusted for any remeasurement of the lease liability. The amortization starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Company or the cost of the right of use asset reflects that the Company expects to exercise a purchase option, the related right of use asset is amortized over the useful life of the underlying asset. Otherwise, the Company amortizes the right of use asset to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments with the corresponding adjustment is made to the carrying amount of the right of use asset or is recognized in profit or loss if the carrying amount has been reduced to zero.

##### 12. Impairment

###### a. *Impairment of Financial Assets*

If the Company determines that a decline in fair value below the amortized cost basis is other than temporary, the cost basis of the individual security is written down to fair value and the write-down is included in earnings for debt securities for which the entity determines that it intends to sell the debt security or the entity determines that it is more likely than not will be required to sell the debt security before recovery of its amortized cost basis. If the Company does not intend to sell the debt security, or it is not more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis, then it separates the impairment into two components and recognizes any impairment related to credit loss in earnings while the other component is recognized in other comprehensive income (loss), net of tax.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**12. Impairment (continued)**

*a. Impairment of Financial Assets (continued)*

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income (loss), for which the loss allowance is recognized in other comprehensive income (loss) and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the consolidated balance sheets. Management has determined that financial assets were not impaired as of December 31, 2022 and June 30, 2022.

*b. Impairment of Long-Lived Assets*

The Company performs tests for impairment of assets where an impairment trigger has been identified. In accordance with the requirements of US GAAP, management first compares the carrying amount with the undiscounted cash flows. If the carrying amount is lower than the undiscounted cash flows, no impairment loss is recognized. If the carrying amount is higher than the undiscounted cash flows, an impairment loss is measured as the difference between the carrying amount and fair value.

For the purposes of impairment testing, a long-lived asset or asset group represents the lowest level for which management can separately identify cash flows that are largely independent of the cash flows of other assets and liabilities. Management combines the assets of different entities which operate together performing different stages of the production of finished goods. Management has determined that long-lived assets were not impaired as of December 31, 2022 and June 30, 2022.

**13. Employee benefits**

*a. Short-term Benefits*

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognized in profit or loss in the period in which the associated services are rendered by employees of the Company.

**We do not provide any assurance on these consolidated financial statements.**

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 13. Employee benefits (continued)

###### *b. Defined Contribution Plans*

The Company's contributions to defined contribution plans are recognized in profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further liability in respect of the defined contribution plans. Employees are eligible to participate in the plan once they have attained 20 years of age and are considered to be full-time employees.

###### *c. Employees Provident Fund*

The Company participates in the Employees Provident Fund (Malaysia) ("EPF") as mandated by the Employees Provident Fund Ordinance of 1951. EPF is intended to help employees from the private sector save a fraction of their salary in a lifetime banking scheme, to be used primarily as a retirement fund but also in the event that the employee is temporarily or no longer fit to work. EPF functions by requiring a contribution of at least 11% of each member's monthly salary and storing it in a savings account, while the member's employer is obligated to additionally fund at least 12% of employee's salary to the savings at the same time (13% if salary is below RM 5,000). The Company contributed to EPF of approximately \$17,962 and \$16,913 for the three months ended December 31, 2022 and 2021, respectively, and approximately \$33,958 and \$31,989 for the six months ended December 31, 2022 and 2021, respectively.

At times, the Company may participate in a similar country-mandated employee savings programs in countries in which its subsidiaries operate. There were no contributions to these programs for the three months and six months ended December 31, 2022 and 2021.

##### 14. Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when a different tax rate is enacted. As of December 31, 2022 and June 30, 2022, the Company has not identified any differences resulting in deferred tax assets or liabilities.

**We do not provide any assurance on these consolidated financial statements.**

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 14. Income taxes (continued)

Pursuant to the provisions of ASC 740, *Income Taxes*, the Company provides valuation allowances for deferred tax assets for which it does not consider realization of such assets to be more likely than not. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the historical taxable income generation, projected future taxable income, the reversal of existing deferred tax liabilities and tax planning strategies in making this assessment.

The Company does not calculate deferred taxes in respect of temporary differences associated with investments in subsidiaries and associates.

##### 15. Earnings per share calculations

The Company computes earnings per share ("EPS") in accordance with ASC 260, *Earnings Per Share*. Basic EPS is measured as the income or loss available to common shareholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. The Company's diluted earnings (loss) per share is the same as the basic earnings (loss) per share for the three months and six months ended December 31, 2022 and 2021.

##### 16. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

**We do not provide any assurance on these consolidated financial statements.**

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 16. Fair value measurements (continued)

For financial reporting purposes, the fair value measurements are analyzed into Level 1, Level 2 and Level 3, as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

##### 17. Share-based expense

ASC 718, *Compensation - Stock Compensation*, prescribes accounting and reporting standards for all share-based payment transactions in which employee services are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options, and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the consolidated financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, *Equity - Based Payments to Non-Employees*. Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

No amounts were incurred relating to share-based expense for the three months and six months ended December 31, 2022 and 2021, respectively.

##### 18. Related parties

The Company follows ASC 850, *Related Party Disclosures*, for the identification of related parties and disclosure of related party transactions.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**19. Revenue from contracts with customers**

Revenues from contracts with customers are presented in accordance with Financial Accounting Standards Board issued ASC 606. Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Company recognizes revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognized when the performance obligation is satisfied, which is at a point in time.

**NOTE D - INVESTMENTS IN SUBSIDIARIES**

The Company is an investor in several subsidiaries. The Company has evaluated its related parties and subsidiaries under FASB Accounting Standard Codification 810, *Consolidations*, and, as a result, accounts for its investments in the affiliates using the equity method because it can exercise significant influence.

The details of the subsidiaries are as follows, as of December 31:

<u>Name of Subsidiary</u>	<u>Principal Place of Business/Country of Incorporation</u>	<u>Percentage of Issued</u>		<u>Principal Activities</u>
		<u>Share Capital Held</u>	<u>2022</u>	
Aco Gold Sdn Bhd.*	Malaysia	80%	80%	Dealers in all types of previous and non-ferrous metals
Quantum Metal (Thailand) Co., Tld.	Thailand	49%	49%	Operation of online platforms for trading of goods and services
Quantum Metal Exchange Singapore	Singapore	90%	90%	Operation of online platforms for trading of goods and services
Quantum Metal Indonesia	Indonesia	70%	70%	Operation of online platforms for trading of goods and services
Quantum Metal Bullion	Australia	70%	70%	Provide gold mining support to QMEI and its subsidiaries

\*The investment in this subsidiary fully eliminates up consolidation

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE E - EQUIPMENT, NET**

Equipment consisted of the following:

	December 31, 2022	June 30, 2022
Computer and peripheral	\$ 91,402	\$ 71,946
Furniture and fittings	34,996	20,195
Handphone	981	979
Office equipment	53,461	44,313
Signboard	7,843	7,835
	188,683	145,268
Accumulated depreciation	(109,226)	(49,515)
	\$ 79,457	\$ 95,753

Depreciation expense relating to equipment was \$29,110 and \$1,888 for the three months ended December 31, 2022 and 2021, respectively and \$58,220 and \$2,472 for the six months ended December 31, 2022 and 2021 respectively.

**NOTE F - RIGHT OF USE ASSETS, NET**

The Company has lease contracts for office premises and motor vehicles used in its operations. The lease terms are as follows:

Office premises	2 to 6 years
Motor vehicles	7 to 9 years

The Company also has leases with lease terms of 12 months or less. The Company has applied the “short-term lease” recognition exemptions for these leases.

Right of use assets consisted of the following:

	December 31, 2022	June 30, 2022
Office premises	\$ 943,765	\$ 808,705
Motor vehicles	615,984	537,893
	1,559,749	1,346,598
Accumulated amortization	(477,437)	(466,259)
	\$ 1,082,312	\$ 880,339

Amortization expense relating to right of use assets was approximately \$14,773 and \$12,689 for the three months ended December 31, 2022 and 2021, respectively, and \$29,634 and \$24,804 for the six months ended December 31, 2022 and 2021, respectively.

**We do not provide any assurance on these consolidated financial statements.**

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE G - PREPAID EXPENSES

Prepaid expenses as of December 31, 2022 and June 30, 2022 consisted primarily of the GAA Debtor (Purchase Commitment), which represents the balance of gold purchase commitments with third parties currently held in the Company's inventory as of the balance sheet date. The commitment period is less than twelve months, at which time, the Company will recognize revenue as the transactions occur. The balance relating to the GAA Debtor was approximately \$114,955,026 and \$69,594,239 as of December 31, 2022 and June 30, 2022, respectively.

#### NOTE H - FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Company at the end of the reporting period bore effective interest rates ranging from 1.80% to 3.10% as of December 31, 2022 and June 30, 2022, per annum. The fixed deposits have maturity periods ranging from 2 to 12 months.

The fixed deposits with licensed banks of the Company at the end of the reporting period have been pledged to licensed banks as security for banking facilities granted to the Company.

#### NOTE I - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance consisted of the following as of:

	December 31, 2022	June 30, 2022
Trade accounts payable	\$ 374,537,932	\$ 613,739,157
Accrued expenses and other payables	10,045,499	11,818,086
Total accounts payable and accruals	<u>\$ 384,583,431</u>	<u>\$ 625,557,243</u>

#### NOTE J - STOCKHOLDERS' EQUITY

##### 1. Common stock

The Company is authorized to issue 1,500,000,000 shares of common stock with a par value of \$0.00001 per share (the "Common Stock").

As of December 31, 2022, there were 35,898,026 shares of Common Stock issued and outstanding.

##### 2. Dividends

Dividends are paid on common stock at the recommendation of the Board of Directors and approved at a stockholders' meeting. There were no dividends declared or paid during the six months ended December 31, 2022 and 2021, respectively.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE K - EARNINGS PER SHARE**

Earnings per share is calculated as follows:

	For the three months ended December 31,		For the six months ended December 31,	
	2022	2021	2022	2021
Weighted average number of shares	35,898,026	35,138,900	35,898,026	35,138,900
Net loss	<u>\$ (11,442,203)</u>	<u>\$ (707,255)</u>	<u>\$ (65,397,342)</u>	<u>\$ (789,117)</u>
Basic and diluted net earnings per share	<u>\$ (0.32)</u>	<u>\$ (0.02)</u>	<u>\$ (1.82)</u>	<u>\$ (0.02)</u>

Basic net earnings per share of common stock is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the reporting period.

The Company does not have potentially dilutive shares outstanding.

**NOTE L - LEASE LIABILITIES**

The Company leases equipment and offices under financing leases. The economic substance of the lease is that the Company is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Company's assets and liabilities. Depreciation of assets held under finance leases is included with depreciation expense.

Minimum future lease payments under the financing leases were as follows as of:

	December 31, 2022	June 30, 2022
2023	\$ 310,574	\$ 256,722
2024	276,080	246,513
2025	268,305	249,226
2026	168,450	192,650
2027	89,948	122,094
Thereafter	<u>317,085</u>	<u>241,345</u>
Total minimum lease payments	1,430,442	1,308,550
Less amount representing interest	<u>(197,788)</u>	<u>(187,326)</u>
Present value of minimum lease payments	1,232,654	1,121,224
Less current portion	<u>(310,573)</u>	<u>(256,722)</u>
Long-term portion	<u>\$ 922,081</u>	<u>\$ 864,502</u>

A summary of right of use assets held under these leases is summarized in Note F, Right of Use Assets, Net.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE M - TERM LOAN**

In September 2020 the Company entered into a term loan with a bank for approximately 1,000,000 RM. The term loan bears interest at 3.50% per annum. Monthly payments of principal and interest are \$18,511 through the maturity date in November 2026. The term loan is secured by a joint and several guarantee issued by the directors of the Company. The Company determined it was in compliance with certain financial covenants it was required to maintain in relation to this term loan as of December 31, 2022 and June 30, 2022.

Maturity requirements on the term loan are as follows as of:

	December 31, 2022	June, 30 2022
2023	\$ 44,816	\$ 44,147
2024	46,398	45,717
2025	48,060	47,343
2026	42,314	36,609
2027	182,919	29,347
Total	364,507	203,163
Less current portion	(41,406)	(44,147)
Long-term portion	<u>\$ 323,101</u>	<u>\$ 159,016</u>

**NOTE N - BANK OVERDRAFTS**

The bank overdrafts of the Company are secured by a joint and several guarantee issued by directors and fixed deposits with licensed banks. The bank overdrafts of the Company as of December 31, 2022 and June 30, 2022 bore floating interest rates ranging from 4.25% to 7.31% per annum. There were no bank overdrafts as of December 31, 2022 and June 30, 2022.

**NOTE O - BANKERS' ACCEPTANCES**

The bankers' acceptances of the Company are secured by the fixed deposits pledged with licensed banks and a joint and several guarantee issued by the directors.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE P - INCOME TAXES**

Income tax benefit consisted of the following for the three months and six months ended December 31:

	For the three months ended December 31,		For the six months ended December 31,	
	2022	2021	2022	2021
Net loss before income taxes	\$ (13,463,434)	\$ (950,990)	\$ (83,357,236)	\$ (1,078,147)
Tax benefit at the statutory tax rate of 24% Malaysian and 25% Australian	\$ 3,141,125	\$ 220,537	\$ 19,887,991	\$ 262,319

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% and the Australian statutory tax rate of 25% for the three months and six months ended December 31, 2022 and 2021 of the estimated assessable profit for the fiscal year.

**NOTE Q - RELATED PARTY DISCLOSURES**

1. Identities of related parties

Parties are considered to be related to the Company if it has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the consolidated financial statements, the Company has related party relationships with its directors, key management personnel and entities within the same group of companies.

2. Amount owing by a subsidiary, a related party, director or shareholder

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

**We do not provide any assurance on these consolidated financial statements.**

## Quantum Metal Exchange, Inc. and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended December 31, 2022 and 2021

#### NOTE R - RISKS AND UNCERTAINTIES

The major financial risks inherent to the Company's operations are those related to market risk, credit risk and liquidity risk. The objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within acceptable limits.

##### 1. Market risk

Market risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of two types of risk: interest rate risk and foreign currency risk.

###### *a. Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk of changes in market interest rates relates primarily to long-term debt obligations with floating interest rates. However, as of December 31, 2022 and June 30, 2022, the Company has no long-term debt obligations.

###### *b. Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The operations of the Company are exposed to currency risks when reporting currency is in US Dollars.

##### 2. Credit risk

Credit risk is the risk when a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management.

The Company structures the levels of credit risk it undertakes by assessing the degree of risk for each counterparty or groups of parties. Such risks are monitored on a revolving basis and are subject to a quarterly, or more frequent, review.

The Company's management reviews aging analysis of outstanding trade receivables and follows up on past due balances.

**We do not provide any assurance on these consolidated financial statements.**

**Quantum Metal Exchange, Inc. and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended December 31, 2022 and 2021**

**NOTE R - RISKS AND UNCERTAINTIES (continued)**

3. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources.

The Company monitors its risk to a short age of funds using a regular cash flow forecast. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. To provide for sufficient cash balances required for settlement of its obligations in time the Company uses cash flow forecasting instruments.

**NOTE S - SUBSEQUENT EVENTS**

In accordance with ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the consolidated balance sheet dates but before consolidated financial statements are issued, the Company has evaluated all events or transactions that occurred after December 31, 2022, through the date the consolidated financial statements were available to be issued. The Company has determined that no additional material transactions have occurred that would warrant disclosure in the consolidated financial statements.

**We do not provide any assurance on these consolidated financial statements.**