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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

(MARK ONE)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

OR

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 000-55470

**CQENS Technologies Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**27-1521407**

(I.R.S. Employer  
Identification No.)

**5550 Nicollet Avenue, Minneapolis, MN**

(Address of principal executive offices)

**55419**

(Zip Code)

Registrant's telephone number, including area code:

**(612) 812-2037**

Securities registered under Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>None</b>	<b>Not applicable</b>	<b>Not applicable</b>

Securities registered under Section 12(g) of the Act:

**Common stock, par value \$0.0001 per share**  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.4.05 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act 915 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter. \$0 on June 30, 2024.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date. 27,377,302 shares of common stock are issued and outstanding as of March 31, 2025.

**DOCUMENTS INCORPORATED BY REFERENCE**

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). None.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “aim,” “will,” “would,” “could,” and similar expressions or phrases identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs. Forward-looking statements include, but are not limited to, statements about:

- financial risks, including:
  - our history of losses, lack of revenues and insufficient working capital;
  - our ability to continue as a going concern; and
  - our ability to raise capital.
- business risks, including:
  - our limited operating history and lack of products;
  - lack of operating history of Leap Technology;
  - the joint venture with the Barker Group/Firebird Manufacturing remains inactive;
  - potential conflicts of interest of our management;
  - reliance on third-parties;
  - potential FDA oversight;
  - lack of marketing and distribution experience;
  - possible inability to establish and maintain strategic partnerships; and
  - possible dependence on licensing or collaboration agreements.
- risks related to our common stock, including:
  - lack of public market for our common stock; and
  - possible impact of Delaware’s anti-takeover statutes on our stockholders.

You should read thoroughly this report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in Part I. Item 1A. Risk Factors appearing elsewhere in this report. Other sections of this report include additional factors which could adversely impact our business and financial performance. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

## OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, when used in this report the terms “CQENS,” “we,” “our,” “us,” and similar terms refers to CQENS Technologies Inc., a Delaware corporation. In addition, “2023” refers to the year ended December 31, 2023, “2024” refers to the year ended December 31, 2024 and “2025” refers to the year ending December 31, 2025.

We maintain a corporate website at [www.cqens.com](http://www.cqens.com). Unless specifically set forth herein to the contrary, the information which appears on our corporate website is not part of this report.

## PART I

### ITEM 1. DESCRIPTION OF BUSINESS.

#### Our Business

We are a technology company. We design and develop innovative methods to heat plant-based and/or medicant-infused formulations to produce aerosols for the efficient and efficacious inhalation of the plant and medicant constituents contained therein. We have two ways of accomplishing this: 1) at high temperatures via induction without combustion or the constituents of combustion; and 2) at low temperatures, where we heat an inert carrier, producing inhalable, medicant-infused aerosols while maintaining the integrity of the active ingredient(s).

Our high-temperature non-combusting technology is supported by 61 U.S. and international patents and pending patents. Among the applications of our patented and patent-pending technology are those for Heat-not-Burn (“HnB”) devices. Independent tests performed by an accredited lab on our system’s prototypes supported the benefits of rapid heating, confirmed non-combustion, even at high temperatures, and produced better toxicology results, greater than 99% better, when compared to products requiring combustion and compared to other non-combusting technologies currently on the market.

Our low-temperature, aerosolizing technology is supported by 31 U.S. and international patents and pending patents. This portfolio includes intellectual property around device designs and formulations containing a wide variety of herbal and pharmaceutical preparations. The development stage devices feature the ability to verify the user, validate the medicant or pharmaceutical preparation and measure, meter and monitor the proper, prescribed dosage.

We define our target market as the “international inhalation market,” a market that includes herbal, pharmaceutical, medical, recreational and lifestyle products and ingredients. Industry experts, like Nielsen, Grand View Research, Fior Markets, updated published reports in 2023 and 2024 that we have consolidated; these consolidated estimates support that this is a \$1.1 trillion USD annual market. The largest category within this market is the combustible tobacco market, comprising over 90% of the total. Our near-term focus is on this segment, which represents the greatest opportunity for growth and the greatest opportunity to positively impact public health and wellness.

We believe our HnB technologies have applications to the international tobacco industry and the growing hemp/CBD and cannabis industries. HnBs represent the latest in tobacco and inhalable technologies, and it is likely to supplant the electronic vapor system (EVS) technologies that include e-cigarettes and electronic nicotine delivery systems. We believe HnBs, if properly designed, will avoid many of the issues that have proved troublesome for EVS’, including thermal decomposition, heating irregularities and the formation and presence of high levels of acrolein and formaldehyde. In late 2019 Philip Morris International sought to introduce its HnB product to U.S. markets. This product, which was sold in more than 40 countries before entering U.S. markets, like other HnB technologies, is a device that heats a tobacco stick, rather than burning it, and testing by an independent accredited lab supports claims that the product can potentially reduce the number of noxious chemicals found in cigarette smoke by 95%. The Philip Morris product received the approval of the U.S. FDA in 2019, via both a Pre-market Tobacco Authorization (“PMTA”) and in 2020 with a Modified Risk Tobacco Product (“MRTP”) designation to market the product in the US. However, the International Trade Commission ruled on September 29, 2021 that the Philip Morris product violated certain British American Tobacco patents and ruled that the Philip Morris product could not be imported to or sold in the US. In 2023 Phillip Morris and British American Tobacco settled their patent litigation and the product is now being introduced into the US market

Since late 2019 we have focused our efforts on commercializing our HnB technology. On September 30, 2020, we entered into an Asset Purchase Agreement with Xten Capital Group, a related company, pursuant to which we acquired a portfolio of 29 U.S. and international patents and patent applications in the areas of devices and technologies for aerosolizing certain remedies and pharmaceutical preparations, as well as the solutions and preparation for inhaled delivery. This transaction effectively terminated all prior licensing agreements and resulting with the portfolio being assigned to CQENS.

On September 30, 2020, we also entered into a second Asset Purchase Agreement with Xten pursuant to which we acquired certain assets including, but not limited to, a custom-built plume and inhalation testing machine, oscilloscope with probe, multiple pieces of laboratory and workshop equipment, computers, monitors and accessories.

On July 24, 2020, we entered into an Amended and Restated Operating Agreement (the “Operating Agreement”) of Leap Technology LLC (“Leap Technology”) with Zong Group Holdings LLC (“Zong”) and Leap Management LLC (“LM”). Under the terms of the Operating Agreement and the related Contribution Agreement dated July 24, 2020 (the “Contribution Agreement”), we acquired a 55% membership interest in Leap Technology in exchange for the contribution of an exclusive, royalty-free license (the “Leap License Agreement”) for the use in the Asia Pacific countries listed in the Contribution Agreement of certain of our intellectual property, patents pending and patents related to our heated tobacco product technology. As of the date of this report, the joint venture is still in a pre-formative stage expected to be formalized consistent with the negotiation and execution of a restated operating agreement sometime in the next 12 months, although there are no assurances that the parties will complete and execute a restated operating agreement.

On August 17, 2021, as a result of a previously executed Memorandum of Understanding with the Barker Group of Companies, we entered into a Joint Venture Agreement (the “JV Agreement”) with Firebird Manufacturing, LLC (“Firebird”), a Barker Group company. Under the terms of the JV Agreement the parties have agreed to organize, negotiate, and establish a limited liability company joint venture entity (the “Joint Venture Entity”) for the purposes of developing, manufacturing, and distributing HnB products in the United States for an initial term of four years, subject to an automatic renewal for successive one-year terms provided certain conditions are met. The Joint Venture Entity will be owned equally by the Company and Firebird. The Company will license its intellectual property to the Joint Venture Entity, receiving a 10% royalty on direct consumable sales and will be responsible for designing and coordinating the manufacture of an HnB device exclusively conformed to heat but not combust. Firebird will be responsible for manufacturing the consumable and distributing both the device and consumables to the retail locations where the product can be lawfully sold.

The execution of the Joint Venture Entity Operating Agreement is subject to formalizing the definitive Joint Venture Operating Agreement and the execution of additional agreements, including a license agreement for the use of intellectual property, certain product development agreements, supply agreements and such other agreements as may be necessary to further the purpose of the JV Agreement. The parties anticipate completing all of the relevant agreements in 2025 although there are no assurances that the parties will complete and formalize these agreements.

On July 13, 2022, we announced that we completed R&D stages for the module for the automated manufacture of consumables for its proprietary, patented and patent pending Heat-not-Burn system. The system heats plant-based and/or medicant-infused formulations to produce aerosols for the inhalation of the plant and medicant constituents without combustion or the constituents of combustion, although there are no assurances its products can be commercialized. Contemporaneous with the completion of these R&D stages, effective July 13, 2022 the Company entered into a manufacturing contract with Montrade S.p.A., (“Montrade”) a company based in Bologna, Italy, for Montrade to manufacture and install the module. The Company made an initial payment of \$589,265 USD and is required to make additional payments of up to \$1,086,465 USD for the module as certain stages are completed. Montrade is an industry leading designer and manufacturer of machines for a wide range of products, including heated tobacco products.

On February 23, 2023, the Company made a payment of \$138,386 for completion of the design phase. On March 29, 2023, the Company signed Amendment 1 to the manufacturing contract for additional design work and paid \$12,465 of the additional \$36,809 cost. As Amendment 1 was for design work, the \$12,465 was expensed. On October 18, 2023, the Company signed Amendment 2 to the manufacturing contract to modify certain components and paid \$40,091 of the \$114,546 cost.

In 2022, \$130,948 of the initial payment was expensed for design services completed by Montrade. The remaining payment of \$458,317 and the additional payment on October 24, 2023, for Amendment 2 of \$40,091 for a combined total of \$498,408 are related to the manufacturing of the module for the automated manufacture of consumables for the Company’s proprietary, patented and patent pending Heat-not-Burn system. The \$498,408 payment is recorded as Prepaid expenses – noncurrent portion. With the two amendments added and with payments made in 2023 the Company will be required to pay up to \$1,046,878. On February 26, 2024, the Company signed Amendment 3 to the manufacturing contract, for a change to a component with a cost of \$27,845 and made payment in full on March 6, 2024 for this change. On December 28, 2024, the Company signed Amendment 4 to the manufacturing contract, adjusting the payment terms. The Company committed to payment of up to ninety percent (90%) of the outstanding balance for the equipment build. This balance payment amounted to \$813,875 and was paid in January 2025.

On December 20, 2023 we entered into a Shareholder Agreement with Asahi Corporation to establish CQENS Electronics (Hong Kong) Limited (“CEL”), a Hong Kong company, for design, development and manufacture of our heat-not-burn device. CQENS acquired 50% membership of CEL and holds majority of the board seats including the chair. Pursuant to the establishment of CEL, CQENS entered into an exclusive, worldwide License Agreement with CEL for designing, manufacturing a consumer device consistent with our IP. Although the activities of CEL in 2024 and 2023 are minimal and are reflective of its set-up and limited activity, CEL is included in our consolidated financial statements.

## **Intellectual Property**

Our high-temperature non-combusting technology is supported by 61 U.S. and international patents and pending patents. Our low-temperature, aerosolizing technology is supported by 31 U.S. and international patents and pending patents.

## **Regulation**

Regulatory compliance burdens, no matter how they arise, could have a material adverse impact on our product development efforts and our operations. Historically there has been a significant regulatory burden on products in our industry and the Trump administration proposed deregulation efforts may cause uncertainty as policies are put into effect. In general there is uncertainty regarding whether, in what circumstances, how and when the FDA will seek to enforce the tobacco-related provisions of the Federal Food, Drug, and Cosmetic Act (“FFDCA”) relative to HnB hardware and technology, in light of the potential for dual use with tobacco. Through amendments to the FFDCA, the Tobacco Control Act established, by statute, that the FDA has oversight over specific types of tobacco products (cigarettes, cigarette tobacco, roll-your-own tobacco, and smokeless tobacco) and granted the FDA the authority to “deem” other types of tobacco products as subject to the statutory requirements. In addition to establishing authority, defining key terminology, and setting adulteration and misbranding standards, the Tobacco Control Act established FDA’s authority over tobacco products in a number of areas such as: submission of health information to the FDA; registration with the FDA; premarket authorization requirements; good manufacturing practice requirements; tobacco product standards; notification, recall, corrections, and removals; records and reports; marketing considerations and restrictions; post-market surveillance and studies; labeling and warnings; and recordkeeping and tracking. In a final rule effective August 8, 2016 (“Deeming Rule”), the FDA deemed all products that meet the Tobacco Control Act’s definition of “tobacco product,” including components and parts but excluding accessories, to be subject to the tobacco control requirements of the FFDCA and the FDA’s implementing regulations. Accordingly, as of the Deeming Rule’s effective date, deemed tobacco products that are “new” (i.e., those that were not commercially marketed in the United States as of February 15, 2007) are subject to the premarket authorization requirements. Deemed new tobacco products that remain on the market without authorization are marketed unlawfully. Deemed new tobacco products include, among other things: products such as electronic cigarettes, vape pens, certain vaporizers and e-liquids and their components or parts (such as tanks, coils and batteries) (“ENDS”). The FDA’s interpretation of components and parts of a tobacco product includes any assembly of materials intended or reasonably expected to be used with or for the human consumption of a tobacco product. In a 2017 decision of the D.C. Circuit court, the court upheld the FDA’s authority to regulate ENDS even though they do not actually contain tobacco, and even if the products could be used with nicotine-free e-liquids. The Tobacco Control Act and FDA’s implementation of regulations require regulatory approvals before certain products may be sold and restrict the way tobacco product manufacturers, retailers, and distributors can advertise and promote tobacco products, including a prohibition against free samples or the use of vending machines, requirements for presentation of warning information, and age verification of purchasers. Newly-deemed tobacco products are also subject to the other requirements of the Tobacco Control Act, such as that they not be adulterated or misbranded. The FDA has been directed under the Tobacco Control Act to establish specific good manufacturing practice (“GMP”) regulations for tobacco products, and could do so in the future, which could have a material adverse impact on the ability of some of our suppliers to manufacture, and the cost to manufacture, certain of our products. Even in the absence of specific GMP regulations, a facility’s failure to maintain sanitary conditions or to prevent contamination of products could result in the FDA deeming the products produced there adulterated. The FDA has announced its intention to take enforcement measures related to ENDS products offered for sale after September 9, 2020, for which the manufacturers had not submitted a PMTA. Following that date, the FDA did in fact take actions against certain manufacturers of ENDS products for which a PMTA had not been submitted. Accordingly, and in light of the laws noted above, premarket authorizations will be necessary for us to distribute any HnB products we develop that meet the FDA’s definition of ENDS. Our future suppliers that are currently, or in the future become, subject to FDA regulation must timely file applications for the appropriate authorizations so that we may continue selling their products in the United States. We have no control over the content of those applications, and we have no assurances that the outcome of the FDA’s review will result in authorization of the marketing of these products. If the FDA establishes or applies review standards or processes that our suppliers are unable or unwilling to comply with, our business, results of operations, financial condition and prospects would be adversely affected. The anticipated costs to our suppliers of complying with future FDA regulations will be dependent on the rules issued by the FDA, the timing and clarity of any new rules or guidance documents accompanying these rules, the reliability and simplicity (or complexity) of the electronic systems utilized by the FDA for information and reports to be submitted, and the details required by the FDA for such information and reports with respect to each regulated product. Any failure to comply with existing or new FDA regulatory requirements could result in significant financial penalties to us or our suppliers, which could ultimately have a material adverse effect on our business, results of

operations, financial condition and ability to market and sell our products. Compliance and related costs could be substantial and could significantly increase the costs of operating in the vaporization products and certain other consumption accessories markets.



In addition, failure to comply with the Tobacco Control Act and with FDA regulatory requirements could result in litigation, criminal convictions or significant financial penalties and could impair our ability to develop, market and sell our future products. At present, we are not able to predict whether the Tobacco Control Act will impact our business to a greater degree than competitors in the industry, thus affecting our competitive position.

Disruptions at the FDA and other government agencies caused by Trump administration actions or funding reductions could hinder their ability to hire, retain or deploy key leadership and other personnel, or otherwise prevent our development stage products from being developed, approved, or commercialized in a timely manner or at all, which could negatively impact our business.

President Donald Trump's January 2025 order requiring the removal of 10 regulations, rules, or guidances for each new one issued may put administrative pressure the FDA and other federal health agencies. This could disrupt or delay the FDA from promulgating new regulations and guidance. We can provide no assurance that President Trump's new administration will limit the current authority of FDA nor eliminate or lessen their authority to regulate our products and if so whether that will benefit us. A reduction in the number of employees at the FDA could negatively affect the development of our anticipated products. The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, statutory, regulatory, and policy changes, the FDA's ability to hire and retain key personnel and accept the payment of user fees, and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable. Disruptions at the FDA and other agencies may also slow the time necessary for product modifications to reviewed and/or approved by necessary government agencies, which would adversely affect our business.

### **Human capital**

At March 31, 2025, the Company had three employees consisting of its executive officers.

In 2024 and 2023 we engaged consultants who performed product design, product testing and corporate business development on our behalf. We compensate these individuals at various rates.

Employee health and safety in the workplace is one of our core values. Given our current product development opportunities and commercialization efforts, we expect to expand our executive, management and employee numbers in order to meet future strategic and operational requirements and commitments. Over the next few years, we would expect to undertake this expansion with strong consideration given to management and employee diversity, to learning and innovation and to establishing and maintaining positive and dynamic workplace environments. This will require greater compensation and benefit expenditures than the Company has incurred during its development stage.

### **Our history**

We were incorporated under the laws of the State of Delaware on December 21, 2009 under the name OICco Acquisition IV, Inc. with the principal business objective of merging with or being acquired by another entity. On April 11, 2014, we entered into a Share Exchange Agreement and Plan of Reorganization with VapAria Solutions and its shareholders which is described in greater detail in Note 1 of the notes to our consolidated financial statements appearing later in this report. Following the closing of this transaction, in August 2014 we changed the name of our company to VapAria Corporation. In December 2019 we changed our corporate name to CQENS Technologies Inc.

### **Additional Information**

We file annual, quarterly and other reports, proxy statements and other information with the SEC. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers such as our company that file electronically with the SEC. Our corporate website address is [www.CQENS.com](http://www.CQENS.com). We make available free of charge, through the Investor section of our website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information which appears on our corporate website is not part of this report.

## ITEM 1A. RISK FACTORS.

Before you invest in our securities, you should be aware that there are various risks. You should consider carefully these risk factors, together with all of the other information included in this annual report before you decide to purchase our securities. If any of the following risks and uncertainties develop into actual events, our business, financial condition or results of operations could be materially adversely affected.

### FINANCIAL RISKS

***We have a history of losses, do not generate any revenues and do not have sufficient working capital to fund our operations and pay our obligations.***

We reported a net consolidated loss of \$10,912,576 and \$4,303,550 for 2024 and 2023, respectively, and we have a working capital surplus of \$1,575,975 at December 31, 2024. We do not have any revenue generating operations, do not presently expect to launch our first products until the fourth quarter of 2025 or early in 2026 and will need to raise significant capital to pay our operating expenses and satisfy our obligations as they become due, in addition to continuing to implement our business plan. If we are unable to secure the necessary capital, our ability to continue our operations will be in jeopardy.

***Our auditors have raised substantial doubts as to our ability to continue as a going concern.***

Our consolidated financial statements have been prepared assuming we will continue as a going concern. We have experienced losses from operations, which losses have caused an accumulated deficit of \$34,763,794 at December 31, 2024. The report of our independent registered public accounting firm on our consolidated financial statements for the year ended December 31, 2024, contains an explanatory paragraph regarding our ability to continue as a going concern based upon our recurring losses and no source of revenues which are sufficient to cover our operating costs. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. While we have secured significant capital through private investments, we do not have continuous sources of capital or certainty of additional capital. As we work through the PMTA process, we will require substantial capital to fund this regulatory step to commercialization. We are not certain that the capital raised will sufficiently fund this activity along with our operating expenses and satisfy our obligations as they become due. There are no assurances that we will be able to raise sufficient capital to implement our business plan in order to permit us to begin generating revenues and cash flow to a level which supports profitable operations and provides sufficient funds to pay our obligations. If we are unable to meet those obligations, we could be forced to cease operations in which event investors would lose their entire investment in our company.

***We require additional capital to fund our operations and we may have difficulty raising capital, which could deprive us of necessary revenues.***

We have not generated any revenues to date and, subject to the availability of sufficient capital, do not expect to launch our first products until the fourth quarter of 2025 or early in 2026, owing to our recent focus on regulatory approved products. We have raised funds through private transactions since inception that have to date covered our operating expenses. In order to support our initiatives, we will need to raise additional funds through public or private debt or equity financing, collaborative relationships or other arrangements with well capitalized companies. Our ability to raise additional financing depends on many factors beyond our control, including the current volatility in the capital markets, risks associated with investing in a pre-revenue company with no assurances our products can be commercialized, the lack of a public market for our common stock and the development or prospects for development of competitive technology by others. Sufficient additional financing may not be available to us or may be available only on terms that would result in further dilution to the current owners of our common stock. If we are unsuccessful in raising additional capital, or the terms of raising such capital are unacceptable, we may never be able to effectively monetize our intellectual property assets. In that event, we may have to modify our business plan and/or significantly curtail our planned activities and other operations.

## **BUSINESS RISKS**

### ***We have a limited operating history and have not developed or launched any products.***

We are a company with a limited operating history. We have only recently completed the development of prototypes of new products using our proprietary technology; our development stage products are unproven and we have not generated any revenues. We are subject to the substantial risk of failure facing businesses seeking to develop and commercialize new products and technologies. Certain factors that could, alone or in combination, affect our ability to successfully develop and market our products, include:

- our ability to build and finance our products at our targeted scale on a cost-effective basis and in the time frame we anticipate;
- technical challenges developing our commercial production processes or systems that we are unable to overcome;
- reliance on third-party manufacturers and our recently formed Hong Kong-based joint venture for fabricating and assembling our products;
- our ability to establish markets for our products;
- our ability to obtain financing;
- our ability to meet our potential customers' requirements or specifications;
- our ability to secure and maintain all necessary U.S. and international regulatory approvals and to comply with applicable laws and regulations for our products;
- our ability to establish new relationships, or maintain and expand our existing relationships, with strategic partners, including strategic partners that will manufacture and market our products; and
- actions of direct and indirect competitors or that may seek to compete with the products that we develop.

### ***Leap Technology is in a pre-formative stage with no operating history.***

As disclosed earlier in this report, in July 2020 we agreed to become a member of Leap Technology through the contribution of a license for certain of our intellectual property. Leap Technology is still in a pre-formative stage with no operating history and its operations are subject to all the risks inherent in the establishment of a new business enterprise. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays that are frequently encountered in a newly-formed company. There can be no assurance that at this time that Leap Technology will be able to implement its business plan, generate revenues, operate profitably or will have adequate working capital to meet its obligations as they become due. Prospective investors must consider the risks and difficulties frequently encountered by early stage companies, particularly in rapidly evolving markets. We cannot be certain that Leap Technology's business strategy will be successful or that it will successfully address these risks. In the event that Leap Technology does not successfully address these risks, its business, prospects, financial condition, and results of operations could be materially and adversely affected and it may not have the resources to continue or expand our business operations. In that event, any benefits we expect to receive from Leap Technology would not materialize.

### ***There are no assurances the Barker Group/Firebird Manufacturing joint venture will be finalized.***

As of the date of this report, the Barker Group/Firebird Joint Venture has not been finalized. We expect to finalize the Joint Venture in 2025. There can be no assurance that we will be able to finalize the Joint Venture by then or at any point in the future. In either case, delay in or failure to complete and finalize certain details may impair our ability to realize our business prospects and strategic objectives.

### ***Our management does not devote their full time to our company and certain of our officers and directors may have conflicts of interest.***

As of the date of this report we have four full-time employees, including of our three executive officers. While our executive officers devote such time to us as they deem reasonable and necessary to discharge the business of our company, our officers have professional interests in a variety of activities other than those relevant to us. We do not have any written employment agreements with our officers. Accordingly, conflicts may arise in the allocation of time between our company and one or more of these

activities. While we expect that our board of directors and management will exercise their fiduciary obligation to our company, there are no assurances any conflicts of interest which may arise will be resolved in our favor.

***We will rely exclusively on third parties to formulate and manufacture our products.***

We have no experience in the formulation or manufacturing of the products we intend to develop and do not intend to establish our own manufacturing facilities. We will rely on one or more third-party contractors and manufacturers, including, but not limited to CEL, Montrade and Firebird, to manufacture our products. Our anticipated future reliance on a limited number of third-party manufacturers exposes us to the following risks:

- we may be unable to identify manufacturers on acceptable terms or at all;
- our third-party manufacturers might be unable to formulate and manufacture our products in the volume and quality required to meet our needs;
- our contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to successfully produce, store and distribute our products; and
- our manufacturers may fail to comply with federal, state or foreign regulations.

Each of these risks could delay our product development or result in higher costs or deprive us of potential product revenues.

***Certain of our proposed products will be subject to FDA oversight.***

Our current business strategies call for us to develop certain products that now fall under the regulatory authority of the FDA. Our product candidates could be required to undergo costly and time-consuming rigorous non-clinical and clinical testing and we will be required to obtain regulatory approval prior to the sale and marketing of some of our products. While we believe that the features of certain of our products may enable us to secure FDA fast track approval, there are no assurances our beliefs are correct. The results of this testing or issues that develop in the review and approval by any regulatory agency, including the FDA, may subject us to unanticipated delays or prevent us from marketing any proposed products we may develop.

***We have no experience selling, marketing or distributing products and have no internal capability to do so.***

We currently have no sales, marketing or distribution capabilities. We do not anticipate having the resources in the foreseeable future to allocate to the sales and marketing of our proposed products. Our future success depends, in part, on our ability to enter into and maintain collaborative relationships for such capabilities, the collaborator's strategic interest in the products under development and such collaborator's ability to successfully market and sell any such products. We intend to pursue collaborative arrangements regarding the sales and marketing of our products, however, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if able to do so, that our collaborators will have effective sales forces. To the extent that we decide not to, or are unable to, enter into collaborative arrangements with respect to the sales and marketing of our proposed products, significant capital expenditures, management resources and time will be required to establish and develop an in-house marketing and sales force with technical expertise. There can also be no assurance that we will be able to establish or maintain relationships with third party collaborators or develop in-house sales and distribution capabilities. To the extent that we depend on third parties for marketing and distribution, any revenues we receive will depend upon the efforts of such third parties, and there can be no assurance that such efforts will be successful. In addition, there can also be no assurance that we will be able to market and sell our proposed products in the United States or overseas.

***We may not be successful in establishing and maintaining strategic partnerships, which could adversely affect our ability to develop and commercialize our proposed products.***

We intend to enter into strategic partnerships in the future, including alliances with other consumer product companies, to enhance and accelerate the development and commercialization of our proposed products. We face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for any future proposed products and programs because our research and development pipeline may be insufficient, our proposed products and programs may be deemed to be at too early of a stage of development for collaborative effort and/or third parties may not view our product candidates and programs as having the requisite potential to demonstrate safety and efficacy. Even if we are successful in our efforts to establish strategic partnerships, the terms that we agree upon may not be favorable to us and we may not be able to maintain such strategic partnerships if, for example, development or approval of a product candidate is delayed or sales of an approved product are disappointing.

If we ultimately determine that entering into strategic partnerships is in our best interest but either fail to enter into, are delayed in entering into or fail to maintain such strategic partnerships:

- the development of certain of our proposed products may be terminated or delayed;
- our cash expenditures related to development of certain of our proposed products would increase significantly and we may need to seek additional financing;
- we may be required to hire additional employees or otherwise develop expertise, such as sales and marketing expertise, for which we have not budgeted;
- we will bear all of the risk related to the development of any such products; and
- the competitiveness of any product that is commercialized could be reduced.

*To the extent we elect to enter into licensing or collaboration agreements to partner our product candidates, our dependence on such relationships may adversely affect our business.*

Our commercialization strategy for certain of our proposed products may depend on our ability to enter into agreements with collaborators to obtain assistance and funding for the development and potential commercialization of these product candidates. Supporting diligence activities conducted by potential collaborators and negotiating the financial and other terms of a collaboration agreement are long and complex processes with uncertain results. Even if we are successful in entering into one or more collaboration agreements, collaborations may involve greater uncertainty for us, as we have less control over certain aspects of our collaborative programs than we do over our proprietary development and commercialization programs. We may determine that continuing a collaboration under the terms provided is not in our best interest, and we may terminate the collaboration. Our collaborators could delay or terminate their agreements, and our proposed products subject to collaborative arrangements may never be successfully commercialized.

## **RISK RELATED TO OUR COMMON STOCK**

*There is no public market for our common stock. In the event we establish a market for our common stock, it is likely that the market for that common stock will be limited.*

There is no public market for our common stock. We have delayed seeking a market maker or undertaking an initial public offering, pending the enhancement of our prototypes, the initiation of certain clinical studies and our progress in discussions with certain third parties. We continue to explore securing a market maker to file the appropriate documents with the Financial Industry Regulatory Authority, Inc. (FINRA) to obtain a quotation of our common stock in the over the counter market or engaging an investment banker to assist us in an initial public offering, the timing and success thereof is presently unknown. Even if we are successful in establishing a public market for our common stock, it is likely that the market will be limited and sporadic and generally at very low volumes until such time, if ever, as we are able to develop a following for our common stock. An active market for our common stock may never develop.

*Delaware law contains anti-takeover provisions that could deter takeover attempts that could be beneficial to our stockholders.*

Provisions of Delaware law could make it more difficult for a third-party to acquire us, even if doing so would be beneficial to our stockholders. Section 203 of the Delaware General Corporation Law may make the acquisition of our company and the removal of incumbent officers and directors more difficult by prohibiting stockholders holding 15% or more of our outstanding voting stock from acquiring us, without our board of directors' consent, for at least three years from the date they first hold 15% or more of the voting stock.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not applicable to a smaller reporting company.

### **ITEM 1C. CYBERSECURITY.**

We rely on our technology infrastructure and information systems for internal and external communications, controls, and financial reporting. Our technology infrastructure and information systems also support and form the foundation for our accounting and finance systems and form an integral part of our disclosure and accounting control environment. Most of our systems and processes are provided by third-party vendors and may be susceptible to damage or interruption from cybersecurity threats, which include any unauthorized access to our information systems that may result in adverse effects on the confidentiality, integrity, or availability of such systems or the related information. Potential cybersecurity threats also include hacker attacks, the introduction of malicious computer viruses, ransomware, falsification of banking and other information, insider risk, or other security breaches. Such attacks have become more and more sophisticated over time. We expect that sophistication of cyber-threats will continue to evolve. Our processes and procedures to assess, identify and manage cybersecurity risks are overseen by an experienced, contracted resource. This resource implements cybersecurity risk mitigation strategies and activities, including the management of incident response plans, cybersecurity risks posed by third-party vendors, ensures that policies and procedures are current and followed, and reports regularly to Company's board of directors.

**ITEM 2. DESCRIPTION OF PROPERTY.**

We maintain our corporate offices at 5550 Nicollet Avenue, Minneapolis, MN 55419. We lease these premises from 5550 Nicollet LLC, an affiliate of Mr. Chong. Since December 2019 we have entered into month to month leases each December at an annual rental rate of \$9,300. We occupied the space for all the 2024 calendar year with rent totaling \$9,300. We continue to rent on this same month-to-month basis and beginning January 2025 the monthly rent is \$800. We are not certain we will continue to rent this space for the entire 2025 calendar year.

Effective April 15, 2022, the Company entered into a lease agreement for research and development and product engineering space located at 8035 Soquel Drive, #41, Aptos, California. The initial term of the lease is three years from the effective date. The Company will have the right to extend the term of the lease for an additional 5-year term. The Company pays an escalating base rent over the life of the lease of initially \$4,800 per month increased to \$5,175 in May 2023, then \$5,555 in June of 2024. The Company's pro rata portion of property expenses and operating expenses is included in this rent.

**ITEM 3. LEGAL PROCEEDINGS.**

We are not a party to any pending or threatened litigation.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable to our company.



## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

There is no public market for our common stock. As of March 31, 2025, there were approximately 215 record owners of our common stock.

#### Dividend policy

We have never paid cash dividends on our common stock. Under Delaware law, we may declare and pay dividends on our capital stock either out of our surplus, as defined in the relevant Delaware statutes, or if there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. If, however, the capital of our company, computed in accordance with the relevant Delaware statutes, has been diminished by depreciation in the value of our property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, we are prohibited from declaring and paying out of such net profits and dividends upon any shares of our capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired. Even if permitted under Delaware law, we do not have any present intention of declaring or paying dividends on our common stock in the foreseeable future.

#### Recent sales of unregistered securities

During the period covered by this report we sold the restricted securities below under the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

On January 29, 2024, we issued 12,500 shares valued at \$250,000 as a retainer pursuant to our engagement of Anglo-Chinese Financial in Asia. In 2024, \$215,000 of this retainer was expensed for services provided.

On March 25, 2024, we sold 14,250 shares of our common stock to a “non-U.S. Person” accredited investor for \$285,000 in a private transaction. We did not pay a commission or finder’s fee and are using the proceeds for working capital.

In 2024, we sold 329,150 shares of our common stock for \$6,583,000 to 35 accredited investors in private transactions. We did not pay commissions or finder’s fees and are using the proceeds for working capital.

In 2024 we issued 297,963 shares of our common stock to 31 unrelated third parties, all of whom are practicing medical professionals, as compensation for consulting services involving providing counsel and guidance related to therapeutic applications of our patents, technologies, and formulations; as well as pathways to regulatory approvals and authorizations. The stock was valued at \$5,959,260.

#### Purchases of equity securities by the issuer and affiliated purchasers

None.

### ITEM 6. [RESERVED]

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of our financial condition and results of operations for 2023 and 2024 should be read in conjunction with the consolidated financial statements and the notes to those statements that are included elsewhere in this report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under Cautionary Statement Regarding Forward Looking Information, Item 1A. Business and Item 1A. Risk Factors in this report. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions to identify forward-looking statements.

## **Going concern**

For 2024, we reported a net consolidated loss of \$10,912,576 and net cash used in operations of \$2,592,610. At December 31, 2024, we had cash on hand of \$4,596,556 and an accumulated deficit of \$34,763,794. The report of our independent registered public accounting firm on our consolidated financial statements for the year ended December 31, 2024 contains an explanatory paragraph regarding our ability to continue as a going concern based upon our cash balances and no source of revenues which are sufficient to cover our operating costs. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. There are no assurances we will be successful in our efforts to raise capital, develop a source of revenues, report profitable operations or to continue as a going concern, in which event investors would lose their entire investment in our company.

## **Results of operations**

We did not generate any revenues from our operations in 2024 or 2023. Our total operating expenses for 2024 increased 153.6% from those incurred in 2023. Professional fees increased by 465.4% in 2024 compared to 2023, due largely to business development consulting and regulatory advisory services utilized in 2024 that were not as prevalent in 2023. General and administrative expenses, which include amortization, depreciation, compensation, rent, software subscriptions, and website hosting expenses, decreased by 30.0% in 2024 compared to 2023. Non-cash compensation expense from stock options granted was higher in 2023 than 2024 which was the main reason for this decrease. Research and development expenses in 2024 for new prototype designs and development were \$1,504,416 compared to \$1,132,806 in 2023. The 32.8% increase is attributable to additional engineering services devoted to research and development in 2024.

We expect that our operating expenses will increase as we continue to develop our business and we devote additional resources toward our new technologies and business opportunities, promoting that growth, most notably reflected in anticipated increases in general overhead, salaries for personnel and technical resources, as well as increased costs associated with our SEC reporting obligations. However, as set forth elsewhere in this report, our ability to continue to develop our business and achieve our operational goals is dependent upon our ability to raise significant additional working capital. As the availability of this capital is unknown, we are unable to quantify at this time the expected increases in operating expenses in future periods.

## **Liquidity and capital resources**

Liquidity is the ability of a company to generate sufficient cash to satisfy its needs for cash. As of December 31, 2024, we had \$4,596,556 in cash and cash equivalents and a working capital surplus of \$1,575,975 compared to \$350,565 in cash and cash equivalents and a working capital deficit of \$921,732 at December 31, 2023. Our current liabilities increased \$1,813,530 from December 31, 2023, reflecting an increase in our accounts payable with a \$813,875 payment due for the manufacturing equipment, increase in our accrued expenses, and an increase in the related party loans. Our source of operating capital in 2024 came from the sale of 343,400 shares of our common stock raising \$6,868,000 and a related party loan of \$112,467, compared to the same period in 2023 where our source of capital came from the sale of 103,750 shares of our common stock raising \$2,075,000 in capital and related party loans of \$904,247.

The ability of the Company to continue as a going concern is dependent upon the Company obtaining adequate capital to fund operating losses until it becomes profitable. As the company is not generating revenues, continued activities and expenditures to bring product(s) to market as soon as we are able is important. Management believes the currently available funding will be insufficient to finance the Company's operations for a year from the date of these consolidated financial statements and to satisfy our obligations as they become due.

In 2024 and 2023 we borrowed funds from Xten Capital Group, a related party, and as a result on December 31, 2024, we owed Xten \$1,000,000. The loan is non-interest bearing and due upon demand. The funds are being used for working capital.

While we raised \$6,868,000 from the sale of our securities during 2024, we still will need to raise \$10,000,000 to \$15,000,000 in additional capital during the next 12 months to achieve our goals. There are no assurances we will have sufficient funds to fund our operating expenses and continued development of our products and to satisfy our obligations as they become due over the next 12 months. In that event, our ability to continue as a going concern is in jeopardy.

During the first quarter of 2025 we sold an aggregate of 503,750 shares of common stock to eight accredited investors for gross proceeds of \$10,075,000. Proceeds from the sales are being used for working capital.

## Summary of cash flows

	December 31, 2024	December 31, 2023
Net cash (used) in operating activities	\$ (2,372,214)	\$ (2,583,282)
Net cash (used) in investing activities	\$ (362,182)	\$ (265,181)
Net cash provided by financing activities	\$ 6,980,467	\$ 2,979,247

Our cash used in operating activities decreased 8.2% in 2024 compared to 2023. During these time periods we used the cash primarily to fund our net losses.

In 2024 our cash used in investing activities was \$362,182 from capitalization of intellectual property related to legal fees. In 2023 our cash used in investing activities was \$265,181 and was comprised of \$266,502 from capitalization of intellectual property related to legal fees, furniture and \$1,321 investment in CEL.

Net cash provided by financing activities in 2024 consisted of \$6,868,000 raised from the sales of 343,400 shares of common stock and 112,467 in borrowing from related parties. Net cash provided by financing activities in 2023 consisted of \$2,075,000 from issuance of our common stock and \$904,247 in borrowing from related parties.

## Critical accounting policies

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of expenses during the reported periods. The more significant accounting estimates include estimates related to impairment of long-lived assets. We also have other key accounting policies, none of these policies are deemed to be critical accounting policies or critical estimates.

## Recent accounting pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016 - 13, "Financial Instruments - Credit Losses," which introduced new guidance for an approach based on expected losses to estimate credit losses on certain types of financial instruments. This standard was effective for the Company as of January 1, 2023. There was no impact on our financial statements at adoption.

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which introduced new guidance for improving disclosures about a public entity's reporting segments to provide, when applicable, more detailed information about a reportable segment's expenses. This standard was effective for the Company as of January 1, 2024. The senior management team consisting of the CEO, CFO and COO collectively are identified as the Chief Operating Decision Maker (CODM). The CODM, for the Company, has determined, consistent with the guidance in ASC 280 paragraph 280-10-50-1, that CQENS Technologies and its subsidiary, CQENS Electronics (Hong Kong) Limited ("CEL"), are a single operating and reporting segment. The CODM has chosen to organize the Company around differences in products and services. CQENS and CEL are focused on research and development of our HnB technology and on production and commercialization of this same technology. As a result, there is no additional disclosures required and no impact to our financial statements at adoption.

## Off balance sheet arrangements

As of the date of this report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable for a smaller reporting company.

## ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Please see our consolidated financial statements beginning on page F-1 of this annual report.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

## ITEM 9A. CONTROLS AND PROCEDURES.

*Evaluation of Disclosure Controls and Procedures.* We are required to maintain “disclosure controls and procedures” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were not effective to ensure that the information relating to our company, required to be disclosed in our Securities and Exchange Commission reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as a result of material weaknesses in our internal control over financial reporting.

*Management's Report on Internal Control over Financial Reporting.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of these controls. Based on this assessment our management has concluded that as of December 31, 2024, our internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles as a result of material weaknesses. These material weaknesses in our internal control over financial reporting result from limited segregation of duties and limited multiple levels of review in the financial close process.

The existence of the continuing material weaknesses in our internal control over financial reporting increases the risk that a future restatement of our financials is possible. In order to remediate these material weaknesses, we will need to expand our accounting resources. We will continue to monitor and evaluate the effectiveness of our disclosure controls and procedures and our internal control over financial reporting on an ongoing basis, however, we do not expect that the deficiencies in our disclosure controls will be remediated until such time as we have remediated the material weaknesses in our internal control over financial reporting. In order to do so, we will need additional capital to permit us to hire employees and put the requisite controls in place. Given the uncertainties with our ability to raise working capital as discussed earlier in this report, there are no assurances we will be able to remediate the material weaknesses in our internal control over financial reporting during 2025.

*Changes in Internal Control over Financial Reporting.* There have been no changes in our internal control over financial reporting during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION.

None.

## ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table provides information on our executive officers and directors:

Name	Age	Positions
Alexander Chong	60	Chairman of the Board of Directors, Chief Executive Officer
William P. Bartkowski	73	President, Chief Operating Officer and Secretary
Daniel Markes	63	Vice President, Chief Financial Officer, director

**Alexander Chong.** Mr. Chong has served as Chairman of the Board and Chief Executive Officer since July 2014. Mr. Chong is an experienced entrepreneur and businessman. Since founding the company in 1993, he has also served as the Chairman of Plexus International, a consulting and training organization with 14 international offices and its principal office located in Minneapolis, Minnesota. Mr. Chong has also served as Chief Executive Officer and a member of the board of directors of Xten, a Minnesota-based company with investment interests in technology and a variety of Asia-based opportunities since 2007. He has broad experience in international business and manufacturing quality. Mr. Chong also has experience serving on boards of directors of privately held companies in the role of an independent director, as well as identifying key joint venture partners and negotiating and securing international distribution agreements with large multi-national companies. In connection with the developer of the original e-cigarette, Mr. Chong oversaw U.S. patent filings and developed the first disposable e-cigarette offered for distribution and sale in the U.S. Mr. Chong received a B.S. in Chemistry from Boston University. Mr. Chong's significant professional experience in our business sector and international business and technology were factors considered by the board of directors in concluding that he should be serving as a director of our company.

**William P. Bartkowski.** Mr. Bartkowski has served as an executive officer of our company since July 2014. Mr. Bartkowski has had a three-decade career in banking, consulting and marketing. Since 2008 Mr. Bartkowski has been engaged as a business consultant. From 1988 to 1995 he was an executive officer of Metropolitan Financial Corp., a NYSE listed company and from 1996 to 2004 Mr. Bartkowski was a partner in Neuger, Henry, Bartkowski, a public relations firm. He has been involved with the electronic cigarette business since late 2006. In that capacity he has organized, directed and optimized marketing, consumer focus group testing, market analysis and sales testing and he has negotiated and finalized plans and agreements with major U.S. distributors and retailers with respect to electronic cigarettes. Mr. Bartkowski has also been involved extensively in U.S. and international regulatory and legal issues affecting electronic cigarettes and tobacco issues. He previously provided investor relations and capital markets advisory services, including capital formation and M&A counsel for more than a dozen public companies. From April of 2013 until November of 2015 Mr. Bartkowski served on the board of directors and was an officer of the Smoke Free Alternatives Trade Association (SFATA), a leading international advocacy group for keeping e-cigarettes innovative, accessible and unencumbered by burdensome laws and regulations. Mr. Bartkowski received a B.A. in English from the University of Mary, an M.A. in English from North Dakota State University and a PhD in Adult Education.

**Daniel Markes.** Mr. Markes has served as an executive officer and member of the board of directors of our company since July 2014. Mr. Markes is an experienced businessman and financial executive and his background includes having served in various capacities as Chief Financial Officer, controller, human resources director, business development specialist and member of the board of directors of a number of organizations throughout his professional career. Since 1997 Mr. Markes has been Director, Human Resources, Finance and Administration with Minneapolis-based Plexus Corporation founded by Mr. Chong. He also is an officer of Xten, serving as its Treasurer/Chief Financial Officer, as well as serving as an officer of 5550 Nicollet LLC, an entity affiliated with Mr. Chong. Mr. Markes received a BBA degree from Brock University. Mr. Markes' experience as a businessman and a financial executive were factors considered by the board of directors in concluding that he should be serving as a director of our company.

There are no family relationships between any of the executive officers and directors.

#### Board of Directors

Each director is elected at our annual meeting of stockholders and holds office until the next annual meeting of stockholders, or until his successor is elected and qualified. If any director resigns, dies or is otherwise unable to serve out his or her term, or if the board of directors increases the number of directors, the board may fill any vacancy by a vote of a majority of the directors then in office, although less than a quorum exists. A director elected to fill a vacancy shall serve for the unexpired term of his or her predecessor. Vacancies occurring by reason of the removal of directors without cause may only be filled by vote of the stockholders.





### *Board leadership structure and board's role in risk oversight*

The board of directors is comprised of members of our management and we do not have any independent directors. Mr. Chong, our Chief Executive Officer, also serves as Chairman of the Board. Given the early stage of our company, our board believes the current leadership structure is appropriate for our company. As our company grows, we expect to expand our board of directors through the appointment of independent directors.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of the risks we face and have responsibility for the oversight of risk management in their dual roles as directors.

### *Committees of the board of directors; stockholder nominations; audit committee financial expert*

We have not established any committees comprised of members of our board of directors, including an Audit Committee, a Compensation Committee or a Nominating Committee, or any committee performing similar functions. The functions of those committees are being undertaken by our board of directors as a whole.

We do not have a policy regarding the consideration of any director candidates which may be recommended by our stockholders, including the minimum qualifications for director candidates, nor has our board of directors established a process for identifying and evaluating director nominees, nor do we have a policy regarding director diversity. We have not adopted a policy regarding the handling of any potential recommendation of director candidates by our stockholders, including the procedures to be followed. Our board has not considered or adopted any of these policies as we have never received a recommendation from any stockholder for any candidate to serve on our board of directors. Given the early stage of our business, we do not anticipate that any of our stockholders will make such a recommendation in the near future. While there have been no nominations of additional directors proposed, in the event such a proposal is made, all members of our board will participate in the consideration of director nominees. In considering a director nominee, it is likely that our board will consider the professional and/or educational background of any nominee with a view towards how this person might bring a different viewpoint or experience to our board.

None of our directors is an “audit committee financial expert” within the meaning of Item 401(e) of Regulation S-K. In general, an “audit committee financial expert” is an individual member of the audit committee or board of directors who:

- understands generally accepted accounting principles and consolidated financial statements;
- is able to assess the general application of such principles in connection with accounting for estimates, accruals and reserves;
- has experience preparing, auditing, analyzing or evaluating consolidated financial statements comparable to the breadth and complexity to our consolidated financial statements;
- understands internal controls over financial reporting; and
- understands audit committee functions.

Our securities are not quoted on an exchange that has requirements that a majority of our board members be independent, and we are not currently otherwise subject to any law, rule or regulation requiring that all or any portion of our board of directors include “independent” directors, nor are we required to establish or maintain an Audit Committee or other committee of our board of directors.

### **Code of Ethics and Conduct**

We have adopted a Code of Ethics and Conduct which applies to our board of directors, our executive officers and our employees. The Code of Ethics and Conduct outlines the broad principles of ethical business conduct we adopted, covering subject areas such as:

- conflicts of interest;
- corporate opportunities;

- public disclosure reporting;
- confidentiality;
- protection of company assets;
- health and safety; and
- compliance with applicable laws.

A copy of our Code of Ethics and Conduct is available without charge, to any person desiring a copy, by written request to us at our principal offices at 5550 Nicollet Avenue, Minneapolis, MN 55419. A copy of our Code of Ethics and Conduct may also be found on our website at [www.cqens.com](http://www.cqens.com).

### Director compensation

Our directors do not receive compensation for their services as directors.

### ITEM 11. EXECUTIVE COMPENSATION.

The following table summarizes all compensation recorded by us in the past two years for:

- our principal executive officer or other individual serving in a similar capacity;
- our two most highly compensated named executive officers at December 31, 2024 whose annual compensation exceeded \$100,000; and
- up to two additional individuals for whom disclosure would have been required but for the fact that the individual was not serving as an executive officer at December 31, 2024.

For definitional purposes, these individuals are sometimes referred to as the “named executive officers.”

**Summary Compensation Table**

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	No equity incentive plan compensation (\$)	Non-qualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
Alexander Chong, Chief Executive Officer	2024	230,265	-	-	-	-	-	-	230,265
	2023	325,080	-	-	-	-	-	-	325,080
Daniel Markes, Chief Financial Officer	2024	206,708	-	-	-	-	-	-	206,708
	2023	135,028	-	-	-	-	-	-	135,028
William Bartkowski, Chief Operating Officer	2024	126,295	-	-	-	-	-	-	126,295
	2023	87,315	-	-	-	-	-	-	87,315

### *How the executive's compensation is determined*

Effective with the end of the first 2022 pay period, on January 14, 2022, the board approved annual salaries for its: (1) CEO, Alexander Chong, of \$325,080 per annum; (2) COO, William Bartkowski, of \$125,040 per annum; and (3) CFO, Daniel Markes, of \$200,040 per annum. The Company has not entered into any written employment agreements with its officers. These rates remain in effect as of the date of this report. Due to limited cash resources in 2023 and the first half of 2024, some of the executive compensation amounting to \$102,738 and \$189,630 respectively was deferred. In 2024 the amounts deferred in 2023 were repaid. As of the date of this report, the 2024 deferred amounts remain outstanding and payable.



***Outstanding equity awards at fiscal year-end***

The following table provides information concerning unexercised options, stock that has not vested and equity incentive plan awards for each named executive officer outstanding as of December 31, 2024:

OPTION AWARDS						STOCK AWARDS			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (#)
Alexander Chong, CEO	175,000	-	-	5.31	10/1/25	-	-	-	-
	300,000	-	-	12.00	10/20/26	-	-	-	-
William Bartkowski, COO	25,000	-	-	5.31	10/1/25	-	-	-	-
	42,858	-	-	12.00	10/20/26	-	-	-	-
	20,000	-	-	10.00	10/21/27	-	-	-	-
Dan Markes, CFO	25,000	-	-	5.31	10/1/25	-	-	-	-
	42,858	-	-	12.00	10/20/26	-	-	-	-
	20,000	-	-	10.00	10/21/27	-	-	-	-

***The Company's Policies and Practices Related to the Grant of Certain Equity Awards Close in Time to the Release of Material Non-public Information***

The Company does not have any formal policy that requires the Company to grant, or avoid granting, equity-based compensation to its executive officers at certain times. The timing of any equity grants to executive officers in connection with new hires, promotions, or other non-routine grants is tied to the event giving rise to the award (such as an executive officer's commencement of employment or promotion effective date). As a result, in all cases, the timing of grants of equity awards, including stock options, occurs independent of the release of any material non-public information, and the Company does not time the disclosure of material non-public information for the purpose of affecting the value of equity-based compensation.

No stock options were issued to executive officers in 2024 during any period beginning four business days before the filing of a periodic report or current report disclosing material non-public information and ending one business day after the filing or furnishing of such report with the SEC.

### *Securities authorized for issuance under equity compensation plans*

The following table sets forth securities authorized for issuance under any equity compensation plans approved by our stockholders as well as any equity compensation plans not approved by our stockholders as of December 31, 2024.

<i>Plan category</i>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Plans not approved by our stockholders:	-	-	-
Plans approved by stockholders:			
2014 Equity Compensation Plan	1,063,574	\$ 10.81	-
2019 Equity Compensation Plan	787,500	\$ 8.47	1,962,500

### **Equity Compensation Plan**

Throughout 2024, we had two equity compensation plans, our 2014 Equity Compensation Plan (the “2014 Plan”) and our 2019 Equity Compensation Plan (the “2019 Plan”). The 2014 Equity Compensation Plan expired in 2024 thus removing the 507,864 available options from this Plan. While the number of shares of our common stock underlying outstanding grants under these plans were proportionally reduced and the exercise price was proportionally increased following the December 26, 2019 effective date of our 1:7 reverse stock split of our common stock, the total number of shares reserved for grants under the plans and the evergreen formulas were not impacted by the reverse split.

On August 19, 2014, our board of directors adopted our 2014 initially covering 10,000,000 shares of common stock. The 2019 Plan was ratified by our shareholders on August 19, 2019. The 2014 Plan also contains an “evergreen formula” pursuant to which the number of shares of common stock available for issuance under the 2014 Plan will automatically increase on the first trading day of January each calendar year during the term of the 2014 Plan, beginning with calendar year 2015, by an amount equal to 1% of the total number of shares of common stock outstanding on the last trading day in December of the immediately preceding calendar year, up to a maximum annual increase of 100,000 shares of common stock or 14,286 post reverse split. The 2014 Plan expired in August 2024, although grants issued prior to such date remain outstanding.

On November 19, 2019, our board of directors authorized our 2019 Plan and the 2019 Plan was ratified by our stockholders on December 26, 2019. The 2019 Plan initially covered 2,000,000 shares of common stock. The 2019 Plan also contains an “evergreen formula” pursuant to which the number of shares of common stock available for issuance under the 2019 Plan will automatically increase on January 1 of each calendar year during the term of the 2019 Plan, beginning with calendar year 2020, by an amount equal to 15% of the total number of shares of common stock outstanding on December 31 of the immediately preceding calendar year, up to a maximum annual increase of 150,000 shares of common stock.

The other terms of the 2014 Plan and the 2019 Plan are identical. The purpose of each of the plans is to enable us to offer to our employees, officers, directors and consultants, whose past, present and/or potential contributions to our company have been, are or will be important to our success, an opportunity to acquire a proprietary interest in our company. The plans are administered by our board of directors. Plan options may either be:

- incentive stock options (ISOs),
- non-qualified options (NSOs),
- awards of our common stock, or
- rights to make direct purchases of our common stock which may be subject to certain restrictions.

Any option granted under a plan must provide for an exercise price of not less than 100% of the fair market value of the underlying shares on the date of grant, but the exercise price of any ISO granted to an eligible employee owning more than 10% of our outstanding common stock must not be less than 110% of fair market value on the date of the grant. The plan further provides that with respect to ISOs the aggregate fair market value of the common stock underlying the options which are exercisable by any

option holder during any calendar year cannot exceed \$100,000. The term of each plan option and the manner in which it may be exercised is determined by the board of directors or the compensation committee, provided that no option may be exercisable more than 10 years after the date of its grant and, in the case of an incentive option granted to an eligible employee owning more than 10% of the common stock, no more than five years after the date of the grant. In the event of any stock split of our outstanding common stock, the board of directors in its discretion may elect to maintain the stated amount of shares reserved under the plan without giving effect to such stock split. Subject to the limitation on the aggregate number of shares issuable under the plan, there is no maximum or minimum number of shares as to which a stock grant or plan option may be granted to any person.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

At March 31 2025, we had 27,377,302 shares of our common stock issued and outstanding which is our only class of voting securities. The following table sets forth information regarding the beneficial ownership of our common stock as of March 31, 2025 by:

- each person known by us to be the beneficial owner of more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- our named executive officers, and directors.

Unless otherwise indicated, the business address of each person listed is in care of 5550 Nicollet Avenue, Minneapolis, MN 55419. The percentages in the table have been calculated on the basis of treating as outstanding for a particular person, all shares of our common stock outstanding on that date and all shares of our common stock issuable to that holder in the event of exercise of outstanding options, warrants, rights or conversion privileges owned by that person at that date which are exercisable within 60 days of that date. Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of our common stock owned by them, except to the extent that power may be shared with a spouse.

Name and Address of Beneficial Owner	Common Stock	
	Shares	%
Alexander Chong <sup>(1)</sup>	19,491,216	66.7%
William P. Bartkowski <sup>(2)</sup>	92,858	*
Daniel Markes <sup>(3)</sup>	399,288	1.4%
All officers and directors as a group (three persons) <sup>(1)(2)(3)</sup>	19,983,362	68.4%

\* less than 1%

- (1) Includes: (i) 1,595,715 shares of our common stock held of record by Chinhak LLC; (ii) 17,420,501 shares of our common stock held of record by Xten; (iii) 175,000 shares of common stock underlying options with an exercise price of \$5.31 per share; and (iv) 300,000 shares of common stock underlying options held with an exercise price of \$12.00 per share. Mr. Chong has voting and dispositive control over the shares held of record by both of these entities. Excludes 428,572 shares of common stock held by Mr. Chong's wife, of which he disclaims any beneficial ownership.
- (2) Includes (i) 25,000 shares of common stock underlying options with an exercise price of \$5.31; (ii) 42,858 shares of our common stock of common stock underlying options with an exercise price of \$12.00 per share; and (iii) 20,000 share of our common stock underlying options with an exercise price of \$10.00 per share.
- (3) Includes (i) 168,572 shares of our common stock; (ii) 25,000 shares of common stock underlying options with an exercise price of \$5.31; (iii) 42,858 shares of common stock underlying options with an exercise price of \$12.00 per share; (v) 20,000 shares of common stock underlying options with an exercise price of \$10,00 per share; and (vi) 142,858 shares of our common stock owned by Paula Markes, his spouse.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

During fiscal 2023 and 2024 the Company borrowed \$900,000 and \$100,000, respectively, from Xten, a common control entity. During the three months ended March 31, 2025, the Company did not borrow from Xten. The loan is non-interest bearing and due upon demand. The funds are being used for working capital. From December 2023 through March 31, 2025 the Company's subsidiary, CEL, borrowed \$78,589 from Ann Liu. Ms. Liu, the Chief Operating Officer of CEL.

None of our directors is considered "independent" within the meaning of meaning of Rule 5605 of the NASDAQ Marketplace Rules.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table shows the fees that were billed for the audit and other services provided by MaloneBailey LLP for 2024 and 2023.

	2024	2023
Audit Fees	\$ 125,660	\$ 71,070
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	\$ 125,660	\$ 71,070

*Audit Fees* — This category includes the audit of our annual consolidated financial statements, review of consolidated financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

*Audit-Related Fees* — This category consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees." The services for the fees disclosed under this category include consultation regarding our correspondence with the Securities and Exchange Commission and other accounting consulting.

*Tax Fees* — This category consists of professional services rendered by our independent registered public accounting firm for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

*All Other Fees* — This category consists of fees for other miscellaneous items.

Our board of directors has adopted a procedure for pre-approval of all fees charged by our independent registered public accounting firm. Under the procedure, the Board approves the engagement letter with respect to audit, tax and review services. Other fees are subject to pre-approval by the board, or, in the period between meetings, by a designated member of the board. Any such approval by the designated member is disclosed to the entire board at the next meeting. The audit and tax fees paid to the auditors with respect to 2024 were pre-approved by the entire board of directors.

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a)(1) Financial statements.

- Report of MaloneBailey, LLP, Houston, TX (PCAOB ID 206);
- Consolidated balance sheets at December 31, 2024 and 2023;
- Consolidated statements of operations for the years ended December 31, 2024 and 2023;
- Consolidated statements of changes in stockholders' equity (deficit) for the years ended December 31, 2024 and 2023;
- Consolidated statements of cash flows for the years ended December 31, 2024 and 2023, and
- Notes to consolidated financial statements.





(b) Exhibits.

No .	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date Filed	Number	
2.1	<a href="#">Share Exchange Agreement and Plan of Reorganization dated April 11, 2014 by and between OICco Acquisition IV, Inc., VapAria Corporation and the listed shareholders+</a>	8-K	4/11/14	2a	
3.1	<a href="#">Amended and Restated Certificate of Incorporation</a>	S-1	6/11/14	3.C	
3.2	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation</a>	8-K	8/21/14	3.4	
3.3	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation</a>	10-Q	11/19/16	3.5	
3.4	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation</a>	8-K	12/18/19	3.5	
3.5	<a href="#">Bylaws</a>	S-1	3/29/10	3(b)	
4.1	<a href="#">Form of Series A Common Stock Purchase Warrant</a>	8-K	10/2/20	4.1	
4.2	<a href="#">Form of Series B Common Stock Purchase Warrant</a>	8-K	10/2/20	4.2	
4.3	<a href="#">Form of Series C Common Stock Purchase Warrant</a>	8-K	10/2/20	4.3	
10.1	<a href="#">Intellectual Property Assignment Agreement dated August 1, 2010 between Alexander C. Chong, William P. Bartkowski and Chong Corporation</a>	S-1	6/9/14	10(d)	
10.2	<a href="#">2014 Equity Compensation Plan *</a>	8-K	8/21/14	10.7	
10.3	<a href="#">Lease extension dated December 31, 2017 with Chong Corporation</a>	10-K	3/29/18	10.21	
10.4	<a href="#">Asset Purchase Agreement dated December 31, 2019 by and between CQENS Technologies Inc. and Chong Corporation</a>	8-K	1/2/20	10.1	
10.5	<a href="#">Form of Stock Purchase Agreement</a>	8-K	1/31/20	10.1	
10.6	<a href="#">Commercial Month to Month Lease</a>	10-K	4/10/20	10.29	
10.7	<a href="#">Form of Stock Purchase Agreement</a>	8-K	6/5/20	10.1	
10.8	<a href="#">Form of Amended and Restated Operating Agreement dated July 24, 2020 of Leap Technology LLC by and between CQENS Technologies, Inc., Zong Group Holdings LLC and Leap Management LLP</a>	8-K	7/29/20	10.1	
10.9	<a href="#">Form of Contribution Agreement Via Exclusive Licensing Agreement dated July 24, 2020 by and between CQENS Technologies Inc. and Leap Technology LLC</a>	8-K	7/29/20	10.2	
10.10	<a href="#">Form of Intellectual Property License Agreement dated July 24, 2020 by and between CQENS Technologies Inc. and Leap Technology LLP</a>	8-K	7/29/20	10.3	
10.11	<a href="#">Asset Purchase Agreement dated September 30, 2020 by and between CQENS Technologies Inc. and Xten Capital Group, Inc. (IP)</a>	8-K	10/2/20	10.1	
10.12	<a href="#">Asset Purchase Agreement dated September 30, 2020 by and between CQENS Technologies Inc. and Xten Capital Group, Inc. (other assets)</a>	8-K	10/2/20	10.2	
10.13	<a href="#">Joint venture Agreement by and among Firebrand Manufacturing, LLC and CQENS Technology, Inc. dated August 17, 2021</a>	8-K	8/23/21	10.1	
10.14	<a href="#">Commercial Lease Agreement Research and Development Facilities effective April 15, 2022</a>	10-K	4/14/22	10.20	
10.15	<a href="#">Purchase Agreement between CQENS Technologies, Inc. and Montrade S.P.A. effective July 13, 2022+</a>	10-Q	8/15/22	10.2	
10.16	<a href="#">Form of Stock Option Grant</a>	8-K	10/26/22	10.1	
10.17	<a href="#">2019 Equity Compensation Plan,</a>	10-K	4/14/23	10.23	
10.18	<a href="#">Amendment No. 2 of Montrade S.P.A. effective October 18, 2023</a>	10-Q	11/13/23	10.2	

10.19	<a href="#">Intellectual Property License Agreement effective August 22, 2023, by and between CQENS Technologies Inc. and XTEN Capital Group Inc.+</a>	8-K/A	11/22/23	10.1	
10.20	<a href="#">CQENS Electronics (Hong Kong) Limited Shareholders Agreement dated December 20, 2023 between CQENS Technologies Inc. and Asahi Corporation Limited</a>	8-K	12/21/23	10.1	
10.21	<a href="#">Intellectual Property Agreement dated December 20, 2023 by and between CQENS Technologies Inc. and CQENS Electronics (Hong Kong) Limited</a>	8-K	12/21/23	10.2	
14.1	<a href="#">Code of Conduct and Ethics</a>	10-K	4/14/15	14.1	
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer</a>				Filed
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer</a>				Filed
32.1	<a href="#">Section 1350 Certification of Chief Executive Officer and Chief Financial Officer</a>				Filed
101.INS	Inline XBRL Instance Document				Filed
101.SCH	Inline XBRL Taxonomy Extension Schema Document				Filed
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				Filed
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				Filed

+ Exhibits and/or Schedules have been omitted. The Company hereby agrees to furnish to the Staff of the Securities and Exchange Commission upon request any omitted information.

\* Management contract or compensatory agreement, plan or arrangement.

#### ITEM 16. FORM 10-K SUMMARY.

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### CQENS Technologies Inc.

March 31, 2025

By: /s/ Alexander Chong

Alexander Chong, Chief Executive Officer

March 31, 2025

By: /s/ Daniel Markes

Daniel Markes, Chief Financial Officer

## POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Alexander his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) and supplements to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Name</u>	<u>Positions</u>	<u>Date</u>
<u>/s/ Alexander Chong</u> Alexander Chong	Chief Executive Officer, Chairman of the Board of Directors, principal executive officer	March 31, 2025
<u>/s/ William P. Bartkowski</u> William P. Bartkowski	President, Chief Operating Officer and Secretary	March 31, 2025
<u>/s/ Daniel Markes</u> Daniel Markes	Vice President, Chief Financial Officer, director, principal financial and accounting officer	March 31, 2025

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
CQENS Technologies, Inc.

### ***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of CQENS Technologies, Inc. and its subsidiary (collectively, the “Company”) as of December 31 2024 and 2023, and the related consolidated statements of operations, stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31 2024 and 2023 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Going Concern Matter***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### ***Basis for Opinion***

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### ***Critical Audit Matters***

The critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ MaloneBailey, LLP  
[www.malonebailey.com](http://www.malonebailey.com)

We have served as the Company’s auditor since 2013.  
Houston, Texas  
March 31, 2025

**CQENS Technologies Inc.**

**Item 1. Consolidated Financial Statements**

**CQENS Technologies, Inc.  
Consolidated Balance Sheets**

	December 31	
	2024	2023
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 4,596,556	\$ 350,565
Prepaid expenses	109,137	43,891
<b>Total Current Assets</b>	<b>4,705,693</b>	<b>394,456</b>
Equipment, net	-	157,574
Intellectual property, net	1,386,720	1,144,024
Right-of-use asset - lease, net	21,979	79,800
Leasehold improvement, net	2,092	8,368
Prepaid expenses - noncurrent portion	1,315,784	498,408
<b>TOTAL ASSETS</b>	<b>\$ 7,432,268</b>	<b>\$ 2,282,630</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 961,887	\$ 104,179
Accrued expenses	279,138	248,438
Related party loan	1,016,714	904,247
Investor deposits	850,000	-
Current portion of lease liability	21,979	59,324
<b>Total Current Liabilities</b>	<b>3,129,718</b>	<b>1,316,188</b>
Lease liability, net of current portion	-	20,476
<b>TOTAL LIABILITIES</b>	<b>3,129,718</b>	<b>1,336,664</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock: \$0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding at December 31, 2024 and December 31, 2023	-	-
Common Stock: \$0.0001 par value; 200,000,000 shares authorized; 26,828,383 shares issued and outstanding at December 31, 2024 and 26,174,520 shares issued and outstanding at December 31, 2023	2,683	2,618
Additional paid-in capital	39,068,448	24,799,273
Non-controlling interests	(4,747)	514
Accumulated other comprehensive loss	(40)	-
Accumulated deficit	(34,763,794)	(23,856,439)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>4,302,550</b>	<b>945,966</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 7,432,268</b>	<b>\$ 2,282,630</b>

See accompanying notes to consolidated financial statements

**CQENS Technologies, Inc.**  
**Consolidated Statements of Operations**

	Year ended December 31	
	2024	2023
Operating Expenses		
General and administrative	\$ 1,194,810	\$ 1,705,655
Research and development	1,504,416	1,132,806
Professional fees	8,229,166	1,455,379
Total Operating Expenses	10,928,392	4,293,840
Total Operating Loss	(10,928,392)	(4,293,840)
Other (Expense)	15,816	(9,710)
Net Loss	(10,912,576)	(4,303,550)
Net loss attributable to non-controlling interests	(5,221)	(807)
Net Loss attributable to CQENS Technologies Inc	\$ (10,907,355)	\$ (4,302,743)
Basic and diluted loss per common share	\$ (0.41)	\$ (0.16)
Basic and diluted weighted average shares outstanding	26,434,607	26,112,501
Comprehensive Loss:		
Change in foreign currency translation adjustments	(80)	-
Comprehensive Loss:	(10,907,435)	(4,302,743)
Comprehensive loss attributable to non-controlling interests	(40)	-
Comprehensive loss attributable to CQENS Technologies, Inc.	\$ (10,907,395)	\$ (4,302,743)

See accompanying notes to consolidated financial statements

**CQENS Technologies, Inc**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2024 and 2023**

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total	Non- controlling Interest	Total
	Number of Shares	\$0.0001 Par Value						
Balance, December 31, 2022	<u>26,065,595</u>	<u>\$ 2,607</u>	<u>\$21,261,500</u>	<u>\$(19,553,696)</u>	<u>\$ -</u>	<u>\$ 1,710,411</u>	<u>\$ -</u>	<u>\$ 1,710,411</u>
Common stock issued for cash	103,750	10	2,074,990	-	-	2,075,000	-	\$ 2,075,000
Common stock issued for services	5,175	1	103,499	-	-	103,500	-	\$ 103,500
Stock options expense	-	-	1,359,284	-	-	1,359,284	-	\$ 1,359,284
Non-controlling interest	-	-	-	-	-	-	1,321	\$ 1,321
Net loss	-	-	-	(4,302,743)	-	(4,302,743)	(807)	\$ (4,303,550)
Balance, December 31, 2023	<u>26,174,520</u>	<u>\$ 2,618</u>	<u>\$24,799,273</u>	<u>\$(23,856,439)</u>	<u>\$ -</u>	<u>\$ 945,452</u>	<u>\$ 514</u>	<u>\$ 945,966</u>
Common stock issued for cash	343,400	34	6,867,966	-	-	6,868,000	-	\$ 6,868,000
Common stock issued for services	310,463	31	6,209,229	-	-	6,209,260	-	\$ 6,209,260
Stock options expense	-	-	1,191,980	-	-	1,191,980	-	\$ 1,191,980
Other comprehensive loss	-	-	-	-	(40)	(40)	(40)	\$ (80)
Net loss	-	-	-	(10,907,355)	-	(10,907,355)	(5,221)	\$ (10,912,576)
Balance, December 31, 2024	<u>26,828,383</u>	<u>\$ 2,683</u>	<u>\$39,068,448</u>	<u>\$(34,763,794)</u>	<u>\$ (40)</u>	<u>\$ 4,307,297</u>	<u>\$ (4,747)</u>	<u>\$ 4,302,550</u>

See accompanying notes to consolidated financial statements



**CQENS Technologies Inc.**  
**Consolidated Statements of Cash Flows**

	Year ended December 31	
	2024	2023
<b>Cash flows from operating activities</b>		
Net loss	\$ (10,912,576)	\$ (4,303,550)
Adjustments to reconcile net loss to net cash used in operations:		
Amortization expense	125,762	102,577
Lease expense	62,153	55,476
Depreciation expense	157,574	20,148
Stock options expense	1,191,980	1,359,284
Common stock issued for services	6,204,260	103,500
Changes in operating assets and liabilities:		
Prepaid expenses	(60,246)	138,822
Prepaid expenses - noncurrent portion	(27,845)	(40,091)
Accounts payable	68,177	(118,360)
Investor deposits	850,000	-
Lease liability	(62,153)	(55,476)
Accrued expenses	30,700	154,388
<b>Net cash used in operating activities</b>	<b>(2,372,214)</b>	<b>(2,583,282)</b>
<b>Cash flows from investing activities</b>		
Additions to intellectual property	(362,182)	(266,502)
Investment in CQENS Electronics (Hong Kong) Ltd.	-	1,321
<b>Net cash used in investing activities</b>	<b>(362,182)</b>	<b>(265,181)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common stock	6,868,000	2,075,000
Borrowing from related parties	112,467	904,247
<b>Net cash provided by financing activities</b>	<b>6,980,467</b>	<b>2,979,247</b>
Effect of exchange rate changes on cash	(80)	-
Net change in cash and cash equivalents	4,245,991	130,784
Cash and cash equivalents, beginning of period	350,565	219,781
Cash and cash equivalents, end of period	<u>\$ 4,596,556</u>	<u>\$ 350,565</u>
Supplementary disclosure for noncash activities:		
Common stock issued for future services	<u>\$ 5,000</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements

**CQENS Technologies, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF BASIS OF PRESENTATION**

Nature of Business

CQENS Technologies, Inc., formerly VapAria Corporation (“we”, “CQENS”, the “Company”) was incorporated under the laws of the State of Delaware on December 21, 2009 under the name OICco Acquisition IV, Inc.

On April 11, 2014 the Company entered into that certain Share Exchange Agreement and Plan of Reorganization with VapAria Solutions, Inc., a Minnesota corporation formerly known as VapAria Corporation (“VapAria Solutions”), and the shareholders of VapAria Solutions (the “VapAria Solutions Shareholders”) pursuant to which we agreed to acquire 100% of the outstanding capital stock of VapAria Solutions from the VapAria Solutions Shareholders in exchange for certain shares of our capital stock. On July 31, 2014 all conditions precedent to the closing were satisfied, including the reconfirmation by the investors of the prior purchase of 1,000,000 shares of our common stock pursuant to the requirements of Rule 419 of the Securities Act of 1933, as amended (the “Securities Act”), and the transaction closed.

At closing, we issued the VapAria Solutions Shareholders 5,142,856 shares of our common stock and 500,000 shares of our 10% Series A Convertible Preferred Stock (“Series A Preferred”) in exchange for the common stock and preferred stock owned by the VapAria Solutions Shareholders.

As a result of the closing of this transaction, VapAria Solutions became a wholly owned subsidiary of our company and its business and operations represent those of our company.

On August 19, 2014, the board of directors of the Company and the holders of a majority of its issued and outstanding common stock approved a Certificate of Amendment to our Amended and Restated Certificate of Incorporation changing the name of our company to VapAria Corporation. The name change was effective on August 19, 2014. Our Board determined it was in our best interests to change our corporate name to better reflect our business and operations following our recent acquisition of VapAria Solutions.

On December 26, 2019, our Board determined it was in our best interest to change our corporate name to better reflect our business and operations and so the Company name was changed from VapAria Corporation to CQENS Technologies Inc. Our board of directors and the Majority Stockholders have approved the Name Change to more accurately reflect the current direction of our company and to eliminate potential market confusion as our business focus is not in the area of unregulated vaping. Further, the board determined it would be in our best interests to dissolve the subsidiary entity, VapAria Solutions which had no activity or operations since July 31, 2014 when the April 11, 2014 Share Exchange Agreement and Plan of Reorganization’s conditions of close were satisfied. The dissolution of the subsidiary was effective December 30, 2019.

On December 20, 2023, we acquired 50% membership in CQENS Electronics (Hong Kong) Limited (“CEL”) along with Asahi Corporation for the design, development and manufacturing of our heat-not-burn device. CQENS holds a majority of the board seats including nomination of the chair. Pursuant to the establishment of CEL, CQENS entered into an exclusive, worldwide License Agreement with CEL for designing, developing and manufacturing a consumer device consistent with our IP. Although the activities of CEL in 2023 are minimal and are reflective primarily of its set-up, CEL is included in our consolidated financial statements.

CQENS Technologies, Inc. is a technology company with a proprietary method of heating plant-based consumable formulations that produce an aerosol that lead to the effective and efficient inhalation of the plant’s constituents. This is accomplished at a high temperature but without the accompanying constituents of combustion. Our system of heating is a high temperature, non-combustion system. Our Heat-not-Burn Tobacco Product (HTP) system is a patent-pending method of heating plant-based consumables for inhalation that is superior to other methods of ingestion, smoking, vaping, swallowing or via topical application.

The executive officers hired by the Company in the third quarter of 2020 are the employees at December 31, 2024. In September 2024 we hired a Project Manager to assist in the PMTA process. Effective December 23, 2021 the Board of Directors approved annual salary increases for its: CEO, Alexander Chong, COO, William Bartkowski and CFO, Daniel Markes, resulting in a new annual combined base of \$650,160 per annum compared to \$270,000 per annum previously. The annual combined base salary remains the same for 2024. To date the Company has not entered into any written employment agreements with the officers. The rates remain unchanged today.

The Company has a fiscal year end of December 31.

## **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation* - The accompanying consolidated financial statements have been prepared by the Company with accounting principles generally accepted in the United States of America (“GAAP”) and have been consistently applied in the preparation of the consolidated financial statements in line with the Principles of Consolidation.

*Estimates* – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash equivalents* – All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. As of December 31, 2024 there were no cash equivalents.

*Earnings per Share Information* – Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 260 “Earnings Per Share” provides for calculation of “basic” and “diluted” earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share.

*Income Tax* – Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse.

The Company has net operating loss carryforwards available to reduce future taxable income. Future tax benefits for these net operating loss carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. To the extent that the Company will not realize a future tax benefit, a valuation allowance is established.

*Long Lived Assets* – Assessing long-lived assets for impairment will require us to make assumptions and judgments regarding the carrying value of these assets. We will evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The assets will be considered to be impaired if we determine that the carrying value may not be recoverable based upon our assessment of the following events or changes in circumstances:

If we believe our assets to be impaired, the impairment we will recognize will be the amount by which the carrying value of the assets exceeds the fair value of the assets. Any write-down will be treated as permanent reductions in the carrying amount of the asset and an operating loss would be recognized. In addition, we base the useful lives and related amortization or depreciation expense on our estimate of the useful lives of the assets. If a change were to occur in any of the above-mentioned factors or estimates, our reported results could materially change. There was no impairment at December 31, 2024 and December 31, 2023.

*Intangible Assets* – Acquired intangible assets other than goodwill are amortized over their useful lives unless the lives are determined to be indefinite. Acquired intangible assets are carried at cost, less accumulated amortization. For intangible assets purchased in a business combination or received in a non-monetary exchange, the estimated fair values of the assets received (or, for non-monetary exchanged, the estimated fair values of the assets transferred if more clearly evident) are used to establish the cost basis, except when neither of the values of the assets received or the assets transferred in non-monetary exchanges are determinable within reasonable limits. Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value. Amortization of finite-lived intangible assets is computed over the useful life of the respective assets.

*Leases* - In February 2016, the FASB issued ASU 2016-02 “Leases” which amended current lease accounting to require lessees to recognize (i) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted

basis, and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model. Additional ASUs have been issued subsequent to ASU 2016-02 to provide supplementary clarification and implementation guidance for leases related to, among other things, the application of certain practical expedients, the rate implicit in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payment that depend on an index or rate and certain transition adjustments.

The Company adopted the new standard on January 1, 2019, using the modified-retrospective method. The new standard provides a number of optional practical expedients in transition. The Company has elected the “package of practical expedients”, which permits it not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company did not elect the use-of-hindsight or the land easements practical expedients as this is not applicable to the Company. The new standard also provides practical expedients for an entity’s ongoing accounting. The Company elected the short-term lease recognition exemption for all leases that qualify. This means that the Company does not recognize right-of-use assets or lease liabilities for leases with terms of 12 months or less. Certain leases of low-value assets are also not recognized.

The Company will recognize an operating lease asset and operating lease liability for each lease with a contractual term greater than 12 months at the time of lease inception. We will not record leases with an initial term of 12 months or less on our balance sheet but will continue to record rent expense on a straight-line basis over the lease term.

Operating lease assets and liabilities will be recognized at the lease commencement date, which is the date we control the use of the property. Operating lease liabilities represent the present value of lease payments not yet paid.

We made the policy election to combine lease and non-lease components. We will consider fixed CAM as part of our fixed future lease payments; therefore, fixed CAM, if any, will be included in our lease liability. To determine the present value of lease payments not yet paid, we will estimate incremental borrowing rates corresponding to the lease term including reasonably certain renewal periods. We will estimate this rate based on prevailing financial market conditions, credit analysis, and management judgment.

Total lease costs will include fixed operating lease costs, variable lease costs and short-term lease costs. Our real estate lease requires us to pay certain expenses, such as CAM costs and insurance, of which the fixed portion will be included in operating lease costs. We will recognize operating lease costs on a straight-line basis over the lease term.

Operating lease assets represent our right to use an underlying asset and will be based upon the operating lease liabilities adjusted for prepayments, initial direct costs, lease incentives, and impairment of operating lease assets.

For operating leases, operating lease assets will be reduced over the lease term by the recognized straight-line lease expense less the amount of accretion of the lease liability.

*Intellectual Property* - Intellectual property assets primarily represent rights through patent assignments and are generally amortized on a straight-line basis over periods of benefit, ranging up to 17 years. For the fiscal year ended December 31, 2024, the Company amortized \$119,486 compared to \$96,301 in the previous year, related to the value of its patent portfolio, some of which was acquired in 2013, 2016, 2019 and 2020 from an affiliate (see Note 5).

*Accrued Research and Development Expenses* – As part of the process of preparing our financial statements we are required to estimate our accrued expenses, including research and development expenses. This process involves reviewing quotations and contracts, identifying services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on facts and circumstances known to us at the time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows in accruing service fees we estimate the time-period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we will adjust the accrual accordingly. If we do not identify costs that we have begun to incur or if we underestimate or overestimate the level of services performed or the cost of these services, our actual expenses could differ from our estimates. We do not anticipate the future settlement of existing accruals to differ materially from our estimates. Research and development expenses are expensed as incurred.

*Stock-based Compensation* - The Company accounts for stock-based compensation in accordance with the provision of ASC 718, “Compensation-Stock Compensation”. ASC 718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant-date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period.

*Fair Value of Financial Instruments* - Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction cost. Fair value measurement under generally accepted accounting principles provides for use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Company.
- Level 3: Unobservable inputs reflect the assumptions that the Company develops based on available information about what market participants would use in valuing the asset or liability. The Company does not have any assets or liabilities that are required to be measured and recorded at fair value on a recurring basis.

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts payable and debt are a reasonable estimate of fair value because of the short period of time between origination of such instruments and their expected realization and, if applicable, the stated rate of interest is equivalent to rates currently available.

#### *Recent Accounting Pronouncements –*

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016 - 13, “Financial Instruments - Credit Losses,” which introduced new guidance for an approach based on expected losses to estimate credit losses on certain types of financial instruments. This standard was effective for the Company as of January 1, 2023. There was no impact on our financial statements at adoption.

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,” which introduced new guidance for improving disclosures about a public entity’s reporting segments to provide, when applicable, more detailed information about a reportable segment’s expenses. This standard was effective for the Company as of January 1, 2024. The senior management team consisting of the CEO, CFO and COO collectively are identified as the Chief Operating Decision Maker (CODM). The CODM, for the Company, has determined, consistent with the guidance in ASC 280 paragraph 280-10-50-1, that CQENS Technologies and its subsidiary, CQENS Electronics (Hong Kong) Limited (“CEL”), are a single operating and reporting segment. The CODM has chosen to organize the Company around differences in products and services. CQENS and CEL are focused on research and development of our HnB technology and on production and commercialization of this same technology. As a result, there is no additional disclosures required and no impact to our financial statements at adoption.

There are various updates recently issued to the accounting literature and these are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

### **NOTE 3 – GOING CONCERN**

The Company’s consolidated financial statements are prepared in accordance with GAAP applicable to a going concern. This contemplates the realization of assets and the liquidation of liabilities in the normal course of business. Currently, the Company has recurring losses, with renewed research and development efforts and with no source of revenue and limited cash sufficient to cover its operations costs over the next 12 months these may not allow it to continue as a going concern. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. The Company will be dependent upon the raising of additional capital. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

### **NOTE 4 – INCOME TAXES**

We did not provide current or deferred U.S. federal income tax provision or benefit for any of the periods presented because we reported no activity the first two years and have experienced losses since 2019. Under ACS 740: Income Taxes”, when it is more likely than not that a tax asset cannot be realized through future income the Company must allow for this future tax benefit. We provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carryforwards, because management has determined that it is more likely than not that we will not earn income sufficient to realize the deferred tax assets during the carryforward period. The 2017 Tax Cuts and Jobs Act reduced the corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. For net operating losses (NOLs) arising after December 31, 2017, the 2017 Act limits a

taxpayer’s ability to utilize NOL carryforwards to 80% of taxable income. In addition, NOLs arising after 2017 can be carried forward indefinitely, but carryback is generally prohibited. NOLs generated in tax years beginning before January 1, 2018 will not be subject to the taxable income limitation. The component of the Company’s deferred tax asset as of December 31, 2024 and 2023 are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Net operating loss carryforward	\$ 498,557	\$ 374,471
Valuation allowance	\$ (498,557)	\$ (374,471)
Net deferred asset	\$ -	\$ -

The Company did not pay any income taxes during the years ended December 31, 2024 or 2023.

The Company's cumulative net operating loss carryforward as of December 31, 2024 amounted to \$2,374,083 of which \$50,052 represents net operating losses prior to 2017 and will expire between December 31, 2033 and December 31, 2038. The years going back to 2021 remain open for examination by relevant tax authorities.

#### **NOTE 5 – STOCKHOLDERS' EQUITY**

At December 31, 2024, we have investments of \$850,000 from three individuals or entities for 42,500 shares of our common stock in private transactions. We did not pay a commission or finder's fee and will be using the proceeds for working capital. Issuance of the shares were pending as of December 31, 2024.

On January 29, 2024, we issued 12,500 shares valued at \$250,000 as a retainer pursuant to our engagement of Anglo-Chinese Financial in Asia. In 2024, \$215,000 of this retainer was expensed for services provided.

On March 25, 2024, we sold 14,250 shares of our common stock to a "non-U.S. Person" accredited investor for \$285,000 in a private transaction. We did not pay a commission or finder's fee and are using the proceeds for working capital.

In 2024, we sold 329,150 shares of our common stock for \$6,583,000 to 35 accredited investors in private transactions. We did not pay commissions or finder's fees and are using the proceeds for working capital.

In 2024 we issued 297,963 shares of our common stock to unrelated third parties, all of whom are practicing medical professionals, as compensation for consulting services involving providing counsel and guidance related to therapeutic applications of our patents, technologies, and formulations; as well as pathways to regulatory approvals and authorizations. The stock was valued at \$5,959,260.

In 2023, we sold 69,750 shares of our common stock to "non-U.S. Persons" accredited investors for \$1,395,000 in private transactions. We did not pay a commission or finder's fee and are using the proceeds for working capital.

In 2023, we sold 34,000 shares of our common stock for \$680,000 to accredited investors in private transactions. We did not pay commissions or finder's fees and are using the proceeds for working capital.



On November 27, 2023, we entered into a consulting engagement memorandum with an unrelated third party for the consultant's guidance and expertise in identifying business opportunities for our technology. As compensation for the services, we issued this individual 5,175 shares of our common stock valued at \$103,500.

As of December 31, 2024, the Company had 26,828,383 shares of common stock issued and outstanding.

#### *Preferred Stock*

There are no shares of Series A Preferred issued and outstanding in 2024 or 2023.

#### *Stock Options*

On September 1, 2024, we granted 117,500 options under the Company's 2019 Equity Compensation Plan to seven consulting engineers. The options granted have a twelve-month vesting period and when fully vested will allow the consultants to purchase 117,500 common shares of the Company at an exercise price of \$20.00 per share. The fair market value of the options at the grant date using the Black Scholes option pricing model was determined to be \$1,426,607 with: 1) a current stock price per share of \$20.00, based on the price of recent offerings; 2) expected term of 5 years; 3) computed volatility of 155.41%; and 4) the risk-free rate of return of 4.15%.

On December 31, 2024 the non-qualified stock options that were granted to management on December 31, 2019 expired without exercise. The result is a reduction of 250,000 to the outstanding and exercisable options.

On December 31, 2024, the Company's 2014 Equity Compensation Plan expired. The result is a reduction of 507,864 in the available options in this 2014 Plan.

In 2023 we did not grant stock options.

On December 21, 2023, the non-qualified stock options that were granted to management on December 21, 2018, expired without exercise. The result is a reduction of 428,574 to the outstanding and exercisable options.

On October 21, 2022, the Company granted stock options under the Company's 2014 Equity Compensation Plan to individuals who are considered related parties, in that they are employed by or otherwise associated with entities owned or controlled by our chairman and chief executive officer, Alexander Chong. Substantially all of the related party individuals are also non-U.S. persons. The various grants were made in amounts and with exercise prices and vesting conditions consistent with our corporate development objectives. Each of these individuals in this one grant group was granted 5,000 or 10,000 or 20,000 shares at \$10.00 per share. 20% of the shares (1,000 or 2,000 or 4,000 respectively) were exercisable immediately, with the balance vesting over the next 4 years in equal instalments and subject to certain terms and conditions. The fair market value of the options at the grant date was determined to be \$2,858,263 of which \$562,838 was expensed in 2024. The options were valued using the Black Scholes option pricing model with the following assumptions: 1) a current stock price per share of \$10.00, based on the price of recent offerings; 2) expected term of 5 years; 3) computed volatility of 85.48%; and 4) the risk-free rate of return of 4.45%. The exercise period of the immediately exercisable options terminates October 21, 2027.

Each of the individuals in this second grant group was granted 5,000 shares at \$10.00 per share. 20% of the shares or 1,000 are exercisable in 2 years from the grant date, with the balance vesting over the next 4 years in equal instalments and subject to certain terms and conditions. The fair market value of the options at the grant date was determined to be \$190,888 of which \$51,586 was expensed in 2024. The options were valued using the Black Scholes option pricing model with the following assumptions: 1) a current stock price per share of \$10.00, based on the price of recent offerings; 2) expected term of 7 years; 3) computed volatility of 82.27%; and 4) the risk-free rate of return of 4.36%. The exercise period of the first exercisable options terminates October 21, 2029.

On February 15, 2021, we granted 400,000 options under the Company's 2019 Equity Compensation Plan to two consulting engineers involved in our research and development. Each of the consultants was granted options to purchase 200,000 shares at \$7.00 per share. 100,000 of the grants are exercisable immediately, with the balance vesting over the next four years in equal installments and subject to certain terms and conditions, including continuing in their consulting roles through the vesting periods. The fair market value of the options at the grant date was determined to be \$2,798,086 of which \$102,020 was expensed in 2024. The options were valued using the Black Scholes option pricing model with the following assumptions: 1) a current stock price per share of \$7.00, based on the price of recent offerings; 2) expected term of 5 years; 3) computed volatility of 303.59%; and 4) the risk-free rate of return of 0.27%. The exercise period of the immediately exercisable options terminates on February 15, 2026.

As of December 31, 2024, the Company has outstanding and exercisable 1,851,074 options at a weighted average exercise price of \$9.82 and a weighted average remaining term of 3.49 years and an intrinsic value of zero.

The following table represents option activity for 2024:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Outstanding - December 31, 2023	1,983,574	\$ 8.10	3.99	
Exercisable - December 31, 2023	1,470,574	\$ 7.64	2.71	\$ -
Granted	117,500	\$ 20.00		
Forfeited	250,000	\$ 1.00		
Vested	1,357,574	-		
Outstanding – December 31, 2024	1,851,074	\$ 9.82	3.49	
Exercisable – December 31, 2024	1,357,574	\$ 8.99	2.5	\$ -

## *Warrants*

On September 30, 2020, the Company entered into an Asset Purchase Agreement with Xten, a common control entity, pursuant to which it acquired a portfolio of 29 U.S. and international patents and patent applications in the areas of devices and technologies for aerosolizing certain remedies and pharmaceutical preparations, as well as the solutions and preparation for inhaled delivery.

As consideration for the acquisition, the Company issued to Xten, common stock purchase warrants exercisable for an aggregate of 21,000,000 shares of its common stock at an exercise price of \$5.31 per share (the “Warrants”), including (i) a Series A Common Stock Purchase Warrant exercisable for 7,000,000 shares of common stock commencing on September 30, 2023 and expiring on September 30, 2026, (ii) a Series B Common Stock Purchase Warrant exercisable for 7,000,000 shares of common stock commencing on September 30, 2026 and expiring on September 30, 2029, and (iii) a Series C Common Stock Purchase Warrant exercisable for 7,000,000 shares of common stock commencing on September 30, 2029 and expiring on September 30, 2032. The Company has the right to accelerate or extend the exercise period of each series of Warrants in its discretion. In addition, the exercise period of each series of Warrants automatically accelerates in the event of a “change of control” (as defined in the Warrants) prior to such series of Warrants becoming exercisable by its respective terms. The IP Asset Purchase Agreement contained customary indemnification provisions. The warrants are valued at \$191,594 based on the carrying value of the assets acquired.

## **NOTE 6 – RELATED PARTY TRANSACTIONS**

In December 2024, the Company entered into an agreement with Plexus Corporation, a common control entity, whereby Plexus will provide Consultation and Support Services to CQENS as it relates to Quality Management Systems Development (QMS) and CQENS’s Product development, regulatory compliance and commercialization. In 2024, the fees and reimbursable expenses totaled \$20,125.

In 2024 and 2023 the Company utilized Plexus Corporation a common control entity to provide accounting support. Total costs were \$1,525 and \$1,263 respectively.

We maintain our corporate offices at 5550 Nicollet Avenue, Minneapolis, MN 55419. We lease the premises from 5550 Nicollet, LLC, a company owned by Mr. Chong. Annual rent was \$9,300 for each of the years ended December 31, 2024 and 2023. In December 2024 we entered into a new month-to-month lease that began January 1, 2025, with a monthly rental rate of \$800. As of December 31, 2024, there is no outstanding balance due to 5550 Nicollet LLC.

On January 15, 2023, the Company entered into an agreement to borrow up to \$1,000,000 from its largest shareholder, Xten Capital Group, a common control entity, on an as needed basis. Such borrowings will be for operations, interest free and due upon demand. During 2024 the Company borrowed \$100,000 while in 2023, the Company borrowed \$900,000 from Xten. The loan balance due to Xten at December 31, 2024 is \$1,000,000.

CQENS Electronics (Hong Kong) Limited (“CEL”), a subsidiary of CQENS, borrowed, from Liu Mei Chong, \$12,467 in 2024 while in 2023, CEL borrowed \$4,247. The loan is for operations, is interest free and due upon demand. The loan balance due to Liu Mei Chong at December 31, 2024 is \$16,714.

On October 21, 2022, the Company granted stock options under the Company’s 2014 Equity Compensation Plan to individuals who are considered related parties, in that they are employed by or otherwise associated with entities owned or controlled by our chairman and chief executive officer, Alexander Chong. Substantially all of the related party individuals are also non U.S. persons. The grants were made in amounts and with exercise prices and vesting conditions consistent with our corporate development objectives, including but not limited to our plans to begin commercializing our technology internationally in mid-2023. Each of these individuals was granted 5,000 or 10,000 or 20,000 shares at \$10.00 per share. 20% of the shares (1,000 or 2,000 or 4,000 respectively) were exercisable immediately, with the balance vesting over the next 4 years in equal installments and subject to certain terms and conditions. The fair market value of the options at the grant date was determined to be \$2,858,263 of which \$562,838 was expensed in 2024. The options were valued using the Black Scholes option pricing model with the following assumptions: 1) a current stock price per share of \$10.00, based on the price of recent offerings; 2) expected term of 5 years; 3) computed volatility of 85.48%; and 4) the risk-free rate of return of 4.45%. The exercise period of the immediately exercisable options terminates October 21, 2027.

On October 21, 2022, the Company granted stock options under the Company's 2014 Equity Compensation Plan to individuals who are considered related parties, in that they are employed by or otherwise associated with entities owned or controlled by our chairman and chief executive officer, Alexander Chong. Substantially all of the related party individuals are also non U.S. persons. The grants were made in amounts and with exercise prices and vesting conditions consistent with our corporate development objectives, including but not limited to our plans to begin commercializing our technology internationally in mid-2023. Each of these individuals was granted 5,000 shares at \$10.00 per share. 20% of the shares or 1,000 are exercisable in 2 years from the grant date, with the balance vesting over the next 4 years in equal instalments and subject to certain terms and conditions. The fair market value of the options at the grant date was determined to be \$190,888 of which \$51,586 was expensed in 2024. The options were valued using the Black Scholes option pricing model with the following assumptions: 1) a current stock price per share of \$10.00, based on the price of recent offerings; 2) expected term of 7 years; 3) computed volatility of 82.27%; and 4) the risk-free rate of return of 4.36%. The exercise period of the first exercisable options terminates October 21, 2029.

See other related party transactions in Note 8 – Commitment and Contingencies

## NOTE 7 – LEASES

In March 2022 we entered into a three-year lease agreement commencing April 15, 2022 through April 30, 2025 at an initial annual rate of \$57,400 paid in monthly instalments of \$4,800. We have an option to extend for an additional five-year period. Annual increases are tied to the U.S. Consumer Price Index of the Bureau of Labor Statistics of the Department of Labor for all Urban Consumers for San Francisco-Oakland-San Jose area.

We account for our leases under ASC 842, Leases, which requires all leases to be reported on the balance sheet as right-of-use assets and lease obligations. We elected the expedients permitted under the transition guidance that retained lease classification and initial direct costs for any leases that existed prior to adoption of the standard.

We categorized leases with terms longer than twelve months as either operating or finance. Finance leases are generally those leases that would allow us to substantially utilize or pay for the entire asset over its estimated life. Assets acquired under finance leases are recorded in property and equipment, net. All other leases are categorized as operating leases. We did not have any finance leases as of December 31, 2024 or 2023. Our lease for the property is for three years. We elected the accounting policy to include both the lease and non-lease components of our agreements as a single component and account for them as a lease.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on similarly secured borrowings available to us. Lease assets are recognized based on the initial present value of the fixed lease payments, reduced by landlord incentives, plus any direct costs from executing the lease. Lease assets are tested for impairment in the same manner as long-lived assets used in operations. Leasehold improvements are capitalized at cost over the lesser of their expected useful life or the lease term.

When we have options to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset, and it is reasonably certain that we will exercise the option, we consider these options in determining the classification and measurement of the lease. Costs associated with the operating lease are recognized on a straight-line basis within operating expenses over the term of the lease. The following table presents the lease-related asset and liability recorded on the balance sheets:

	December 31, 2024
<b>Assets</b>	
Leasehold improvement, net	\$ 2,092
Operating lease asset	\$ 21,979
<b>Liabilities</b>	
<b>Current</b>	
Operating lease liabilities	\$ 21,979
<b>Noncurrent</b>	
Operating lease liabilities	\$ -

Supplemental cash flow information related to leases were as follows:

	Twelve Months Ended December 31, 2024
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 62,153

The table below present the remaining lease terms and discount rates for operating lease.

	December 31, 2024
Weighted-average remaining lease term	
Operating lease	0.33 years
Weighted-average discount rate	
Operating lease	5.25%

Maturities of lease liabilities as of December 31, 2024, were as follows:

	Operating Lease
2025	22,220
Thereafter	-
Total lease payments	\$ 22,220
Less: amount of lease payments representing interest	(241)
Present value future minimum lease payments	\$ 21,979
Less: current obligations under lease	(21,979)
Non-current obligations	\$ -

#### NOTE 8 – COMMITMENT AND CONTINGENCIES

The Asset Purchase Agreement entered into September 30, 2020 by the Company and Xten, a common control entity, where the Company acquired certain patents and patent applications, replaces the 2013 and 2016 License Agreements effectively eliminating the commitment and contingencies of these previous agreements.

#### NOTE 9 - PREPAID EXPENSE – NONCURRENT PORTION

Effective July 13, 2022, the Company entered into a manufacturing contract with Montrade S.p.A., (“Montrade”) a company based in Bologna, Italy, for Montrade to manufacture and install the consumable manufacturing equipment. The Company made an initial payment of \$589,265 USD on July 11, 2022 and was required to make additional payments prior to Amendments of up to \$1,086,465 USD for the module as certain stages are completed.

On February 23, 2023, the Company made a payment of \$138,386 for completion of the design phase. On March 29, 2023, the Company signed Amendment 1 to the manufacturing contract for additional design work and paid \$12,465 of the additional \$36,809 cost. Amendment 1 was for design work so \$12,564 was expensed. On October 18, 2023, the Company signed Amendment 2 to the manufacturing contract to modify certain components and paid \$40,091 of the \$114,546 cost.

In 2022, \$130,948 of the initial payment was expensed for design services completed by Montrade. The remaining payment of \$458,317 and the additional payment on October 24, 2023, for Amendment 2 of \$40,091 for a combined total of \$498,408 are related to the manufacturing of the module for the automated manufacture of consumables for the Company's proprietary, patented and patent pending Heat-not-Burn system. The \$498,408 payment is recorded as Prepaid expenses – noncurrent portion. With the two amendments added and with payments made in 2023 the Company will be required to pay up to \$1,046,878. On February 26, 2024, the Company signed Amendment 3 to the manufacturing contract, for a change to a component with a cost of \$27,845 and made payment in full on March 6, 2024 for this change. In December 2024 the Company entered into Amendment 4 to the manufacturing contract amending the payment terms. In this Amendment, the Company agreed to pay an amount that when added to the payments already made would equal 90% of the equipment build portion of the contract. This amount is \$813,875 and was paid in January 2025. Following this January 2025 payment, 90% of the build cost for the manufacturing equipment has been made in line with Amendment 4. Montrade is an industry leading designer and manufacturer of machines for a wide range of products, including heated tobacco products

#### **NOTE 10 – SUBSEQUENT EVENTS**

In January 2025, the Company paid Montrade \$813,875 in accordance with Amendment 4 to the manufacturing contract. In January 2025, the Company signed Amendment 5 to the manufacturing contract finalizing the remaining component with completion of the equipment build slated for July 2025.

In the first quarter of 2025 we sold 503,750 shares of our common stock for \$10,075,000 in private transactions to seven individuals or entities. We did not pay a commission or finder's fee and are using the proceeds for working capital.

In the first quarter of 2025 we issued 45,169 shares of our common stock to eight individuals or entities for their consulting services. The stock was valued at \$903,380.

On February 14, 2025, we received an investment of \$100,000 for 5,000 shares of our common stock in a private transaction. We did not pay a commission or finder's fee and will be using the proceeds for working capital. Issuance of these shares is pending as of the date of this report.

**Rule 13a-14(a)/15d-14(a) Certification**

I, Alexander Chong, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2024 of CQENS Technologies Inc.
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 31, 2025

/s/ Alexander Chong

Alexander Chong, Chief Executive Officer, principal executive officer

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**Rule 13a-14(a)/15d-14(a) Certification**

I, Daniel Markes, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2024 of CQENS Technologies Inc.
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 31, 2025

/s/ Daniel Markes

Daniel Markes, Chief Financial Officer, principal financial and accounting officer

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**Section 1350 Certification**

In connection with the Annual Report of CQENS Technologies Inc. (the “Company”) on Form 10-K for the year ended December 31, 2024 as filed with the Securities and Exchange Commission (the “Report”), I, Alexander Chong, Chief Executive Officer of the Company, and I, Daniel Markes, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the Report fairly presents, in all material respects, the financial conditions and results of operations of the Company.

March 31, 2025

By: /s/ Alexander Chong

Alexander Chong, Chief Executive Officer

March 31, 2025

By: /s/ Daniel Markes

Daniel Markes, Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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