

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



FORM 10-Q

(MARK ONE)

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

For the quarterly period ended June 30, 2026

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.)

170 South Green Valley Parkway, Suite 343, Henderson, NV

(Address of principal executive offices)

89012

(Zip Code)

(702) 661-2404

(Registrant's telephone number, including area code)

not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	not applicable	not applicable

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 (§ 232.405 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 ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 27,591,252 shares of common stock are issued and outstanding as of August 17, 2026.

TABLE OF CONTENTS

	<u>Page No.</u>
<u>PART I – FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited).</u>	4
Item 2. <u>Management Discussion and Analysis of Financial Condition and Results of Operations.</u>	14
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	18
Item 4. <u>Controls and Procedures.</u>	18
<u>PART II – OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings.</u>	19
Item 1A. <u>Risk Factors.</u>	19
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	19
Item 3. <u>Defaults upon Senior Securities.</u>	19
Item 4. <u>Mine Safety Disclosures.</u>	19
Item 5. <u>Other Information.</u>	19
Item 6. <u>Exhibits.</u>	20

CAUTIONARY STATEMENTS 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;
 - the joint venture with Firebird Manufacturing, LLC remains inactive;
 - potential conflicts of interest of our management;
 - reliance on joint venture partners and third parties;
 - potential U.S. Food and Drug Administration (the “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 relating to our common stock, including:
 - the lack of a public market for our common stock; and
 - possible impact of Delaware’s anti-takeover statutes on our shareholders.

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, Part 1. Item 1A. Risk Factors appearing in our Annual Report on Form 10-K for the year ended December 31, 2025 as filed on April 15, 2026 (the “2025 10-K”) and our other filings with the Securities and Exchange Commission. 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 refer to CQENS Technologies Inc., a Delaware corporation. In addition, “second quarter of 2026” refers to the three months ended June 30, 2026, “second quarter of 2025” refers to the three months ended June 30, 2025, “2026” refers to the year ended December 31, 2026, and “2025” refers to the year ended December 31, 2025. The information which appears on our web site at www.cqens.com is not part of this report.

PART 1 – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CQENS Technologies, Inc. Consolidated Balance Sheets (Unaudited)

	June 30, 2026	December 31, 2025
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,712,279	\$ 8,914,107
Prepaid expenses	268,824	360,360
Total Current Assets	6,981,103	9,274,467
Intellectual property, net	1,942,052	1,741,808
Furniture and equipment, net	29,305	37,161
Other intangible assets, net	11,782	-
Right-of-use asset - lease, net	140,940	193,185
Construction in progress	2,409,989	2,321,489
TOTAL ASSETS	\$ 11,515,171	\$ 13,568,110
LIABILITIES & STOCKHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 114,972	\$ 219,300
Accrued expenses	301,818	249,374
Related party loan	1,440,937	1,256,364
Current portion of lease liability	116,365	121,765
Total Current Liabilities	1,974,092	1,846,803
Lease liability, net of current portion	24,575	71,420
TOTAL LIABILITIES	1,998,667	1,918,223
STOCKHOLDERS' EQUITY		
Preferred Stock: \$0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding at June 30, 2026 and December 31, 2025.	-	-
Common Stock: \$0.0001 par value; 200,000,000 shares authorized; 27,582,752 shares issued and outstanding at June 30, 2026 and 27,573,752 shares issued and outstanding at December 31, 2025	2,759	2,758
Additional paid-in capital	59,629,922	58,965,838
Accumulated other comprehensive loss	(8,202)	(4,845)
Accumulated deficit	(50,541,857)	(47,789,247)
TOTAL CQENS TECHNOLOGIES STOCKHOLDER'S EQUITY	9,082,622	11,174,504
Non-controlling interests	433,882	475,383
TOTAL STOCKHOLDERS' EQUITY	9,516,504	11,649,887
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 11,515,171	\$ 13,568,110

See accompanying notes to unaudited consolidated financial statements

CQENS Technologies, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Operating Expenses				
General and administrative	\$ 513,767	\$ 289,266	\$ 960,975	\$ 627,258
Research and development	469,269	504,834	920,179	823,577
Professional fees	456,532	1,244,770	982,959	3,160,153
Total Operating Expenses	1,439,568	2,038,870	2,864,113	4,610,988
Total Operating Loss	(1,439,568)	(2,038,870)	(2,864,113)	(4,610,988)
Other Income, net	21,910	84,923	69,634	163,264
Net Loss	(1,417,658)	(1,953,947)	(2,794,479)	(4,447,724)
Net loss attributable to non-controlling interests	(39,381)	(1,100)	(41,869)	(15,725)
Net Loss attributable to CQENS Technologies, Inc.	\$ (1,378,277)	\$ (1,952,847)	\$ (2,752,610)	\$ (4,431,999)
Basic and diluted loss per common share	\$ (0.05)	\$ (0.07)	\$ (0.10)	\$ (0.16)
Basic and diluted weighted average shares outstanding	27,581,703	27,389,972	27,575,501	27,225,508
Comprehensive Loss:				
Change in foreign currency translation adjustments	6,284	118	(2,989)	160
Comprehensive Loss:	(1,411,374)	(1,953,829)	(2,797,468)	(4,447,564)
Comprehensive loss attributable to non-controlling interests	(35,548)	(1,041)	(41,501)	(15,645)
Comprehensive loss attributable to CQENS Technologies, Inc.	\$ (1,375,826)	\$ (1,952,788)	\$ (2,755,967)	\$ (4,431,919)

See accompanying notes to unaudited consolidated financial statements

CQENS Technologies, Inc.
Consolidated Statements of Changes in Stockholders' Equity
For the six months ended June 30, 2026 and 2025
(Unaudited)

	Common Stock				Accumulated			
	Number of	\$0.0001	Additional	Accumulated	Other	Total	Non-	Total
	Shares	Par	Paid in	Deficit	Comprehensive		controlling	
		Value	Capital		Loss		Interest	
Balance as of December 31, 2025	27,573,752	\$ 2,758	\$58,965,838	\$(47,789,247)	\$ (4,845)	\$11,174,504	\$ 475,383	\$11,649,887
Common stock issued for cash	6,000	1	119,999	-	-	120,000	-	\$ 120,000
Stock options expense	-	-	199,852	-	-	199,852	-	\$ 199,852
Other comprehensive loss	-	-	-	-	(5,808)	(5,808)	(3,465)	\$ (9,273)
Net consolidated loss	-	-	-	(1,374,333)	-	(1,374,333)	(2,488)	\$ (1,376,821)
Balance as of March 31, 2026	27,579,752	\$ 2,759	\$59,285,689	\$(49,163,580)	\$ (10,653)	\$10,114,215	\$ 469,430	\$10,583,645
Common stock issued for cash	3,000	-	60,000	-	-	60,000	-	\$ 60,000
Stock options expense	-	-	284,233	-	-	284,233	-	\$ 284,233
Other comprehensive loss	-	-	-	-	2,451	2,451	3,833	\$ 6,284
Net loss	-	-	-	(1,378,277)	-	(1,378,277)	(39,381)	\$ (1,417,658)
Balance as of June 30, 2026	27,582,752	\$ 2,759	\$59,629,922	\$(50,541,857)	\$ (8,202)	\$ 9,082,622	\$ 433,882	\$ 9,516,504

	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 as of December 31, 2024	26,828,383	\$ 2,683	\$39,068,448	\$(34,763,794)	\$ (40)	\$ 4,307,297	\$ (4,747)	\$ 4,302,550
Common stock issued for cash	503,750	50	10,074,950	-	-	10,075,000	-	\$10,075,000
Common stock issued for services	45,169	5	903,375	-	-	903,380	-	\$ 903,380
Stock options expense	-	-	460,020	-	-	460,020	-	\$ 460,020
Other comprehensive loss	-	-	-	-	21	21	21	\$ 42
Net consolidated loss	-	-	-	(2,479,152)	-	(2,479,152)	(14,625)	\$(2,493,777)
Balance as of March 31, 2025	27,377,302	\$ 2,738	\$50,506,793	\$(37,242,946)	\$ (19)	\$13,266,566	\$ (19,351)	\$13,247,215
Common stock issued for cash	14,750	1	294,999	-	-	295,000	-	\$ 295,000
Common stock issued for services	15,000	2	299,998	-	-	300,000	-	\$ 300,000
Stock options expense	-	-	704,388	-	-	704,388	-	\$ 704,388
Other comprehensive loss	-	-	-	-	179	179	179	\$ 358
Net loss	-	-	-	(1,952,847)	-	(1,952,847)	(1,100)	\$(1,953,947)
Balance as of June 30, 2025	27,407,052	\$ 2,741	\$51,806,178	\$(39,195,793)	\$ 160	\$12,613,286	\$ (20,272)	\$12,593,014

See accompanying notes to unaudited consolidated financial statements

CQENS Technologies Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30,	
	2026	2025
Cash flows from operating activities		
Net loss	\$ (2,794,479)	\$ (4,447,724)
Adjustments to reconcile net loss to net cash used in operations:		
Amortization expense	95,422	75,576
Lease expense	52,245	33,464
Depreciation expense	6,358	-
Stock options expense	484,085	1,164,408
Common stock issued for services	-	1,203,380
Changes in operating assets and liabilities:		
Prepaid expenses	91,536	(19,299)
Accounts payable	(104,328)	(45,348)
Lease liability	(52,245)	(33,464)
Accrued expenses	52,444	(37,822)
Net cash used in operating activities	(2,168,962)	(2,106,829)
Cash flows from investing activities		
Additions to intellectual property	(295,047)	(236,256)
Additions to other intangible assets	(12,401)	-
Additions to construction in progress	(88,500)	-
Additions to property, plant and equipment	(1,348)	(1,737,065)
Net cash used in investing activities	(397,296)	(1,973,321)
Cash flows from financing activities		
Proceeds from issuance of common stock	180,000	9,520,000
Repayment of related party loan	(50,000)	(50,000)
Borrowing from related parties	229,074	59,924
Net cash provided by financing activities	359,074	9,529,924
Effect of exchange rate changes on cash	5,356	400
Net change in cash and cash equivalents	(2,201,828)	5,450,174
Cash and cash equivalents, beginning of period	8,914,107	4,596,556
Cash and cash equivalents, end of period	<u>\$ 6,712,279</u>	<u>\$ 10,046,730</u>
Supplementary disclosure for noncash activity		
Right-of-use asset in exchange for lease liability	<u>\$ -</u>	<u>\$ 132,737</u>

See accompanying notes to unaudited consolidated financial statements

CQENS Technologies, Inc.
Notes to Consolidated Financial Statements
June 30, 2026
(Unaudited)

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

Nature of Business

CQENS Technologies, Inc. (“we”, “our”, the “Company”, “CQENS”) is a technology company with a proprietary method of heating consumable formulations that produce an aerosol that lead to the effective and efficient inhalation of the active ingredients. 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 Heated Tobacco Product (HTP) system is a patented method of heating consumables for inhalation that we believe is superior to other methods of ingestion, smoking, vaping, or via topical application.

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

In January 2026, we established a wholly owned foreign entity, Shenzhen CQENS Technology Co. Ltd. (“Shenzhen CQENS”), in China for research and development activities in concert with our US-based research and development team to move prototypes through the design for manufacturability process and working closely with CEL. In the first 6-months of 2026, we made an investment of \$400,000 in Shenzhen CQENS. This investment will be used to fund operations in Shenzhen.

We are dependent upon joint ventures and third-party marketing and distribution companies, including Firebird Manufacturing, LLC (“Firebird”) for the manufacturing of our future products. We believe that our business opportunities are global and may include partnerships in the USA, UK, the EU and Asia, including the People’s Republic of China. We may face challenges entering into further strategic partnerships.

The COVID-19 pandemic, global conflicts, government shutdowns, and inflationary conditions have caused certain delays in the development of our HTP products. Our product development and commercialization timelines have been reset but are moving forward and we expect to adhere to our schedule over the next 12 months. Key milestones for us over these next 12 months include completion of the Premarket Tobacco Product Application (PMTA) process, securing a strategic partner, raising capital for commercialization of products, finalizing the joint venture with Firebird for manufacturing of our consumable and distribution of our devices and consumables in the United States. Any prolonged inflationary pressures on the capital markets will make it more difficult for small, pre-revenue companies such as our company to raise capital. We continue to assess the impact of any inflationary conditions on our company, and at this time, we are unable to predict all possible impacts on our company, our operations and our prospects.

Basis of Presentation

Basis of Presentation - The following unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, such interim consolidated financial statements do not include all the information and footnotes required by accounting principles generally accepted in the United States (“GAAP”) for complete annual consolidated financial statements. The information furnished reflects all adjustments, consisting only of normal recurring items which are, in the opinion of management, necessary to make the consolidated financial statements not misleading. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. The balance sheet as of June 30, 2026, has been derived from the Company’s annual consolidated financial statements that were audited by our independent registered public accounting firm but does not include all of the information and footnotes required for complete annual consolidated financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto which are included in our Annual Report on Form 10-K for the year ended December 31, 2025, and filed with the SEC on April 15, 2026, for a broader discussion of our business and the risks inherent in such business. The consolidated financial statements include the accounts of the Company and its subsidiaries in which the Company has a controlling financial interest. All intercompany balances and transactions have been eliminated in consolidation. The Company consolidates variable interest entities for which it is the primary beneficiary in accordance with ASC 810.

Segment Information - 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, its subsidiary, CQENS Electronics (Hong Kong) Limited (“CEL”) and Shenzhen CQENS are a single operating and reporting segment. The CODM has chosen to organize the Company around differences in products and services. CQENS, CEL and Shenzhen CQENS are focused on research and development of our HnB technology and on production and commercialization of this same technology. The CODM evaluates the Company’s financial information and resources and assesses the performance of these resources on a consolidated and aggregate basis. Accordingly, the Company has determined that it operates in one operating and reportable segment. The Company internally reports the following segment financial information, on a consolidated basis, to the CODM: research and development expenses and professional fees, are the key contributors used to measure the reported losses used by the CODM to assess performance and allocate resources and is presented on the consolidated statements of operations and comprehensive loss. There are no segment operating expenses that require disclosure beyond the expense categories presented on the consolidated statements of operations and comprehensive loss. The measure of segment assets is reported on the consolidated balance sheets as total assets. As a result, there are no additional disclosures required and no impact to our financial statements at adoption.

Variable Interest Entity (“VIE”) - The Financial Accounting Standards Board (“FASB”) provides guidance in ASC 810, Consolidation (“ASC 810”) for determining whether an entity is a VIE. VIE’s are defined as entities in which equity investors of the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. A VIE is required to be consolidated by its primary beneficiary, which is the party that (i) has the power to control the activities that most significantly impact the VIE’s economic performance and (ii) has the obligation to absorb losses, or the right to receive benefits, of the VIE that could potentially be significant to the VIE. The Company enters business relationships and regularly assesses them under the requirements of ASC 810 to determine whether such relationships should be accounted for under the VIE model and if so, whether the Company is the primary beneficiary of the VIE.

The Company concluded it has a variable interest in CEL that results in the Company being the primary beneficiary. This conclusion was based on the following:

- The Company inherently has the power to direct the activities of CEL as its sole customer.
- Without the business of the Company, CEL would not be able to sustain their operations.

The following table summarizes the carrying amount of the assets and liabilities of CEL included in the Company’s Consolidated Balance Sheets as of June 30, 2026.

	June 30, 2026
Cash and cash equivalents	\$ 1,146,214
Prepaid Expenses	\$ 173,178
Total Assets	\$ 1,319,392

Related party loan	\$	276,344
CQENS prepayment for future product	\$	172,930
Other payables	\$	2,355
Total Liabilities	\$	<u>451,629</u>

The results of operations of CEL are included in the Company's consolidated financial statements.

Recent Accounting Pronouncements – On November 4, 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2024-03 with an update 2025-01 issued in January 2025 which issues new guidance requiring disclosure of the disaggregation of income statement expenses (DISE) by public business entities (PBE's) and is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of adopting the standard. The Company does not believe that any other recently issued effective pronouncements, or pronouncements issued but not yet effective, if adopted, would have a material effect on the accompanying consolidated financial statements.

NOTE 2 – 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. The Company has recurring losses, continued research and development efforts, no source of revenue and limited cash that may be insufficient to cover its operations. Our focus on the PMTA process will encompass the next 12 months. In the event of any unforeseen costs to complete the PMTA process, we will be unable to meet our current obligations. These factors may not allow us 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 3 – STOCKHOLDERS' EQUITY

In the first half of 2026, we sold 9,000 shares of our common stock for \$180,000 in private transactions. We did not pay commissions or finder's fees and are using proceeds for working capital. In the first half of 2025, we sold 518,500 shares of our common stock for \$10,370,000 in private transactions. We did not pay commissions or finder's fees and are using the proceeds for working capital. In the first half of 2025, we issued 60,169 shares of our common stock to unrelated third parties as compensation for their consulting services. The stock was valued at \$1,203,380. As of June 30, 2026, the Company had 27,582,752 shares of common stock issued and outstanding.

On May 28, 2026, the Company granted stock options to employees of our subsidiary, Shenzhen CQENS Technology Company Limited to purchase a maximum of 202,000 shares at \$20.00 per share. The grants were made in amounts and with exercise price and vesting conditions consistent with our corporate development objectives. The stock options granted vest as follows: 10% in 18 months from grant; 15% in 36 months from grant; 20% in 54 months from grant; 25% in 72 months from grant; and, 30% in 90 months from grant date. The options expire 10 years from grant date. The fair market value of the options at grant date was determined to be \$3,720,990, of which \$84,381 was expensed in the second quarter of 2026. The options were valued using the Black Scholes option pricing model with the following assumptions: 1) a current stock price per share of \$20.00, based on the price of recent offerings; 2) expected term of 10 years; 3) computed volatility of 104.34%; and 4) the risk-free rate of return of 4.45%. The exercise period of the options terminates May 28, 2036.

On June 16, 2025, the Company granted stock options under the Company's 2019 Equity Compensation Plan to a third party for services to purchase 20,000 shares at \$20.00 per share. These options were exercisable immediately. The fair market value of the options at the grant date was determined to be \$255,303, which was expensed in the second quarter of 2025. The options were valued using the Black Scholes option pricing model with the following assumptions: 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 75.10%; and 4) the risk-free rate of return of 4.04%. The exercise period of the options terminates on June 16, 2030.

The following table represents option activity for the six months ended June 30, 2026:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Outstanding – December 31, 2025	2,011,024	\$ 12.45	3.34	\$ 15,178,592
Exercisable – December 31, 2025	1,679,224	\$ 12.38	2.92	\$ 12,788,592
Granted	202,000	\$ 20.00		
Forfeited	200,000	\$ 7.00		
Vested	1,479,224			
Outstanding – June 30, 2026	2,013,024	\$ 13.75	3.87	\$ 12,578,592
Exercisable – June 30, 2026	1,479,224	\$ 13.11	2.80	\$ 10,188,592

During the first half of 2026 we recorded \$484,085 in stock option expenses compared to \$1,164,408 in the first half of 2025. At June 30, 2026, the total unrecognized compensation cost for nonvested awards is \$4,564,706. The weighted average period over which the cost is expected to be recognized is 5.48 years.

On September 30, 2020, the Company entered into an Asset Purchase Agreement with Xten Capital Group, 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 at 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. There were no changes to the warrants, including no new issuances or exercises, during the first half of 2026. The outstanding warrants at June 30, 2026 have an aggregate intrinsic value of \$308,490,000, a weighted average exercise price of \$5.31 and a weighted average remaining contractual life of 3.25 years. The exercisable warrants at June 30, 2026 have an aggregate intrinsic value of \$102,830,000, a weighted average exercise price of \$5.31 and a weighted average remaining contractual life of 0.25 years.

Potential common stock consisting of 21,000,000 warrants and 2,013,024 stock options were excluded from the computation of diluted net loss per share because their effect would have been antidilutive.

NOTE 4 – RELATED PARTY TRANSACTIONS

Prior to 2025 we borrowed \$1,000,000 from Xten Capital Group, a common control entity and affiliate of Alexander Chong, the Company’s principal shareholder and Chief Executive Officer. In the first half of 2026 we repaid \$50,000. In the first half of 2025 we repaid \$50,000 and an additional \$50,000 later in 2025. The balance of the loan on June 30, 2026, is \$850,000. The loan agreement allows the Company to borrow up to \$1,000,000 on an as needed basis. The loan is unsecured, non-interest bearing and due upon demand.

In the first half of 2026, CQENS Electronics (Hong Kong) Limited (“CEL”), a subsidiary of CQENS, borrowed \$503 from Ann Liu, CEL’s managing director, while in the first half of 2025, CEL borrowed \$59,924. The loan is for operations and is unsecured, non-interest bearing and due on demand. The loan balance due to Ann Liu at June 30, 2026 is \$79,220.

In the first six months of 2026 we borrowed \$140,257 from Asahi Corporation Limited a common control entity of Ann Liu, and our joint venture partner of CEL. There was no borrowing in the first six months of 2025. The balance due to Asahi at June 30, 2026 is \$197,124. The loan is unsecured, non-interest bearing and due on demand.

In October 2025 we established operations in Shenzhen, China, organizing Shenzhen CQENS Technology Company Limited (“Shenzhen CQENS”) and in doing so we borrowed money from two individuals related to this start-up, Zhang Tianyang and Liu Xinjie. In the first half of 2026 we borrowed \$88,314 from Mr. Zhang to fund operations. The balance owed to Mr. Zhang at June 30, 2026 is \$306,765. The balance owed to Mr. Liu at June 30, 2026 is \$7,828. The loans are unsecured, non-interest bearing and due on demand. Mr. Zhang is a consultant for CQENS. Mr. Liu is the office manager of Shenzhen CQENS.

We engaged Plexus International and its subsidiary, Apparatus Global Solutions (Plexus), a common control entity owned by Alexander Chong, our CEO, to provide project management services, accounting support services and consulting services to assist in creating and implementing our Quality Management System (QMS). In the first half of 2026 the fees from Plexus were \$40,304 while the fees and expenses in the first half of 2025 were \$95,437.

NOTE 5 – LEASES

In March 2022 we entered into a three-year lease agreement commencing April 15, 2022 and continuing through April 30, 2025, for our research and development office located in Aptos, CA. In April 2025 we extended the lease for two additional years commencing May 1, 2025 and continuing through April 30, 2027. The annual rate for the initial term of the lease extension is \$70,785 with installment payments of \$5,555 in May 2025 and \$5,930 each month thereafter. 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. Beginning May 1, 2026, the fixed common area costs which are part of the lease increased and the monthly payment of \$5,930 increased to \$6,020 per month for the balance of the lease that extends through April 30, 2027.

In October 2025, we entered into a two-year lease agreement in Shenzhen, China, commencing November 10, 2025, and continuing through November 9, 2027. The lease rate remains constant for the term of the lease. The annual rate is \$58,536 with installment payments of \$4,878 each month.

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 June 30, 2026. 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.

NOTE 6 – CONSTRUCTION IN PROGRESS

On July 13, 2022 the Company entered into a manufacturing contract with Montrade S.p.A., (“Montrade”), an industry leading designer and manufacturer of machines for a wide range of products, including heated tobacco products (HTP), based in Bologna, Italy, for the manufacture and installation of our proprietary HTP consumables manufacturing equipment. The Company made an initial payment of \$589,265. Throughout the construction we made 6 amendments to the initial contract. The equipment is completed and is in final assembly testing. On April 21, 2026 we paid \$88,500 for work completed under this 2022 manufacturing contract as amended. On June 30, 2026, the balance owing for the construction, installation, travel and training is \$291,470.

On June 3, 2025, CQENS entered into an agreement with Montrade for the development, manufacture, delivery and installation of a higher volume machine to manufacture consumables for the Company’s proprietary, patented and patent pending HnB system. We made an initial down payment of \$1,016,531 on June 4, 2025. The design phase was completed in November 2025, and we paid the balance for this phase in December 2025 expensing a total of \$302,299 for the design phase. On June 30, 2026, the balance remaining under the agreement is \$1,839,348.

NOTE 7 – SUBSEQUENT EVENTS

In July 2026, we sold 8,500 shares of our common stock for \$170,000 in private transactions. We did not pay commissions or finder’s fees and are using proceeds for working capital.

On August 10, 2026, we made a \$200,000 investment in Shenzhen CQENS and will use the money to fund operations.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations for the six months ended June 30, 2026 and 2025 should be read in conjunction with the unaudited 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 Statements Regarding Forward-Looking Information” appearing earlier in this report, Part I. Item 1A. Risk Factors appearing in our 2025 10-K, and our other filings with the Securities and Exchange Commission. 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. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this report.

Overview

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 88 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 when compared to other non-combusting technologies currently on the market, our results were superior.

Our low-temperature, aerosolizing technology is supported by 23 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.

Today, we define one of our target markets as the world-wide combustible tobacco market. Grand View Research, a global leader in market reports and industry statistics, estimates that the global tobacco market size was USD 926.0 billion in 2025, and is projected to reach USD 1,144.2 billion in 2033, growing at a CAGR of 2.7% from 2026 to 2033. Our near-term focus is on the heated, non-combusting modified risk tobacco segment which we believe represents our greatest opportunity for growth and the greatest opportunity to positively impact public health and wellness.

On August 17, 2021, 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. The Joint Venture Entity will be owned equally by Firebird and the Company. 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 in the United States.

Formation of the Joint Venture Entity is subject to formalizing and executing the Joint Venture Operating Agreement and 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 the relevant agreements in 2026 although there are no assurances that the parties will complete and formalize these agreements.

On July 13, 2022, the Company entered into a manufacturing contract with Montrade S.p.A., (“Montrade”), an industry leading designer and manufacturer of machines for a wide range of products, including heated tobacco products (HTP), based in Bologna, Italy, for the manufacture and installation of our proprietary HTP consumables manufacturing equipment. The Company made an initial payment of \$589,265. The equipment is completed and is in final assembly testing. On June 30, 2026, the balance owing for construction, installation, travel and training is \$291,470.

On June 3, 2025, CQENS entered into an additional agreement with Montrade for the development, manufacture, delivery and installation of a higher volume machine to manufacture consumables for the Company’s proprietary, patented and patent pending HnB system. We made an initial down payment of \$1,016,531 on June 4th, 2025. The design phase was completed in November 2025 and we paid the balance for this phase in December 2025 expensing a total of \$302,299 for the design phase. On June 30, 2026, the balance remaining under this Agreement is \$1,839,348.

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.

In October 2025, we set-up a research and development operation in Shenzhen, China to support our US-based research and development efforts and to take our prototype device through the design for manufacturability for mass manufacturing. In November 2025, we secured a facility and entered into a two-year lease agreement with fixed rent for the term of the lease. The monthly rent is approximately \$4,878 USD per month. In January 2026, we formed Shenzhen CQENS, a wholly owned foreign entity in China, for these research and development activities in Shenzhen China.

As the largest category within the global inhalation market is the combustible tobacco market, comprising over 90% of the total inhalation market, 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. To this end we have added three critical senior executives to our management team with decades of experience in the tobacco and next-generation sectors filling our Chief Operating Officer, Chief Commercial Officer and Chief Technical Officer roles. Their experience is extensive and includes executing global commercial strategy; development and scaling of reduced-risk product portfolios across multiple international markets; machinery and manufacturing solutions in the tobacco and next generations product sectors.

Further, we have assembled a team of engineers in Shenzhen, China to work closely with our US-based research and development engineering team and our Hong Kong based joint venture entity, CQENS Electronics (Hong Kong) Limited, to complete the design for manufacturability of our launch products. And with our Hong Kong JV are working to secure national and international certification markings.

Our joint venture partner in Hong Kong has sourced and secured suppliers for the device components, completed the tooling and is focused on the production process for mass manufacturing of our devices.

US-based Firebird is in the midst of construction of a new and much larger facility where the consumable manufacturing production line equipment will be installed for the mass production of our consumables.

We have retained the services of a related party, Plexus Corporation, to consult with us in the design and development of our quality management systems within our corporate office and throughout our joint ventures and reaching to our suppliers and will work to ensure the manufacturing facilities are GMP compliant.

We have retained Jefferies, a leading investment banker and capital markets firm, to explore the opportunities to secure a long-term strategic partnership or to secure the capital resources necessary to successfully commercialize our products. We have also retained Munger, Tolles and Olsen LLP who will assist in the negotiation process. We have not identified any opportunities as of the date of this report.

We have retained McKinney Regulatory Science Advisors LLC to consult, conduct trials and testing, and assist us as we navigate through the PMTA process.

We have met with the FDA and we believe we have received clear guidance on a path forward for conducting clinical trials.

Going concern

For the first six months of 2026, we reported a consolidated net loss of \$2,794,479 and net cash used in operations of \$2,168,962 compared to a net loss of \$4,447,724 and net cash used in operations of \$2,106,829 for the first half of 2025. At June 30, 2026, we had cash on hand of \$6,712,279 and an accumulated deficit of \$50,541,857. The report of our independent registered public accounting firm on our consolidated financial statements for the year ended December 31, 2025, 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.

Results of operations

We did not generate any revenues from our operations in the first six months of 2026 or 2025.

Our total operating expenses for the three months ended June 30, 2026 decreased 29.4% over those reported for the same period in 2025. This is attributable to an increase of 77.6% in general and administrative expenses, a decrease of 7.0% in research and development and a 63.3% decrease in professional fees. General and administrative expenses increased as a result of increases in compensation expense, travel, office expenses and amortization. Research and development costs decreased as fewer engineering hours were utilized in the second quarter of 2026. The decrease in professional fees in the second quarter of 2026 versus the same period in 2025 is primarily due to the cost associated with the stock options issuance in 2025 that was not incurred in the second quarter of 2026.

For the first six months of 2026 total operating expenses decreased 37.9% over those reported in the first half of 2025. The decrease is principally due to professional fees decreasing 68.9% where the first half of 2025 saw consulting fees for PMTA and QMS related work, along with higher auditing and attorney fees and the cost of issuing stock options. General and administrative expenses saw a 53.2% increase in the first half of 2026 compared to the first half of 2025, including increases to amortization expenses, marketing/brand development costs, rent and office expenses, travel and meals. Research and development costs in the first half of 2026 increased 11.7% over the first half of 2025. This increase was due to a slight increase in engineering and consulting services relating to product design and development work.

We expect that our operating expenses will increase as we continue to develop and grow 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

As of June 30, 2026, we had \$6,712,279 in cash and cash equivalents and a working capital surplus of \$5,007,011 compared to \$8,914,107 in cash and cash equivalents and a working capital surplus of \$7,427,664 at December 31, 2025. Our current liabilities increased \$127,289 from December 31, 2025, reflecting an increase in our accrued expenses and related party borrowing tempered by decreases in accounts payable and the current portion of our lease liability. Our source of operating capital in the first six months of 2026 came from cash on hand at the end of 2025 of \$8,914,107, the sale of 9,000 shares of common stock for gross proceeds of \$180,000, borrowing from a related party of \$229,074, and earned interest of \$93,759. Our source of operating capital in the first six months of 2025 came from cash on hand at the end of 2024 of \$4,596,556; the sale of 518,500 shares of common stock for gross proceeds of \$10,370,000 of which \$9,520,000 was received in the first half of 2025 and \$850,000 that was received as an investor deposit and included in cash on hand at the end of 2024, borrowing from a related party of \$59,924, and earned interest of \$183,553.

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.

In the first six months of both 2026 and 2025, we repaid Xten Capital Group, a related party, \$50,000 of the outstanding loan. As of June 30, 2026, we owed Xten \$850,000. In the first half of 2026, CQENS Electronics (Hong Kong) Limited (“CEL”) borrowed \$503 from Ann Liu while in the first half of 2025 CEL borrowed \$59,924. As of June 30, 2026 CEL owes Ann Liu \$79,220. In the first half of 2026 CEL borrowed \$140,257 from Asahi, our joint venture partner in Hong Kong while CEL did not borrow any funds from Asahi in the same period in 2025. As of June 30, 2026, CEL owes Asahi \$197,124. In the first six months of 2026, we borrowed \$88,314 from Tianyang Zhang, a related party in our Shenzhen operations while we did not borrow any funds from Mr. Zhang in the same period of 2025. As of June 30, 2026, we owe Mr. Zhang \$306,765. As of June 30, 2026, we owe Xinjie Liu \$7,828 from borrowing that occurred in the latter part of 2025. There was no borrowing from Mr. Liu in the first half of 2026 or 2025. Each of the loans are non-interest bearing and due upon demand and we are using the funds for working capital. At June 30, 2026 and as of the date of this filing, we owe an aggregate of \$1,440,937 to related parties.

As of the date of the filing of this report there is no assurance we will have sufficient funds for commercialization of any products. There is no assurance we will have sufficient funds due to circumstances beyond our control including regulatory changes, delays or additional regulatory requirements.

We will need to raise \$10,000,000 to \$15,000,000 in additional capital to fund operations beyond the next 12 months. There is no assurance 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 beyond the next 12 months. In that event, our ability to continue as a going concern is in jeopardy.

Summary of cash flows

	June 30, 2026	June 30, 2025
Net cash (used) in operating activities	\$ (2,168,962)	\$ (2,106,829)
Net cash (used) in investing activities	\$ (397,296)	\$ (1,973,321)
Net cash provided by financing activities	\$ 359,074	\$ 9,529,924

Our cash used in operating activities increased 2.9% in the first six months of 2026 compared to the first six months of 2025. During these time periods, we primarily used the cash to fund our net losses.

In the first half of 2026, there was \$397,296 net cash used in investing activities from the capitalization of our intellectual property, along with additions to other intangible assets, construction-in-progress asset and property plant and equipment compared to net cash used in investing activities of \$1,973,321 in the same period in 2025 for capitalization of our intellectual property and increases to equipment under construction.

In the first half of 2026, we had net cash provided by financing activities of \$359,074 from the sale of our common stock and net borrowing from related parties. We had net cash provided by financing activities in the first half of 2025 of \$9,529,924 from the sale of our common stock and net borrowing from related parties.

Critical accounting policies

The preparation of 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 revenue and expenses during the reported periods. The more critical 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.

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 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable for a smaller reporting company.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

We maintain “disclosure controls and procedures” as such term is defined in Rules 13a-15(e) under the Securities Exchange Act of 1934. In designing and evaluating our disclosure controls and procedures, our management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this report, 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 SEC 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, to allow timely decisions regarding required disclosure due to the presence of continuing material weakness in our internal control over financial reporting as reported in our 2025 10-K. These material weaknesses in our internal control over financial reporting result from limited segregation of duties and limited multiple level 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. Subject to the availability of sufficient capital, we expect to expand our accounting resources in the latter half of 2026 in an effort to remediate the material weaknesses in our internal control over financial reporting.

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.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

In addition to the other information set forth in this report you should carefully consider the risk factors in Part I, Item 1A in our 2025 10-K and Form 10-Q for the quarterly period ended March 31, 2026, which could materially affect our business, financial condition or future results. There have been no material changes in the risk factors in the second quarter of 2026. These cautionary statements are to be used as a reference in connection with any forward-looking statements, written or oral, which may be made or otherwise addressed in connection with a forward-looking statement or contained in any of our subsequent filings with the Securities and Exchange Commission.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the period covered by this report the Company issued the unregistered shares of common stock, as noted below, pursuant to exemptions from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended. The shares contain restrictions on the transferability of such shares, absent registration or applicable exemption.

During the six-month period ended June 30, 2026, we sold an aggregate of 9,000 shares of our common stock for gross proceeds of \$180,000 to individuals or entities. We did not pay a commission or finder's fee and are using the proceeds for working capital.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable to our company's operations.

Item 5. Other Information.

During the six-month period ended June 30, 2026, no officers (as defined in Rule 16a-1(f)) or directors adopted or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as defined in Item 408 of Regulation S-K).

Item 6. Exhibits.

No.	Exhibit Description	Form	Date Filed	Number	Herewith
2.1	Share Exchange Agreement and Plan of Reorganization dated April 11, 2014 by and between OICco Acquisition IV, Inc., VapAria Corporation and the listed shareholders+	8-K	4/11/14	2a	
3.1	Amended and Restated Certificate of Incorporation	S-1	6/30/14	3.C	
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation	8-K	8/21/14	3.4	
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation	10-Q	11/09/16	3.5	
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation	8-K	12/18/19	3.5	
3.5	Bylaws	S-1	3/29/10	3(b)	
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer				Filed
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer				Filed
32.1	Section 1350 Certification				Furnished*
101.INS	Inline XBRL Instance Document				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				Filed
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

+ 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.

* This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

SIGNATURES

Pursuant to the requirements 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.

August 19, 2026

By: /s/ Alexander Chong
Alexander Chong, Chief Executive Officer

August 19, 2026

By: /s/ Daniel Markes
Daniel Markes, Chief Financial Officer

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

I, Alexander Chong, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2026 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 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.

August 19, 2026

/s/ Alexander Chong

Alexander Chong, Chief Executive Officer, principal executive officer

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

I, Daniel Markes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2026 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 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.

August 19, 2026

/s/ Daniel Markes

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

Section 1350 Certification

In connection with the Quarterly Report of CQENS Technologies Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2026 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.

August 19, 2026

/s/ Alexander Chong

Alexander Chong, Chief Executive Officer, principal executive officer

August 19, 2026

/s/ Daniel Markes

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