

**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, 2020

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 and posted 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 and post 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 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. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[ ] Yes [X] 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 fiscal year. \$0 on June 30, 2020.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 25,469,114 shares of common stock are issued and outstanding as of April 15, 2021.

#### **DOCUMENTS INCORPORATED BY REFERENCES**

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;
  - 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 formerly known as VapAria Corporation and, where applicable, VapAria Solutions Inc., a Minnesota corporation (“VapAria Solutions”), a wholly owned subsidiary of CQENS. In 2019 we dissolved VapAria Solutions which had no separate operations, assets or liabilities. In addition, “2019” refers to the year ended December 31, 2019, “2020” refers to the year ended December 31, 2020 and “2021” refers to the year ending December 31, 2021.

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.

All share and per share information appearing in this report gives pro forma effect to the one for seven (1:7) reverse stock split of our outstanding common stock on December 26, 2019.

## PART I

### ITEM 1. DESCRIPTION OF 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 an inhalable, medicant-infused aerosol while maintaining the integrity of the active ingredient(s).

Our high-temperature non-combusting technology is supported by 21 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. In one instance for example, our method of heating a tobacco formulation for inhalation is superior, less toxic and far more convenient than other methods of tobacco consumption, especially when compared to the inhalation of the smoke produced by combustible products, i.e., cigarettes, cigars and pipes. Independent tests of our system’s prototypes supported the benefits of rapid heating, confirmed non-combustion, even at high temperatures, and produced better toxicology results, 98% 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 30 U.S. and international patents and pending patents. This portfolio includes intellectual property (“IP”) around device designs and around formulations containing a wide variety of herbal and pharmaceutical preparations. This system features 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, have published reports in the last half of 2020 that we have consolidated; these consolidated estimates support that this as an \$880 billion USD annual market currently and it's expected to grow to \$1.1 trillion USD by 2025. The largest category within this market is the combustible tobacco market, comprising 92% 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.

Our HnB technologies are of great interest to the international tobacco industry and the growing hemp/CBD and cannabis industries. HnBs represent the latest in tobacco and inhalable technologies, and likely to supplant the electronic vapor system (EVS) technologies including 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 introduced 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 supports claims that the product can potentially reduce the number of noxious chemicals found in cigarette smoke by 95%.

Since late 2019 we have focused our efforts on commercializing our HnB technology. This entry began with the December 31, 2019 transaction pursuant to which we acquired the following assets from Xten Capital Group, Inc., formerly known as Chong Corporation (“Xten”), a related party:

- assignment of all patent applications and patent related documents and materials currently assigned to or owned or held by Xten in the field of HnB methods and embodiments developed by Xten which are the backbone of the CQENS System, consisting of the following:
  - the provisional patent application filed by Xten on January 3, 2018, the non-provisional patent application filed by Xten on June 28, 2018 and the Patent Cooperation Treaty (“PCT”) application filed by Xten on January 3, 2019;
  - all documents and files related to device and tobacco consumable development;

- all versions of prototyped embodiments, consisting of both device and tobacco consumable embodiments; and
- all files, correspondence, communication, data and test results related to the toxicology testing undertaken by Xten related to the CQENS System.

- exclusive licenses from Xten in the fields and applications of tobacco, nicotine, reduced tobacco risk and smoking cessation, for device patents assigned to Xten, U.S. Patent No. 9,770,564 and U.S. Patent No. 9,913,950; and

- exclusive licenses from Xten in the fields and applications of tobacco, nicotine, reduced tobacco risk and smoking cessation, for international device patents and patent applications assigned to Xten, including those issued in the People’s Republic of China, the European Union, Japan and Hong Kong, and those pending in Germany, France, Brazil, Canada and Korea, and divisional patents pending in the European Union and Japan.

During 2020 and into 2021 we have continued our efforts begun in 2019, including:

- 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. It is expected that Leap Technology will form additional business entities to commercialize our propriety technology in those Asia Pacific countries which include China, India, Indonesia, Vietnam, the Philippines, Thailand, Malaysia, Singapore and Hong Kong. The goal of the joint venture is the market development of the Company’s intellectual property in the Asia Pacific region together with other initiatives and the formation business relationships with tobacco companies who operate in the Asia Pacific region. As of the date of this report, the joint venture is still in a pre-formative stage expected to be formalized consistent with the Restated Operating Agreement in the second quarter of 2021

- On August 25, 2020, we were issued U.S. Patent 10,750,787 by the U.S. Patent and Trademark Office for a Heat-not-Burn Device and Method. The patent covers the technology behind the proprietary CQENS System;

- On September 4, 2020, we were informed by our intellectual property counsel that it had received a favorable International Preliminary Report on Patentability that was issued as a result of its filing of a Chapter II Demand and Article 34 Amendments with the International Bureau of the WIPO on September 5, 2019. The report was issued in connection with the PCT patent application filed by on January 3, 2019 for our Heat-Not-Burn Device and Method. The examiner’s conclusion was that 84 of the 91 claims were considered to be “patentable,” and while the PCT does not issue patents, based upon management’s experience we believe that a preliminary, favorable examination does provide insight as to how individual country examinations would likely proceed;

- On September 30, 2020 we entered into an Asset Purchase Agreement with Xten 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 the Company;

- 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; and

- On February 15, 2021 we entered into a non-binding Memorandum of Understanding (the “MOU”) with The Barker Group of Companies and affiliates. The Barker Group is involved in the processing, manufacturing and distribution of tobacco from “seed through shelf,” principally in the US. From planting the seeds, through growing, processing, manufacturing, and finally placing the finished product on the shelf, The Barker Group has the necessary permits and facilities to support fully legal and regulatory compliant tobacco activity in the U.S. The Barker Group’s businesses have recently expanded to include hemp and CBD products. The Barker Group includes Cherokee Tobacco Company (CTC), the exclusive national distributor of Cherokee and Palmetto cigarettes, Cherokee and Arrowhead pipe tobacco, Cherokee and Virginia Heritage filtered cigars, the full line of Pure HempSmokes, Piedmont Blue CBD products, and AHP hemp pre-rolls. The Barker Group distributes its products to over 130,000 US retail locations. The parties have agreed to negotiate in good faith collaborating on certain strategic initiatives, including the following:

- to commercialize CQENS’ patented and patent-pending HnB technology by designing devices and consumables for The Barker Group to manufacture and distribute exclusively in the U.S. for tobacco, hemp/CBD and cannabis products where U.S. laws and regulations permit;

- to prepare and submit a Premarket Tobacco Authorization (“PMTA”) for submission to the FDA to enable the launch of the CQENS System throughout the U.S.; and

- to expand the scope of the HnB marketing opportunities by also submitting a Modified Risk Tobacco Product (“MRTP”) application to the FDA in addition to the PMTA.

Additionally, the MOU provides for CQENS to license its technology to The Barker Group under certain terms and conditions yet to be finalized and for The Barker Group to invest in CQENS with terms and conditions yet to be finalized. The foregoing initiatives, as well as other items contained in the non-binding MOU, are subject to the completion and execution of definitive agreements, all of which will be subject to customary closing conditions.

Since signing the MOU, we have we have been engaged in discussions and negotiations designed to identify an initial target market in the U.S. and the EU, to develop a product for that market and agree to a definitive agreement to launch the product.

### **Human capital**

Until 2020 the Company did not have employees and its executives did not draw salaries. Effective August 1, 2020 the Board of Directors approved annual salaries for its: (1) CEO, Alexander Chong, of \$98,400 per annum; (2) COO, William Bartkowski, of \$81,600 per annum; and (3) CFO, Daniel Markes, of \$90,000 per annum. To date the Company has not entered into any written employment agreements with its officers.

In 2020 we engaged six consultants who performed product design, product testing and corporate business development on our behalf. We compensate these individuals at various rates.

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 (the “Share Exchange Agreement”) with VapAria Solutions and its shareholders which is described in greater detail in Note 1 of the notes to our 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.

### **ITEM 1.A 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 loss of \$2,541,532 and \$129,879 for 2020 and 2019, respectively, and we have a working capital surplus of \$312,132 at December 31, 2020. We do not have any revenue generating operations, do not presently expect to launch our first products until 2021 or 2022 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 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 \$4,843,582 at December 31, 2020. The report of our independent registered public accounting firm on our consolidated financial statements for the year ended December 31, 2020 contains an explanatory paragraph regarding our ability to continue as a going concern based upon our recurring losses, minimal cash 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 financial statements do not include any adjustments that might result from the outcome of this uncertainty. We do not have any external sources of capital and our working capital is not sufficient to pay 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 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 late in 2021, owing to our recent focus on regulatory approved products. We have raised funds through private transactions in 2020 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 as a result of the COVID-19 pandemic, 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 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 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 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 preformative 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 preformative 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.

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

We do not have any employees as of the date of this report. 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 and do not devote their full time and attention to our company. 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 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 or state 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 may be required to obtain regulatory approval prior to the sale and marketing of any 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 delayed seeking a market maker in 2019 and 2020, pending the enhancement of our prototypes, the initiation of certain clinical studies and our progress in discussions with certain third parties. While we expect during 2021 to seek 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, the timing and success thereof is presently unknown, particularly in light of the current status of the capital markets as a result of the COVID-19 pandemic. 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 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. In December 2019 we entered into a month-to-month lease for the 2020 calendar year with an annual rental of \$9,300. In December 2020 a new month-to-month lease was entered into for the 2021 calendar year with an annual rental of \$9,300.

### **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 April 15, 2021, there were approximately 128 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**

None, except as previously reported.

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

None.

### **ITEM 6. SELECTED FINANCIAL DATA.**

Not applicable to a smaller reporting company.

### **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 2020 and 2019 and should be read in conjunction with the 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.

## **Overview**

### **Going concern**

For 2020 we reported a net loss of \$2,541,532 and net cash used in operations of \$1,067,969. At December 31, 2020 we had cash on hand of \$589,153 and an accumulated deficit of \$4,843,582. The report of our independent registered public accounting firm on our consolidated financial statements for the year ended December 31, 2020 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 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 the 2020 or 2019. Our total operating expenses for 2020 increased 1,985% over those for 2019. General and administrative expenses, which include amortization, compensation, rent, and website hosting expenses, increased by 3,319% in 2020 compared to 2019 due to higher levels of compensation in 2020, increased rental costs, purchase of non-capital equipment and supplies. Research and development expenses in 2020 for new prototype designs and development were \$630,765 compared to none in 2019. Professional fees increased by 349% in 2020 compared to 2019, due largely to consulting services utilized in 2020 that were not present in 2019.

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, 2020, we had \$589,153 in cash and cash equivalents and a working capital surplus of \$312,132 compared to \$1,298 in cash and cash equivalents and a working capital deficit of \$856,012 at December 31, 2019. Our current liabilities decreased \$522,446 from December 31, 2019, reflecting the retirement of debt and associated interest payable despite a significant increase in our accounts payable and in our accrued expenses. Our source of operating capital in 2020 came from the sale of 525,470 shares of our common stock raising \$2,600,000 in capital compared to the same period in 2019 where our sole source of operating capital came from additional borrowings from a related party which loaned us an additional \$76,000.

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 financial statements and to satisfy our obligations as they become due.

In 2020 we retired approximately \$589,240 of debt and interest, including \$450,000 owed to a related party, through repayments or conversion into equity. At December 31, 2020 the outstanding amount we owe the related party is \$255,544 which is due on demand.

While we raised \$2,600,000 from the sale of our securities during 2020, we still will need to raise \$3,000,000 to \$5,000,000 in additional capital during the next 12 months. As we only have commitments for \$1,500,000 of this needed capital funding, 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.

## Summary of cash flows

	December 31, 2020	December 31, 2019
Net cash (used) in operating activities	\$ (1,067,969)	\$ (76,179)
Net cash (used) in investing activities	\$ (389,657)	\$ -
Net cash provided by financing activities	\$ 2,045,481	\$ 76,000

Our cash used in operating activities increased 1,302% in 2020 compared to 2019. During these time periods we used the cash primarily to fund our net losses.

In 2020 our cash used in investing activities was comprised of \$189,680 from capitalization of intellectual property related legal fees, \$1,689 cash used for trademarks and furniture and equipment of \$198,288. There was no cash used in investing activities in this same period in 2019.

Net cash provided by financing activities in 2020 consisted primarily of \$2,600,000 raised from the sale of 525,470 shares of our common stock, repayment and satisfaction in full of the convertible note of \$40,0000, capital contribution from fixed and non-capital asset purchase with related party of \$64,519 and repayment of \$450,000 with borrowing of \$2,500 to and from Xten, a common control entity compared to net cash from \$76,000 of additional borrowings from Xten in 2019.

### 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 revenue recognition, accounts receivable allowances and impairment of long-lived assets. We also have other key accounting policies, which involve the use of estimates, judgments and assumptions that are significant to understanding our results, which are described in Note 2 to our audited consolidated financial statements for 2019 appearing later in this report.

### Recent accounting pronouncements

The Company does not believe that any recently issued effective pronouncements, or pronouncements issued but not yet effective, if adopted, would have a material effect on the accompanying financial statements.

### 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. 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 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 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 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, 2020. 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, 2020, our internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of 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. We had expected to expand our accounting resources in 2019, which was subsequently delayed into 2020 and has now been delayed into 2021. 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 2021.

*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.

**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	56	Chairman of the Board of Directors, Chief Executive Officer
William P. Bartkowski	69	President, Chief Operating Officer
Daniel Markes	59	Vice President, Chief Financial Officer, director
Roger Nielsen	74	Vice President, Secretary, 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 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.

**Roger Nielsen.** Mr. Nielsen has served as an executive officer of our company since July 2014 and a member of our board of directors since April 2015. Mr. Nielsen is an experienced businessman with broad and lengthy experience in international commerce and world-wide distribution. Mr. Nielsen is a member of the board of directors and Director, Procurement and Facilities, with Minneapolis-based Plexus Corporation founded by Mr. Chong, serving as an officer and director of that company since 1993. Mr. Nielsen and Mr. Chong have worked closely together for over 25 years in various international businesses. He has established global distribution centers throughout Asia Pacific, negotiated and closed distribution agreements with major international manufacturers for export and directed and managed international logistics for a number of global distribution networks. Mr. Nielsen studied Business Administration at Dana College. Mr. Nielsen's experience in international commerce and world-wide distribution activities 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 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 financial statements comparable to the breadth and complexity to our 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;
- conflicts of interest; 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.

#### Director compensation

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

#### Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act, requires our executive officers and directors, and persons who beneficially own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our common shares and other equity securities, on Forms 3, 4 and 5 respectively. Executive officers, directors and greater than 10% stockholders are required by the Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) reports they file. Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us under Rule 16a-3(d) of the Securities Exchange Act during the year ended December 31, 2020 and Forms 5 and amendments thereto furnished to us with respect to the year ended December 31, 2020, as well as any written representation from a reporting person that no Form 5 is required, we are not aware that any officer, director or 10% or greater stockholder failed to file on a timely basis, as disclosed in the aforementioned Forms, reports required by Section 16(a) of the Exchange Act of during the year ended December 31, 2020.

#### 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, 2020 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, 2020.

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 <sup>(1)</sup>	2020	49,200	25,000	-	874,697	-	-	-	948,897
	2019	-	-	-	11,698	-	-	-	11,698

- (1) The amounts included in the “Option Awards” column represent the aggregate grant date fair value of stock options to purchase (i) 175,000 shares of common stock at an exercise price of \$5.31 per share awarded to Mr. Chong in October 2020 as additional compensation, and (ii) 175,000 shares of common stock at an exercise price of \$1.00 awarded to Mr. Chong in December 2019 as additional compensation. The assumptions made in the valuations of the option awards are included in Note 2 of the notes to our financial statements appearing later in this report.

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

We are not a party to written employment agreements with any of our executive officers.

Mr. Chong, who has served as our Chief Executive Officer since July 2014, previously did not receive cash compensation for his services to us. Effective August 1, 2020, the board of directors approved an annual salary for Mr. Chong of \$98,400 and in October 2020 he was awarded stock options to purchase 175,000 shares of our common stock at an exercise price of \$5.31 as additional compensation. The amount of compensation we may pay to Mr. Chong from time to time is in the discretion of the board of directors of which he is one of three members.

***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, 2020:

Name	OPTION AWARDS					STOCK AWARDS			
	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 Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market Value of Unearned Shares, Units or Rights That Have Not Vested (#)
Alexander									
Chong	300,000	-	-	1.75	12/30/21				
	300,000	-	-	1.40	12/21/23				
	175,000	-	-	1.00	12/31/24				
	175,000	-	-	5.31	10/1/25				

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

At April 15, 2021, we had 25,469,114 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 April 15, 2021 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, directors and director nominees as a group.

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>	20,195,716	76.4%
William P. Bartkowski <sup>(2)</sup>	135,716	≤1%
Daniel Markes <sup>(3)</sup>	447,146	1.7%
Roger Nielsen <sup>(4)</sup>	421,431	1.6%
All officers and directors as a group (four persons) <sup>(1)(2)(3)(4)</sup>	21,200,009	79.0%

- (1) Includes: (i) 1,805,715 shares of our common stock held of record by Chinhak LLC; (ii) 17,440,001 shares of our common stock held of record by Xten; (iii) 300,000 shares of common stock underlying options held with an exercise price of \$1.75 per share and (iv) 300,000 shares of common stock underlying options held with an exercise price of \$1.40, and (v) 175,000 shares of common stock underlying options with an exercise price of \$1.00 per share (vi) 175,000 shares of common stock underlying options held at an exercise price of \$5.31 per share. Mr. Chong has voting and dispositive control over the shares held of record by both of these entities.
- (2) Includes (i); 42,858 shares of our common stock of common stock underlying options with an exercise price of \$1.75 per share; (ii) 42,858 shares of common stock underlying options with an exercise price of \$1.40 per share; and (iii) 25,000 shares of common stock underlying options with an exercise price of \$1.00 per share (iv) an additional 25,000 shares of common stock underlying options with an exercise price of \$5.31.
- (3) Includes (i) 168,572 shares of our common stock; (ii)42,858 shares of common stock underlying options with an exercise price of \$1.75 per share; (ii) 42,858 shares of common stock underlying options with an exercise price of \$1.40 per share; and (iii) an additional 25,000 shares of common stock underlying options with an exercise price of \$1.00 per share; (iv) 25,000 shares of common stock underlying options with an exercise price of \$5.31, and (v) 142,858 shares of our common stock owned by Paula Markes, his spouse.
- (4) Includes (i) 285,715 share of our common stock; (ii) 42,858 shares of our common stock underlying options with an exercise price of \$1.75 per share; (iii) 42,858 shares of common stock underlying options with an exercise price of \$1.40 per share; and (iv) 25,000 shares of common stock underlying options with an exercise price of \$1.00 per share; (v) an additional 25,000 share of common stock underlying options with an exercise price of \$5.31.

***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, 2020.

<i>Plan category</i>	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plans not approved by our stockholders:	0	-	-
Plans approved by stockholders:			
2014 Equity Compensation Plan	857,148	\$ 1.58	657,146
2019 Equity Compensation Plan	500,000	\$ 3.16	1,650,000

## Equity Compensation Plan

We currently have two equity compensation plans, our 2014 Equity Compensation Plan (the “2014 Plan”) and our 2019 Equity Compensation Plan (the “2019 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 2014 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.

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 covers 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 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

**Director independence**

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 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Audit Fees	\$ 27,500	\$ 18,500
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
Total	<u>\$ 27,500</u>	<u>\$ 18,500</u>

*Audit Fees* — This category includes the audit of our annual financial statements, review of 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 2020 were pre-approved by the entire board of directors.

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

(a)(1) Financial statements.

- Report of Independent Registered Public Accounting Firm;
- Consolidated balance sheets at December 31, 2020 and 2019;
- Consolidated statements of operations for the years ended December 31, 2020 and 2019;
- Consolidated statements of changes in stockholders' equity (deficit) for the years ended December 31, 2020 and 2019;
- Consolidated statements cash flows for the years ended December 31, 2020 and 2019; 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	6/30/10	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="#">Bylaws</a>	S-1	3/29/10	3(b)	
3.5	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation</a>	8-K	12/18/29	3.5	
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="#">Exclusive License and Option to License Agreement dated December 31, 2013 by and between Chong Corporation and VapAria Corporation</a>	S-1	5/1/14	10-b	
10.2	<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)	
10.3	<a href="#">2014 Equity Compensation Plan</a>	8-K	8/21/14	10.7	
10.4	<a href="#">License Agreement dated January 28, 2016 by and between VapAria Corporation and Chong Corporation for the 228 patent</a>	8-K	1/29/16	10.9	
10.5	<a href="#">License Agreement dated January 28, 2016 by and between VapAria Corporation and Chong Corporation for the 040 patent</a>	8-K	1/29/16	10.10	
10.6	<a href="#">License Agreement dated January 28, 2016 by and between VapAria Corporation and Chong Corporation for the 617 patent application</a>	8-K	1/29/16	10.11	
10.7	<a href="#">License Agreement dated January 28, 2016 by and between VapAria Corporation and Chong Corporation for the 939 patent application</a>	8-K	1/29/16	10.12	

10.8	<a href="#">License Agreement dated January 28, 2016 by and between VapAria Corporation and Chong Corporation for the 279 patent application</a>	8-K	1/29/16	10.13	
10.9	<a href="#">Lease extension dated December 31, 2017 with Chong Corporation</a>	10-K	3/29/18	10.21	
10.10	<a href="#">Asset Purchase Agreement dated December 31, 2019 by and between COENS Technologies Inc. and Chong Corporation</a>	8-K	1/2/20	10.1	
10.11	<a href="#">Form of Stock Purchase Agreement</a>	8-K	10/31/19	10.1	
10.12	<a href="#">Commercial Month to Month Lease</a>	10-K	4/10/20	10.29	
10.13	<a href="#">Form of Stock Purchase Agreement</a>	8-K	6/5/20	10.1	
10.14	<a href="#">Form of Amended and Restated Operating Agreement dated July 24, 2020 of Leap Technology LLC by and between COENS Technologies, Inc., Zong Group Holdings LLC and Leap Management LLP</a>	8-K	7/29/20	10.1	
10.15	<a href="#">Form of Contribution Agreement Via Exclusive Licensing Agreement dated July 24, 2020 by and between COENS Technologies Inc. and Leap Technology LLC</a>	8-K	7/29/20	10.2	
10.16	<a href="#">Form of Intellectual Property License Agreement dated July 24, 2020 by and between COENS Technologies Inc. and Leap Technology LLP</a>	8-K	7/29/20	10.3	
10.17	<a href="#">Asset Purchase Agreement dated September 30, 2020 by and between COENS Technologies Inc. and Xten Capital Group, Inc. (IP)</a>	8-K	10/2/20	10.1	
10.18	<a href="#">Asset Purchase Agreement dated September 30, 2020 by and between COENS Technologies Inc. and Xten Capital Group, Inc. (other assets)</a>	8-K	10/2/20	10.2	
14.1	<a href="#">Code 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	XBRL Instance Document				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

**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.

April 15, 2021

By: /s/ Alexander Chong

Alexander Chong, Chief Executive Officer

April 15, 2021

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	April 15, 2021
<u>/s/ William P. Bartkowski</u> William P. Bartkowski	President, Chief Operating Officer	April 15, 2021
<u>/s/ Daniel Markes</u> Daniel Markes	Vice President, Chief Financial Officer, director, principal financial and accounting officer	April 15, 2021
<u>/s/ Roger Nielsen</u> Roger Nielsen	Vice President, secretary, director	April 15, 2021

## 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 (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in stockholders’ equity (deficit), 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, 2020 and 2019, 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***

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

April 15, 2021

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

	December 31	
	2020	2019
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 589,153	\$ 1,298
Prepaid expenses	59,396	1,553
Total Current Assets	648,549	2,851
Equipment, net	193,804	-
Intellectual property, net	643,216	290,346
<b>TOTAL ASSETS</b>	<b>1,485,569</b>	<b>293,197</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 44,202	\$ 2,197
Accounts payable - related party	-	8,525
Accrued expenses	36,671	6,865
Interest payable	-	48,232
Note payable	-	50,000
Convertible note	-	40,000
Loan from related party	255,544	703,044
Total Current Liabilities	336,417	858,863
<b>TOTAL LIABILITIES</b>	<b>336,417</b>	<b>858,863</b>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Common Stock: \$0.0001 par value; 200,000,000 shares authorized; 25,397,685 shares issued and outstanding at December 31, 2020 and 24,837,203 shares issued and outstanding at December 31, 2019		
	2,540	2,484
Additional paid-in capital	5,990,194	1,733,900
Accumulated deficit	(4,843,582)	(2,302,050)
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>1,149,152</b>	<b>(565,666)</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 1,485,569</b>	<b>\$ 293,197</b>

See accompanying notes to consolidated financial statements

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

	Year ended December 31	
	2020	2019
<b>Operating Expenses</b>		
General and administrative	\$ 1,561,232	\$ 45,663
Research and development	630,765	-
Professional fees	340,388	75,766
<b>Total Operating Expenses</b>	<b>2,532,385</b>	<b>121,429</b>
<b>Total Operating Loss</b>	<b>(2,532,385)</b>	<b>(121,429)</b>
<b>Other (Expense)</b>	<b>(9,147)</b>	<b>(8,450)</b>
<b>Net Loss</b>	<b>\$ (2,541,532)</b>	<b>\$ (129,879)</b>
Preferred dividend	-	10,000
Net loss available to common stockholders	(2,541,532)	(139,879)
Basic and diluted loss per common share	(0.10)	(0.01)
Basic and diluted weighted average shares outstanding	25,242,682	11,015,833

See accompanying notes to consolidated financial statements

**CQENS Technologies Inc**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficit)**  
**For the years ended December 31, 2020 and December 31, 2019**

	Series A Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Number of shares	\$0.0001 Par Value	Number of Shares	\$0.0001 Par Value			
Balance December 31, 2018	<u>500,000</u>	<u>\$ 50</u>	<u>10,758,631</u>	<u>\$ 1,076</u>	<u>\$ 1,622,728</u>	<u>\$ (2,162,171)</u>	<u>\$ (538,317)</u>
Common stock issued for dividend	-	-	7,143	1	9,999	(10,000)	\$ -
Preferred stock converted to common stock	(500,000)	(50)	71,429	7	43	-	\$ -
Stock options expense	-	-	-	-	16,711	-	\$ 16,711
Common shares for intellectual property	-	-	14,000,000	1,400	84,419	-	\$ 85,819
Net loss	-	-	-	-	-	(129,879)	\$ (129,879)
Balance December 31, 2019	<u>-</u>	<u>\$ -</u>	<u>24,837,203</u>	<u>\$ 2,484</u>	<u>\$ 1,733,900</u>	<u>\$ (2,302,050)</u>	<u>\$ (565,666)</u>
Common stock for cash	-	-	525,470	53	2,599,947	-	\$ 2,600,000
Common stock for note payable	-	-	15,384	1	76,916	-	\$ 76,917
Common stock for consulting services	-	-	41,058	4	205,286	-	\$ 205,290
Warrants for intellectual property	-	-	-	-	191,594	-	\$ 191,594
Common stock returned to treasury	-	-	(21,430)	(2)	(2,498)	-	\$ (2,500)
Capital distribution to common control entity	-	-	-	-	(64,519)	-	\$ (64,519)
Stock options expense	-	-	-	-	1,249,568	-	\$ 1,249,568
Net Loss	-	-	-	-	-	(2,541,532)	\$ (2,541,532)
Balance December 31, 2020	<u>-</u>	<u>\$ -</u>	<u>25,397,685</u>	<u>\$ 2,540</u>	<u>\$ 5,990,194</u>	<u>\$ (4,843,582)</u>	<u>\$ 1,149,152</u>

See accompanying notes to consolidated financial statements

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

	Year ended December 31	
	2020	2019
<b>Cash flows from operating activities</b>		
Net loss	\$ (2,541,532)	\$ (129,879)
Adjustments to reconcile net loss to net cash used in operations:		
Amortization expense	30,093	17,544
Depreciation expense	4,484	-
Common stock issued for consulting services	205,290	-
Stock options expense	1,249,568	16,711
Changes in operating assets and liabilities:		
Prepaid expenses	(57,843)	512
Accounts payable	33,480	4,418
Accrued expenses	29,806	6,515
Interest payable	(21,315)	8,000
<b>Net cash used by operating activities</b>	<b>(1,067,969)</b>	<b>(76,179)</b>
<b>Cash flows used in investing activities</b>		
Additions to intellectual property	(191,369)	-
Purchase of furniture and equipment	(198,288)	-
<b>Net cash flows used in investing activities</b>	<b>(389,657)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common stock	2,600,000	-
Repurchase of common stock	(2,500)	-
Capital distribution to common control entity	(64,519)	-
Borrowing on debt with related party	2,500	76,000
Repayment of related party debt	(450,000)	-
Repayment of convertible note	(40,000)	-
<b>Net Cash provided by financing activities</b>	<b>2,045,481</b>	<b>76,000</b>
Net change in cash and cash equivalents	587,855	(179)
Cash and cash equivalents, beginning of period	1,298	1,477
Cash and cash equivalents, end of period	<u>\$ 589,153</u>	<u>\$ 1,298</u>
<b>Supplementary Information</b>		
Interest paid	22,323	-
Income taxes paid	-	-
<b>Supplementary disclosure of non-cash activities:</b>		
Stock Dividends on Series A Preferred Stock	\$ -	\$ 10,000
Common stock issued for intellectual property	-	\$ 85,819
Preferred stock converted to common stock	\$ -	\$ 50
Warrants issued for intellectual property	\$ 191,594	-
Common stock issued from conversion of note payable and accrued interest	\$ 76,917	-

See accompanying notes to consolidated financial statements

**CQENS Technologies, Inc.**  
**(Formerly VapAria Corporation)**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**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 (the “Agreement”) 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.

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.

In 2020 the effects of the COVID-19 pandemic were felt by the Company. While the duration and full impact of the pandemic is unknown at this time, we expect that the pandemic will continue to adversely impact CQENS in several ways. Our business model is dependent upon our ability to enter into strategic partnerships in the future, including alliances with consumer product companies, to enhance and accelerate the development and commercialization of our proposed products. We will also be dependent upon third party manufacturers to produce our proposed products, as well as third party marketing and distribution companies. We believe that our business opportunities are international in nature and include potential partnerships in the UK, the EU and Asia, including the People's Republic of China. The worldwide pandemic caused by COVID-19 have caused certain of these opportunities to be delayed. Should the pandemic continue and/or be prolonged into 2021 certain of these opportunities might be limited or lost. We also need to raise additional working capital to provide sufficient funding to bring our proposed products to market. The impact of COVID-19 on the capital markets will make it more difficult for small, pre-revenue companies such as ours to access capital. We will continue to assess the impact of the COVID-19 pandemic on our company, however, at this time we are unable to predict all possible impacts on our company, our operations and our prospects.

All share and per share information appearing in this report gives pro forma effect to the one for seven (1:7) reverse stock split of our outstanding common stock which became effective on December 26, 2019.

The Company hired our executive officers in the third quarter of 2020 and as of December 31, 2020, the company has three employees. Effective August 1, 2020 the Board of Directors approved annual salaries for its: CEO, Alexander Chong, COO, William Bartkowski and CFO, Daniel Markes, for a combined total of \$270,000 per annum. To date the Company has not entered into any written employment agreements with the officers. These officers also received a biweekly cash payment consistent with their respective annual salary on July 15, 2020 and July 31, 2020 for services provided.

The Company has a fiscal year end of December 31.

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

*Basis of Presentation* - The accompanying 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 financial statements.

*Estimates* – The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Reclassifications* – Certain reclassifications may have been made to our prior year's consolidated financial statements to conform to current year presentation. These reclassifications had no effect on our previously reported results of operations or accumulated deficit.

*Consolidation* – The accompanying consolidated financial statements for 2019 include the accounts of the Company and its wholly owned subsidiary. All material intercompany balances and transactions have been eliminated. The wholly owned subsidiary was dissolved at the end of 2019. Financial statements for 2020 are therefore not consolidated.

*Cash equivalents* – All highly liquid investments with an original maturity of three months or less are considered to be 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, 2020 and December 31, 2019.

*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.

*Intellectual Property* - Intellectual property assets primarily represent rights acquired under technology licenses 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, 2020, the Company amortized \$30,093 compared to \$17,544 in the previous year, related to the value of its patent portfolio, 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. We granted 250,000 options to the management team in 2020 valued at \$1,249,568 compared with 250,000 options granted to the management team in 2019 which were valued at \$16,711.

*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 consolidated 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.

*Beneficial Conversion Features* – The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible note payable and may not be settled in cash upon conversion, is treated as a discount to the convertible note payable. This discount is amortized over the period from the date of issuance to the date the note is due using the effective interest method. If the note payable is retired prior to the end of its contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative fair value of detachable instruments included in the financing transaction, if any, to the fair value of the common shares at the commitment date to be received upon conversion.

*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 ROU assets or lease liabilities for leases with terms of 12 months or less. The Company’s existing lease has a term of 12 months and has no renewal option and as such is exempted from ASC 842. Consequently, as of the date of implementation on January 1, 2019 the adoption of ASC-842 did not have any impact to the Company’s consolidated financial statements.

In December 2020, the Company entered into a month-to-month lease with the current landlord that became effective January 1, 2021 with a 30-day notice period and has no renewal options and as such is exempted from ASC 842. In December 2020, the Company entered into a second month-to-month lease for its research and development activities. This lease has a 30-day notice period and has no renewal options and as such it too is exempted from ASC 842.

### Recent Accounting Pronouncements

The Company does not believe that any recently issued effective pronouncements, or pronouncements issued but not yet effective, if adopted, would have a material effect on the accompanying financial statements.

### NOTE 3 – GOING CONCERN

The Company's 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, and although has cash and cash equivalents in excess of five hundred thousand dollars, with renewed research and development efforts and with no source of revenue 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 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 in 2020 and 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, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Net opening loss carryforward	\$ 754,705	\$ 483,431
Valuation allowance	\$ (754,705)	\$ (483,431)
Net deferred asset	\$ -	\$ -

The Company did not pay any income taxes during the years ended December 31, 2020 or 2019.

The Company's cumulative net operating loss carryforward as of December 31, 2020 amounted to \$3,593,831 and will start to expire December 31, 2033. The years going back to 2016 remain open for examination by relevant tax authorities.

### NOTE 5 – STOCKHOLDERS' EQUITY

On December 26, 2019 the Company effected a reverse stock split of our outstanding common stock at the ratio of 1:7. The reverse stock split did not affect any stockholder's ownership percentage of the Company's common stock, except to the limited extent that the reverse stock split resulted in any stockholder owning a fractional share. Fractional shares of common stock were rounded up to the nearest whole share based on each holder's aggregate ownership of the Company. All issued and outstanding shares of common stock and options to purchase common stock and per share amounts contained in the financial statements, have been retroactively adjusted to reflect the reverse stock split for all periods presented.

On August 27, 2019 the Company declared and issued 7,143 shares of our common stock to Xten Capital Group Inc., formerly Chong Corporation ("Xten") as a 2018 dividend on our Series A Preferred. The stock was valued at \$1.40 per share.

On August 27, 2019 the Company converted the 500,000 shares of our Series A preferred to 71,429 shares of our common stock. The Series A Preferred designations, rights and preferences provided that each share of the Series A Preferred becomes convertible into shares of our common stock on a one for one basis on the fifth anniversary of the date of issuance. On December 26, 2019 following the conversion of all outstanding shares into common stock the Company returned the previously designated series of Series A Preferred to the status of undesignated blank check preferred.

On December 31, 2019 the Company entered into an asset purchase agreement with an affiliated entity, Xten, whereby the Company was assigned certain patents and/or patents pending in exchange for 14,000,000 shares of the Company's common stock valued at \$85,819 based on the carrying value of the assets acquired.

On January 29, 2020 we sold 248,448 shares of our common stock for \$1,200,000 to a non-U.S. Person in a private transaction. We did not pay a commission or finder's fee and are using the proceeds for working capital.

On March 6, 2020, the holder of the \$50,000 note that was entered into on May 30, 2013 agreed to convert the principal and accrued unpaid interest totaling \$76,917 into shares of CQENS common stock at \$5.00 per share. A total of 15,384 shares were issued as satisfaction of this note.

On April 13, 2020 we entered into a consulting engagement memorandum with an unrelated third party pursuant to which we engaged this party to identify key Asian resources for our company. As compensation for the services we issued this individual 12,423 shares of our common stock valued at \$62,115. The recipient was a non-U.S. person.

On April 16, 2020 we entered into a consulting engagement memorandum and agreement with an unrelated third party and engaged this individual to provide certain services to us in connection with the further development of certain of our patents. As compensation, upon execution, we issued this individual 10,000 shares of our common stock valued at \$50,000 and are obligated to issue him an additional 10,000 shares at such time as additional patents are issued. The recipient was a non-U.S. person.

On June 1, 2020 we sold a total of 82,818 shares of our common stock for \$400,000 to six non-U.S. Persons in private transactions. We did not pay a commission or finder's fee and are using proceeds for working capital.

On June 4, 2020 we sold 165,632 shares of our common stock for \$800,000 to a Non-U.S. Person in a private transaction. We did not pay a commission or finder's fee and are using the proceeds for working capital and reducing debt.

On June 17, 2020, the Company entered into a Stock Purchase Agreement with an unrelated stockholder pursuant to which it agreed to repurchase 21,430 shares of its common stock from the stockholder for \$2,500. The Stock Purchase Agreement contained customary terms, including cross general releases. On August 10, 2020, the transaction closed. Following the closing of the transaction, the shares have been cancelled and returned to the status of authorized but unissued shares of common stock.

On July 17, 2020 we entered into a consulting engagement memorandum with an unrelated third party for the consultant's guidance and expertise in identifying business opportunities, partners and other skilled consultants in the People's Republic of China and/or other territories of Asia. As compensation for the services we issued this individual 12,423 shares of our common stock valued at \$62,115. The recipient was a non-U.S. person.

On July 17, 2020 we entered into a consulting engagement memorandum with an unrelated third party for the consultant's guidance and expertise in identifying potential financiers, partners and other skilled consultants in the People's Republic of China and/or other territories of Asia. As compensation for the services we issued this individual 6,212 shares of our common stock valued at \$31,060. The recipient was a non-U.S. person.

On November 18, 2020 we sold 28,572 shares of our common stock to an accredited investor in a private transaction and we received proceeds of \$200,000. We did not pay any commissions or finders' fees and are using the proceeds for working capital.

As of December 31, 2020 the Company had 25,397,685 shares of common stock issued and outstanding.

#### *Preferred Stock*

Under the terms of the Series A Preferred the Company paid the holder a 10% annual dividend in common stock and the preferred becomes convertible to common stock five years from issuance at a conversion rate of one share of the Company's common stock for each share of the Series A Preferred. The Series A Preferred was not redeemable at the holder's option, had no voting rights.

On August 27, 2019, the shares of Series A Preferred were automatically converted into shares of our common stock. Following the conversion, there are no shares of Series A Preferred issued and outstanding and we do not have any intention of issuing any additional shares of Series A Preferred. The Certificate of Amendment has returned the Series A Preferred to the status of authorized but undesignated shares of our blank check preferred stock.

#### *Stock Options*

On November 19, 2019, our board of directors authorized our 2019 Equity Compensation Plan covering 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.

On October 1, 2020 in line with the Company's 2019 Equity Compensation Plan, 250,000 non-qualified stock options were granted to its management. These options were fully vested upon grant and have an exercise price of \$5.31 per share. The fair market value of the options at the grant date was determined to be \$1,249,568 which was expensed immediately. The options were valued using the Black Scholes option pricing model with the following assumptions: 1) a current stock price per share of \$5.00, based on the price of recent offerings; 2) expected term of 5 years; 3) computed volatility of 320.59%; and, 4) the risk free rate of return of 0.27%. The exercise period terminates on October 1, 2025.

On December 31, 2019 in line with the Company's 2019 Equity Compensation Plan, 250,000 non-qualified stock options were granted to its management. These options were fully vested upon grant and have an exercise price of \$1.00 per share. The fair market value of the options at the grant date was determined to be \$16,711 which was expensed immediately. The options were valued using the Black Scholes option pricing model with the following assumptions: 1) a current stock price per share of \$0.15, based on the price of companies with profiles similar to ours; 2) expected term of 2.5 years; 3) computed volatility of 138.12%; and, 4) the risk free rate of return of 2.62%. The exercise period terminates on December 31, 2024.

On December 31, 2020, the non-qualified stock options that were granted to management on December 31, 2015, expired without exercise. The result is a reduction of 428,574 to the outstanding and exercisable options.

As of December 31, 2020, the Company has 1,357,148 outstanding and exercisable options at a weighted average exercise price of \$2.16 and a weighted average remaining term of 2.9 years and an intrinsic value of zero.

#### *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 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 carrying value of the assets acquired.

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

Early in 2020 the Company borrowed \$2,500 from Xten, a common control entity. On June 24, 2020 the Company repaid \$250,000 to Xten. On December 3, 2020 the Company repaid an additional \$200,000 to Xten to reduce the debt to Xten, a common control entity. The balance outstanding at December 31, 2020 due Xten is \$255,544. The loan is unsecured, noninterest bearing and due on demand.

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, 2020 and 2019. As of December 31, 2020, there is no outstanding balance for rent due to 5550 Nicollet LLC.

In December 2020 we entered into a month-to-month lease that began January 1, 2021 with a monthly rental rate of \$775.

In early 2020 we entered into a short-term Research and Development Agreement with Xten, a common control entity, pursuant to this signed Agreement, Xten provided research and development related expertise and services specific to HnB technologies, devices and intellectual property. Costs to the Company were \$427,788 in research and development costs resulting from these activities. This Agreement expired September 30, 2020.

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 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 assets have been accounted for at its carrying value of \$191,594.

In the third quarter of 2020 the Company procured the services of Plexus Corporation, a common control entity, to create, design and deliver an online interactive presentation in English and Simplified Chinese for use in presentations to potential investors. Cost to the Company for this service was \$5,500.

On September 30, 2020 the Company entered into an Other Assets Purchase Agreement with Xten, a common control entity, to purchase certain assets including: multiple pieces of laboratory and workshop equipment; custom built plume and inhalation testing machine; computers, monitors and accessories; prepaid rent; and, laboratory/workshop supplies, for a purchase price of \$263,512. The assets have been accounted for at its carrying value of \$198,288 and the consideration paid in excess of the carrying value was treated as distribution to Xten. The Other Assets Asset Purchase Agreement also contained customary indemnification provisions.

See other related party transactions in Note 9 – Commitment and Contingencies

#### **NOTE 7 – NOTE PAYABLE**

On May 20, 2013 the Company issued a \$50,000 note to an unrelated third party. At December 31, 2019 the principal balance on the note was \$50,000. On March 6, 2020, this note and accrued unpaid interest, upon agreement by the noteholder, were fully satisfied through the conversion of the principal and accrued interest totaling \$76,917 into 15,384 common shares of our stock at a rate of \$5.00 per share. No gain or loss was recognized from the conversion of this note to the Company's common stock.

#### **NOTE 8 – CONVERTIBLE NOTE**

On July 14, 2014 the Company issued a \$40,000 convertible note to an unrelated third party that was originally issued July 14, 2014 as part of the acquisition of VapAria Solutions. This convertible note matured on December 31, 2019 with the same principal balance of \$40,000. On February 10, 2020 we fully satisfied any and all obligations of the convertible note through repayment of the principal and accrued interest of \$62,323.

#### **NOTE 9 – 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 License Agreements effectively eliminating the commitment and contingencies of these previous agreements.

Relating to the December 2013 License Agreement with Xten a common control entity, beginning in the calendar year in which the first licensed products or licensed services takes place, but not prior to January 1, 2015 the Company is required to pay to Xten, a common control entity, a 3% royalty for revenues with a \$50,000 annual minimum royalty commitment.

The December 31, 2013 License Agreement with Xten also requires us to pay for the costs associated with maintaining the patent applications and patents licensed to us. For the fiscal years ended December 31, 2020 and 2019 Xten did not report that it incurred any costs associated with this December 2013 License Agreement.

#### **Note 10 – SUBSEQUENT EVENTS**

On March 15, 2021 we sold a total of 71,429 shares of our common stock for \$500,000 to a non-U.S. Persons in a private transaction. We did not pay a commission or finder's fee and are using proceeds for working capital.

On February 15, 2021 the Board of Directors determined that it was in the best interest of the Company to grant stock 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.

**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, 2020 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.

April 15, 2021

*/s/ Alexander Chong*

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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, 2020 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.

April 15, 2021

/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, 2020 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.

April 15, 2021

/s/ Alexander Chong

Alexander Chong, Chief Executive Officer, principal executive officer

April 15, 2021

/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.

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