

Management Discussion and Analysis of Financial Condition and Results of Operations (As of June 1, 2015)

This MD&A contains projections and other forward-looking statements regarding future events. Such statements are predictions, which may involve known and unknown risks, uncertainties and other factors, which could cause the actual events or results and company plans and objectives to differ materially from those expressed. For information concerning factors affecting the Company's business, the reader is referred to the documents that the Company files from time to time with applicable Canadian securities and regulatory authorities.

This discussion and analysis of the results of operations of Quest PharmaTech Inc. (“Quest” or the “Company”) should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended January 31, 2015 and 2014. The audited consolidated financial statements have been prepared in accordance with international financial reporting standards (“IFRS”) and have been audited by the Company’s auditors. This discussion and analysis provides information on the operations of Quest on a consolidated basis. All amounts are expressed in Canadian dollars unless otherwise noted and references to the term “year” refer to the fiscal year ended January 31st. Additional information related to the Company is on SEDAR at www.sedar.com.

2015 Development Highlights:

Signed a license agreement with Bioceltran Co., Ltd to license Quest’s Photodynamic Therapy (PDT) technology to Bioceltran in return for up-front license fees, milestone payments and royalties on future product sales. Quest also purchased, as a Foreign Equity Investment, an ownership interest in existing shares of Bioceltran.

Signed an exclusive supply and distribution agreement with Smart Cell Tec for the world-wide marketing and distribution rights, excluding South Korea, for Bellus Skin™, a science based, premium anti-wrinkle skin care product. To assist with the Canadian and U.S. marketing strategy for Bellus Skin™, Quest has entered into a marketing and distribution relationship with Afinity Life Sciences Inc., headed by Dr. Jacqueline Shan, founder and former CEO and Chief Science Officer of Afexa Life Sciences Inc.

Signed an exclusive distribution agreement with Global Persada International, a Singapore based company managed by Dr. Rikrik Ilya, CEO of Innokeys Pte Ltd., for marketing of Bellus Skin™ in ASEAN countries.

Signed a contribution agreement with the National Research Council Canada’s Industrial Research Assistance Program for up to \$206,000 of funding support to be used for a cell culture development project for the Company’s IgE technology.

Reached full enrollment for its Phase IIb multicentre study for the treatment of advanced ovarian cancer with Oregovomab in combination with chemotherapy in Italy and the U.S. Data collection and immunological sample analysis is ongoing.

The Company continues with its IgE pre-clinical studies at the University of Nebraska under a contract research agreement.

Multiple patents have been granted including U.S. patent # 8,697,079 for “IgE Antibodies for the treatment of Cancer”, U.S. patent # 8,945,566 for “Methods For Improving The Bioactivity Of Therapeutic IgE Antibodies For The Treatment Of Disease”, U.S. patent # 8,758,725 for “Perylenequinone Derivatives and Uses Thereof” covering the Company’s SL052 PDT technology, U.S. patent # 8,506,931 for the SL017 PDT technology and U.S. patent # 8,454,991 for a medical device for use in Photodynamic Therapy.

The Company closed a \$411,500 unit offering private placement. The units are issuable at \$0.06 per unit. Each unit is comprised of one common share and one half share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.10. The warrants carry a two year expiry.

Current Clinical Programs:

Oregovomab

Quest is developing the high affinity monoclonal antibody Oregovomab (MAb B43.13) for the treatment of ovarian cancer. Oregovomab targets the circulating tumor-associated antigen CA125, which is shed from the surface of human epithelial ovarian cancer cells; the antibodies induce broad cellular and humoral immune responses against CA125 via complex formation. Clinical testing conducted to date has shown that front-line carboplatin-paclitaxel administered in combination with Oregovomab immunotherapy results in a more vigorous immune response to the immunization than observed with Oregovomab in the post front-line mono-immunotherapy maintenance setting. There is a growing appreciation in the cancer immunotherapy community that cytotoxic therapy can provide the immune system better access to injured cells and also dampen the immune suppressive pathways that serve to turn off immune reactions. The Company believes further clinical trials are warranted with Oregovomab in combination with front-line chemotherapy for the treatment of ovarian cancer.

Clinical Trial Strategy

Taking advantage of the availability of clinical grade Oregovomab (anti CA125 antibody), Quest is conducting two and is planning to conduct one other proof-of-concept clinical trial to establish these principles to ultimately lead to the design of a definitive combinatorial product registration.

An 80 patient multicentre Italian and U.S. cooperative trial to establish evidence for the clinical benefit associated with enhanced specific T cell immunity achievable by combining Oregovomab with carboplatin and paclitaxel in the initial treatment of advanced ovarian cancer (front-line). This clinical trial is now fully enrolled.

A Phase II clinical trial to evaluate the ability of an immuno-adjuvant (TLR3 agonist, Hiltonol®) to enhance the strength of the Oregovomab immune response with front-line chemotherapy generated in advanced ovarian cancer patients.

A Phase II U.S. trial will use gemcitabine, another cytotoxic agent, with neoadjuvant immunotherapy in a cohort of patients with CA125 associated partially resectable pancreatic cancer.

One of the endpoints in all three clinical trials is the induction of CA125 specific T cells as measured by a well validated ELISPOT assay. Since CA125 specific T cell induction has been correlated with progression free survival and overall survival in our previous 40 patient Oregovomab combination therapy clinical trial, the Company is hoping to use this assay as a surrogate marker to get expedited product approval.

Product Pipeline

Quest's pipeline of product candidates consists of four other monoclonal antibodies targeting certain tumor antigens that are presented in a variety of cancers including such cancers as breast, lung, pancreas, stomach and, prostate. Quest already has in its possession proprietary antibodies against MUC1, PSA, CA19.9 and TAG72. These antibodies in the platform will undergo continuing preclinical development in anticipation of rapid clinical development, once the initial Oregovomab studies establish the validity of the proof-of-concept. It is noted that a Phase I clinical trial with anti-MUC1 antibody in 17 patients with metastatic cancer, including multiple myeloma, demonstrated the activation of anti-tumor immunity in those patients.

Monoclonal IgE for Solid Tumor Immunotherapy

Quest's proprietary approach uses antibodies to modulate and enhance specific immunity to the target tumor antigen (and associated tumor). Recent insights into the ability of the adaptive immune system to exert an anti-cancer effect suggests that previously unappreciated molecular constructs targeting the Fc epsilon receptors may also have unique and beneficial effects as potential cancer immunotherapeutic agents.

The immunoglobulin E (IgE) is a class of antibody that is capable of triggering a broad range of immune responses which are still being fully elucidated in the scientific community. The IgE antibody class reacts with specific receptors via its unique heavy chain constant regions, Fcε receptors that are present on a variety of immune cells (including mast cells, basophils, monocytes, macrophages eosinophils and dendritic cells). IgE plays a central role in, immunity against parasitic infection, wound healing and tissue repair, and is also a major component of allergic reactions against environmental agents. Multiple studies suggest that IgE also plays a role in cancer immunosurveillance. For example, relevant epidemiological studies on the association of allergies with cancer support a lower cancer risk among people with a history of allergies. Antibodies of IgE class isolated from pancreatic cancer patients were shown to mediate cytotoxicity against autologous cancer cells. In addition, levels of polyclonal IgE directly correlated with the overall survival in patients with multiple myeloma. All these observations imply that this class of antibody can be exploited for the treatment of cancer to complement the IgG class that has traditionally been developed for cancer therapy.

This technology has important features as a cancer treatment approach bridging immunology and current standard therapies and supplementing the use of monoclonal IgG's. Quest scientists and collaborators have demonstrated IgE to effectively trigger cross-presentation by antigen presenting cells of selected tumor antigens leading to robust cellular immune responses. Additionally, multiple novel effector cell pathways are activated resulting in enhanced stromal penetration by effector cells and anti-neoplastic agents. The technology offers the promise of a new therapeutic approach to improve outcomes in the treatment of solid tissue malignancies in conjunction with current therapy. Controlled local hypersensitivity reactions in the tumor site and stroma foster this novel pharmacology.

IgE also has several intrinsic advantages that may increase its therapeutic potential compared to IgG including the exceptionally high affinity for its receptor, FcεR1, and the low serum concentration of endogenous IgE that provides less competition to administered IgE in binding effector cells involved in orchestrating this biology. Interestingly, IgE binds cells in tissue as well as in circulation and will home to tumor stroma.

Quest has licensed a number of cancer antigen specific monoclonal IgE from Advanced Immune Therapeutics, Stanford University, the University of California at Los Angeles and the University of California at San Francisco, that target MUC1, PSA and the HER2/neu antigen. Preclinical studies are being conducted in collaboration with Dr. Michael Hollingsworth at the University of Nebraska Medical Center to develop the Anti-HER2/neu IgE product candidate for advancing it to a clinical trial for the treatment of solid malignancy. Antitumor effects of IgE have been reported in several model systems in the literature, including each of the three Quest monoclonal IgE's in the pipeline.

Quest has received a funding commitment from the National Research Council Canada's Industrial Research Assistance Program for up to \$206,000 to be used for the IgE cell culture development project.

Quest has initiated a preclinical program to identify a lead product candidate that may be advanced to a clinical trial for the treatment of solid malignancy.

SonoLight Technology

SonoLight Technology for Dermatology Applications: The Company's lead product, SL017, is a topical formulation indicated for dermatology applications. The Company has made a strategic decision to focus its development efforts towards oncology and is therefore looking to out-license its dermatology pipeline of products.

SonoLight Technology for Oncology Applications: A second product from the SonoLight platform, SL052, is an injectable formulation that has received approval from Health Canada's Therapeutic Product Division to initiate a Phase I clinical trial for the treatment of prostate cancer. The clinical trial will be conducted in two stages. The first stage of the study will evaluate the prostate gland distribution of SL052 in up to six subjects undergoing radical prostatectomy. In the second stage of the study, the safety and preliminary efficacy of SL052 PDT treatment with light dose escalation will be studied in 12 subjects with localized prostate

cancer. The treatment response will be monitored by MRI, prostate biopsy and changes in baseline PSA levels. The animal studies completed at the Cross Cancer Institute in Edmonton, Alberta, indicate that SL052 has the potential to destroy cancerous tumors in the prostate while limiting collateral damage to healthy tissue.

Cosmetics

Quest has signed an exclusive supply and distribution agreement with Smart Cell Tec for the world-wide marketing and distribution rights, excluding South Korea, for the science based, premium anti-wrinkle skin care product, Bellus Skin™.

Bellus Skin™ has several unique qualities that make it an effective high end anti-wrinkle serum. The patented SP Technology in Bellus Skin™ enables superior permeability of the key ingredients to the lower layers of the skin surface where the effect is profound and long lasting. The SP Technology platform, developed by the Korean company, Bioceltran Co., Ltd., also has applications for other cosmetic and pharmaceutical products under development. Bioceltran is focused on Protein Transduction Domain (PTD) Technology for transdermal delivery of drugs for cosmetics and pharmaceuticals. Quest has exclusive rights to SP Technology based products. In addition, Quest recently acquired equity in Bioceltran, thereby enabling plans to create a revenue stream for Quest in the near term.

Bellus Skin™ is already being sold in Korea. Canadian pre-market testing feedback for the product has been favorable. In addition, SP Technology when used in combination with Quest's SonoLight technology has some unique advantages both for dermatology and oncology applications.

To assist Quest with the Canadian and U.S. marketing strategy for Bellus Skin™, Quest has entered into a marketing and distribution relationship with Afinity Life Sciences Inc., headed by Dr. Jacqueline Shan, founder and former CEO and Chief Science Officer of Afixa Life Sciences Inc.

Quest has also recently signed an exclusive distribution agreement with Global Persada International, a Singapore based company managed by Dr. Rikrik Ilya, CEO of Innokeys Pte Ltd., for marketing of Bellus Skin™ in ASEAN countries, and is also in negotiations with parties to market the product in Europe.

The Company anticipates a near term revenue stream from a number of product pipelines based on this superior product. The revenue will support the Company's efforts in the development of its core Antibody Immunotherapy Platform. The Canadian market potential for prestige skin care products is estimated to be \$350 million annually.

Smart Cell Tec is a Korea based company that manufactures Bellus Skin™ using Bioceltran's SP Technology. Bellus Skin™ is currently sold in Korea and Smart Cell Tec is well positioned to provide the support Quest will require to market and distribute Bellus Skin™ on a global basis.

Products under Development:

Product Candidate	Class	Discovery	Preclinical	Phase I/II	Phase III	Regulatory Approval
Oregovomab (Ovarian Cancer)	Chemo-Enhanced Immunotherapy					
Oregovomab (Ovarian Cancer)	Adjuvant-Enhanced Immunotherapy					
Oregovomab (Pancreatic Cancer)	Chemo-Enhanced Immunotherapy					
SL052 (Prostate Cancer)	PDT					
Anti MUC1 AR20.5 (Pancreatic Cancer)	Chemo-Enhanced Immunotherapy					

Financial Results

Net consolidated loss for the year was \$1,820,684 or \$0.017 per share as compared to a consolidated loss of \$272,330 or \$0.003 per share for the year ended January 31, 2014. Net research and development expenditures totaled \$1,687,819 while general and administrative expenses were \$969,532 for the same period. As of January 31, 2015, the Company had cash of \$100,042 (June 1, 2015 – approximately \$50,000). The Company also has debt of \$1,768,042 in the form of demand loans (June 1, 2015 - \$2,163,042).

Selected Annual Financial Information

	IFRS January 31, 2015	IFRS January 31, 2014	IFRS January 31, 2013
Revenue from continuing operations	961,000	1,929,000	-
Net loss for the year	(1,820,684)	(272,330)	(1,630,167)
Basic and diluted loss / share	(0.017)	(0.003)	(0.020)
Total assets	331,989	901,854	243,230
Total debt	1,768,042	870,000	1,770,000

Results of Operations

Quest's net consolidated loss includes some significant non-cash items. These non-cash items include amortization, options/shares issued as consideration for services and options issued to employees. For the years ended January 31, 2015 and January 31, 2014, amortization was \$37,487 and \$43,029 respectively, and share based payment transaction expense related to shares/options issued for services was \$16,500 and \$14,750 respectively and for employees was \$63,000 and \$61,500, respectively. Net consolidated loss for the year ended January 31, 2015

was \$1,820,684 or \$0.017 per share on a fully diluted basis as compared to a consolidated loss of \$272,330 or \$0.003 per share for the year ended January 31, 2014. After adjusting for non-cash items, cash flows used in operating activities for the year ended January 31, 2015 were \$1,942,749 as compared to \$1,959,465 for the year ended January 31, 2014.

Revenues:

The following table identifies the changes in revenue for the year ended January 31, 2015 compared to the year ended January 31, 2014.

Revenue			
	2015	2014	Increase (decrease)
	\$	\$	\$
Investment Financing Revenue	961,000	369,000	592,000
Gain on Settlement of Investment Financing Agreement	-	1,560,000	(1,560,000)
Total revenue	961,000	1,929,000	(968,000)

Investment financing revenue represents the revenue recognized in the year related to the \$2,000,000 of investment financing received by the Company in fiscal 2014.

Gain on settlement of investment financing agreement represents the revenue recognized in the year on the termination of the fiscal 2013 investment financing agreement.

Expenses

The following table identifies the changes in general and administrative expense for the year ended January 31, 2015 compared to the year ended January 31, 2014.

General and administrative expenses			
	2015	2014	Increase (decrease)
	\$	\$	\$
Salaries, wages and benefits	292,550	275,473	17,077
Audit fees	66,925	65,910	1,015
Legal fees	68,185	27,992	40,193
Other support costs	128,380	82,226	46,154
Travel	61,090	61,570	(480)
Consulting/business development costs	258,833	153,333	105,500
Rent	17,312	17,072	240
Insurance	19,894	16,635	3,259
Public company related costs	55,205	52,077	3,128
Depreciation	1,158	1,428	(270)
Total general and administrative expenses	969,532	753,716	215,816

General and administrative costs have increased in 2015 compared to 2014, primarily due to an increase in consulting/business development costs, legal fees, other support costs and salaries

wages and benefits. Consulting/business development costs increased due to increased business development and cosmetics related activities. Legal fees increased due to an increase in corporate legal activity. Other support costs increased due to cosmetics related marketing and supplies costs. Salaries, wages and benefits increased due to a modest 5.5% average increase in staff salary levels.

Cosmetics - Included in general and administrative costs, primarily in consulting and other support costs, the Company has incurred expenses related to the Company's cosmetics project for Bellus Skin™. During the year ended January 31, 2015, the Company incurred cosmetics related costs of \$216,823.

The following table identifies the changes in research and development (R&D) expense for the year ended January 31, 2015 compared to the year ended January 31, 2014.

Research and development expenses			
	2015	2014	Increase (decrease)
	\$	\$	\$
Sub-contract, consulting and clinical trials	1,281,443	852,570	428,873
Salaries, wages and benefits	142,032	131,552	10,480
Legal (patent prosecution)	133,427	158,232	(24,805)
Rent	40,395	40,588	(193)
Other R&D costs	85,758	140,669	(54,911)
Supplies	3,268	5,153	(1,885)
Depreciation	36,329	41,601	(5,272)
Gross research and development expenses	1,722,652	1,370,365	352,287
Less			
NRC – IRAP Grants	(9,808)	-	9,808
Alberta Finance – SR&ED tax credits	(25,025)	(30,310)	(5,285)
Research and development expense (net)	1,687,819	1,340,055	347,764

Overall, R&D costs have increased in 2015 compared to 2014 due to increases in sub-contract, consulting and clinical trial costs, offset by decreases in legal patent prosecution costs and other R&D costs. Sub-contract, consulting and clinical trial costs increased due to an increase in activity for the Company's ongoing clinical trials. The decrease in legal patent prosecution costs relates to decreased activity for the Company's patent matters. Other R&D costs decreased due to a decrease in license fee costs and R&D related travel costs.

Fourth Quarter Results of Operations

For the three months ended January 31, 2015 ("Q4 2015"), the Company had a net loss of \$857,079 or \$0.007 per share compared to net income of \$1,268,413 or \$0.015 per share for the three months ended January 31, 2014 ("Q4 2014"). Research and development costs of \$851,083 were incurred during Q4 2015 compared to \$325,715 during Q4 2014. Most of the R&D cost increase is the result of an increase in subcontract/consulting/clinical trial costs of

\$524,066 during Q4 2015 compared to Q4 2014. General and administrative costs of \$325,949 were incurred for Q4 2015 compared to \$312,558 for Q4 2014. The Q4, 2015 increase relates to the grant of stock options, offset by lower consulting and business development fees incurred during Q4, 2015 compared to Q4, 2014. Included in general and administrative costs, the Company incurred \$40,267 of cosmetics related expenditures during Q4, 2015.

Summary of Quarterly Results

The following table presents unaudited selected financial information for each of the last eight quarters ended January 31, 2015.

	Year ended January 31, 2015				Year ended January 31, 2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	160,825	160,825	267,825	371,525	-	-	-	1,929,000
Net income (loss) for the period	(383,354)	(313,093)	(267,158)	(857,079)	(375,390)	(640,126)	(525,227)	1,268,413
Basic and diluted income (loss) per share (1)	(0.004)	(0.003)	(0.003)	(0.007)	(0.004)	(0.008)	(0.006)	0.015

(1) Quarterly losses per share are not additive and may not equal annual loss per share reported. This is due to the effect of shares issued during the year on the weighted average number of shares outstanding for the full year.

Share-Based Payment Transactions

During the year ended January 31, 2015, the Company granted a total of 2,650,000 (2014 – 2,525,000) share options, as per the Company’s Share Option Plan. In 2015, 550,000 options were granted to non-employees, and 2,100,000 to employees, all at an exercise price of \$0.10 per share and all vesting immediately. In 2014, 475,000 options were granted to non-employees and 2,050,000 to employees, at exercise prices ranging from \$0.10 to \$0.15 per share. 2,325,000 of these options vested immediately and 200,000 options vested two months following the grant date. The fair value of these options, totaling \$79,500, was recognized as an expense and credited to contributed surplus for the year ended January 31, 2015 (2014 - \$76,250).

Intangible Assets

Intangible assets include proprietary rights, intellectual property and patent rights which have been acquired from third parties. Intangible assets are recorded at cost less accumulated amortization. The Company evaluates the recoverability of the carrying cost of proprietary rights and intellectual property annually and if the rights and intellectual property are not considered to be fully recoverable, a provision is recorded to recognize them at fair value. For the year ended January 31, 2015, no provision for impairment in value has been recorded.

Capital Expenditures

Expenditures on capital assets were \$9,198 for the year ended January 31, 2015 (2014 - \$4,725).

Outstanding Share Data

The Company has the following securities outstanding as at June 1, 2015:

Common shares issued and outstanding at January 31, 2015	108,755,913
Share options outstanding as at January 31, 2015	11,790,000
Warrants outstanding as at January 31, 2015	13,429,167
Share options granted since January 31, 2015	50,000
Share options expired since January 31, 2015	-

Fully diluted common shares are 134,025,080 assuming the exercise of all share options and warrants.

Financial Instruments

Fair Value - Given their short-term maturity, the fair value of cash, accounts receivable, and accounts payable approximate the carrying value. The fair values of the Company's financial instruments are measured using a Level 1 classification (quoted prices in active markets).

Foreign Currency Risk - The Company has assets and liabilities that are denominated in foreign currencies and that are exposed to the financial risk of earnings fluctuation arising from changes in foreign exchange rates and the degree of volatility of those rates. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk.

Liquidity Risk - Company's exposure to liquidity risk is dependent on its ability to raise funds to meet its commitments and sustain its operations. The Company controls liquidity risk by managing its working capital and by securing additional funds through equity, debt or partnering transactions.

Credit Risk - Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. To minimize its exposure to credit risk for cash equivalents, the Company invests surplus cash in fully guaranteed short term deposits with its financial banker, a major Canadian bank. As the Company is primarily involved in research and development, the Company's exposure to credit risk related to accounts receivable is not considered to be significant. At January 31, 2015, 59% of accounts receivable was due from one organization under a provincial government program.

Interest Rate Risk - Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash is comprised of highly liquid deposits that earn interest at market rates. Interest on the long-term debt is at fixed rates. Consequently, the Company is exposed to fair value changes on long-term debt when the market rate of interest changes. Accounts receivable and accounts payable bear no interest. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

Liquidity and Capital Resources

The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to raise additional capital to successfully complete its research and development programs, commercialize its technologies, conduct clinical trials and receive regulatory approval for its products.

At January 31, 2015 cash and cash equivalents were \$100,042 as compared to \$742,447 at January 31, 2014. At June 1, 2015, the Company had cash of approximately \$50,000.

Cash used in operating activities was \$1,942,749 for the year ended January 31, 2015 compared to \$1,959,465 for the year ended January 31, 2014.

Commencing in February, 2010, the Company secured demand loan financing of up to \$1,000,000 from one of its officers. This demand loan financing bears interest at 8% per annum, interest payable monthly and is unsecured with principal repayment to be made 30 days after demand. The principal is to be repaid upon the Company receiving sufficient future licensing fees, equity financing or other revenues. To date, the Company owes \$680,000 on this demand loan financing.

In March and May, 2011, the Company secured additional demand loan financing of \$100,000 from an independent director of the Company. This demand loan financing bears interest at 8% per annum, interest payable monthly and is unsecured with principal repayment to be made 30 days after demand.

As at January 31, 2015, the Company had secured demand loan financing of \$140,000 from an officer of the Company. This demand loan financing bears interest at 8% per annum, interest payable monthly and is unsecured with principal repayment to be made 30 days after demand.

During fiscal 2015, the Company received a net total amount of \$898,042 of demand loan financings from third parties. These demand loan financings bear interest at 8% per annum, interest payable monthly and are unsecured with principal repayment to be made 30 days after demand.

During fiscal 2015, the Company closed a \$411,500 unit offering private placement. The units were issued at \$0.06 per unit. Each unit was comprised of one common share and one half share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.10. The warrants carry a two year expiry.

The Company continues to implement a disciplined approach to containing costs and is focusing on programs aimed at achieving near-term goals.

Quest's funding needs will vary as its drug development products move into and through clinical trials. Based on current operating budgets, management believes that the capital resources of the Company should be sufficient to fund operations into the first quarter of fiscal 2017.

The Company will seek additional capital through the sale of non-core assets, further equity financings, licensing arrangements involving its core technologies and strategic partnerships.

Contractual Obligations

In the normal course of operations, Quest has entered into several contracts providing for the following payments over the following fiscal years:

	Payments due by year				
	Total	Within 1 year	2 – 3 years	4 – 5 years	After 5 years
	\$	\$	\$	\$	\$
Operating leases	147,683	60,762	86,921	-	-
Research & development and other contracts	2,397,945	1,051,561	1,067,817	278,567	-
Total contractual obligations	2,545,628	1,112,323	1,154,738	278,567	-

In addition, under the investment financing agreements, Quest is obligated to share 40% of future net revenue for the Company's Oregovomab for treatment of cancer product sales, 7% of future net revenue with a related party for the Company's Immunotherapy and Prostate Cancer product sales, and 3% of future net revenue with an unrelated party to a maximum of \$5 million for the Company's Immunotherapy and Prostate Cancer product sales.

Demand Loans and Related Party Transactions

During fiscal 2011, the Company entered into a demand loan agreement with Dr. Ragupathy Madiyalakan, CEO and a director of the Company, to provide up to \$1,000,000 in 8% annual interest bearing demand loan financing to be used for the Company's operating expenditures. This financing is unsecured, with principal repayment to be made 30 days after demand, interest payable monthly. The principal is to be repaid upon the Company receiving sufficient future licensing fees, equity financing or other revenues. To date, the Company owes \$680,000 on this financing.

During April and May, 2011, the Company received demand loan financing of \$100,000 from Mr. Ian McConnan, an independent director of the Company. This demand loan financing bears interest at 8% per annum, interest payable monthly and is unsecured with principal repayment to be made 30 days after demand.

As at January 31, 2015, the Company had demand loan financing of \$140,000 from Mr. Thomas Woo, an officer of the Company. This financing is unsecured, with principal repayment to be made 30 days after demand, and with 8% annual interest payable monthly.

During the fiscal 2015, the Company received \$948,042 of demand loan financings from nonrelated third parties, \$50,000 of which was repaid during the year. These demand loan financings bear interest at 8% per annum, interest payable monthly and are unsecured with principal repayment to be made 30 days after demand. Subsequent to period end, the Company secured an additional \$395,000 of demand loan financings from nonrelated third parties.

Accounting Standards and Amendments Issued But Not Yet Adopted

The listing below includes standards, amendments and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective. Unless otherwise noted, the effective date of each standard below is the first annual period beginning on or after January 1, 2015, with retrospective application required and early adoption permitted. The Company is currently assessing the impact of adopting these standards on the consolidated financial statements but does not expect any significant impact.

IFRS 9 - Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. This standard is effective for fiscal years beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

This new standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard has an effective date of January 1, 2018, is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

IFRS 2 Share-based Payments

Amendments to this standard clarify various issues relating to the definitions of performance and service conditions which are vesting conditions.

IFRS 3 Business Combinations

Amendment to this standard clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss.

IFRS 8 Operating Segments

Amendments to this standard clarify that an entity must disclose the judgements made by management in applying the aggregation criteria including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and, the reconciliation of segment

assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

Amendments to this standard clarify that an asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

Disclosure Controls and Procedures

The management of Quest is responsible for establishing and maintaining disclosure controls and procedures for the Company and is continuing with the implementation of disclosure controls and procedures, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to Quest management particularly during the period in which the annual filings are being prepared.

Internal Controls Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. Management has taken steps to improve the procedures and provide maintenance related to an effective design for the Company's internal controls and procedures over financial reporting.

Management continues to note weaknesses in internal controls over financial reporting including those related to the limited number of accounting staff members resulting in a lack of segregation of duties.

Management will continue with the implementation of procedures aimed at minimizing the risk of material error in its financial reporting and will seek outside expertise when the need arises.

Risks and Uncertainties

Going concern uncertainty - The Company's financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has experienced significant operating losses and cash outflows from operations since its inception. The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to raise additional capital to successfully complete its research and development programs, commercialize its technologies and conduct clinical trials and receive regulatory approvals for its products. It is not possible at this time to predict the outcome of these matters.

Quest's proprietary technologies are in various stages of development and some technologies have not received regulatory approval to begin clinical trials. It will be necessary for the Company to produce sufficient preclinical data in order to receive regulatory approval to begin clinical trials. There is no assurance that regulatory approval will be received to begin clinical

trials. For the proprietary technologies that have received regulatory approval to begin clinical trials, future success will depend upon the ability of the Company to move the products through clinical trials, the effect and safety of these products, the timing and cost to receive regulatory and marketing approvals and the filing and maintenance of patent claims.

Quest's proprietary technologies have exposure to risks associated with commercialization. Even after product approval is obtained, there is no assurance that the Company will have a sufficient market for its products or the working capital required for commercialization.

The Company maintains clinical trial liability and product liability insurance; however, it is possible that this coverage may not provide full protection against all risks.

The Company may be exposed to risks associated with malfunctioning equipment, catastrophic events and other events within and outside of the Company's control. The Company maintains insurance believed to be adequate to cover any eventuality, but there is no guarantee that coverage will be sufficient for all purposes.

To a large degree, the Company's success is dependent upon attracting and retaining key management and scientific personnel to further the Company's drug development programs. There is a risk that required personnel may not be available to the Company when needed and, as a result, this may have a negative impact on the Company.

Quest must continue to raise additional capital by issuing new share capital through equity financing, licensing arrangements and/or strategic partnerships. The Company's ability to raise additional capital will depend upon the progress of moving its drug development products into and through clinical trials and the strength of the equity markets, which are uncertain. There can be no assurance that additional capital will be available.