Management Discussion and Analysis of Financial Condition and Results of Operations (As of June 22, 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 unaudited consolidated financial statements and accompanying notes for the three months ended April 30, 2015 and the audited consolidated financial statements for the years ended January 31, 2015 and 2014. This discussion and analysis provides an update to the discussion and analysis prepared for the year ended January 31, 2015. The unaudited consolidated financial statements have been prepared in accordance with international financial reporting standards ("IFRS") and have not been reviewed 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.

Development Highlights:

Attended International Symposium on Immunotherapy held at The Royal Society, London, England. Made presentation entitled "Exploring Combinations for the Chemo-Immunotherapy for Pancreatic Cancer: Preclinical and Clinical Considerations".

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.

Discussions are underway with the Italian FDA (AIFA) to initiate a combination clinical trial with Oregovomab and a TLR3 agonist, Hiltonol™.

Initiated Bellus Skin™ Cosmetic serum product registration in Europe.

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

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 Afexa 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 three months ended April 30, 2015 was $250,488 or $0.002 per share as compared to a consolidated loss of $383,354 or $0.004 per share for the three months ended April 30, 2014. Research and development expenditures totaled $187,407 while general and administrative expenses were $161,164 for the same period. As of April 30, 2015, the Company had cash and cash equivalents of $37,402 (June 22, 2015 – approximately $25,000). The Company also has demand loans of $2,060,171 (June 22, 2015 - $2,220,171).

Results of Operations

Quest's net consolidated loss includes amortization, a significant non-cash item. For the three months ended April 30, 2015 and 2014, amortization was $9,508 and $9,031 respectively. Net consolidated loss for the three months ended April 30, 2015 was $250,488 or $0.002 per share on a fully diluted basis as compared to a consolidated loss of $383,354 or $0.004 per share for the three months ended April 30, 2014. After adjusting for non-cash items, cash flows used in operating activities for the three months ended April 30, 2015 were $354,768 as compared to $689,799 for the three months ended April 30, 2014.

Revenues:
The following table identifies the changes in revenue for the three month period ended April 30, 2015 compared to the three month period ended April 30, 2014.

Revenue			
	2015	2014	Increase (decrease)
	$	$	$
Investment financing revenue	99,000	160,825	(61,825)
Total revenue	99,000	160,825	(61,825)

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

Expenses
The following table identifies the changes in general and administrative expense for the three months ended April 30, 2015 compared to the three months ended April 30, 2014.

General and administrative expenses			
	2015	2014	Increase (decrease)
	$	$	$
Salaries, wages and benefits	74,904	77,933	(3,029)
Professional fees	15,371	41,459	(26,088)
Other support costs	9,120	3,191	5,929
Travel	17,047	16,517	530
Consulting	30,000	22,500	7,500
Rent	4,690	4,519	171
Insurance	6,574	4,158	2,416
Public company related costs	2,980	22,268	(19,288)
Depreciation	478	250	228
Total general and administrative expenses	161,164	192,795	(31,631)

Overall, general and administrative costs have decreased during the three months ended April 30, 2015 compared to the three months ended April 30, 2014, primarily due to a decrease in professional fees and public company related costs. Professional fees decreased due to a decrease in legal corporate finance activities. Public company related costs decreased due to a decrease in investor relations activities.

Cosmetics - Included in general and administrative costs, primarily in professional fees and travel, the Company has incurred expenses related to the Company's cosmetics project for Bellus Skin™. During the three month period ended April 30, 2015, the Company incurred cosmetics related costs of $17,988, net of a $50,000 reimbursement of marketing costs.

The following table identifies the changes in research and development (R&D) expense for the three months ended April 30, 2015 compared to the three months ended April 30, 2014.

Research and development expenses	2015	2014	Increase (decrease)
	$	$	$
Sub-contract, consulting and clinical trials	82,819	203,501	(120,682)
Salaries, wages and benefits	35,934	39,263	(3,329)
Legal (patent prosecution)	18,150	39,602	(21,452)
Rent	10,943	10,545	398
Other R&D costs	44,087	31,773	12,314
Supplies	1,086	608	478
Depreciation	9,030	8,781	249
Gross research and development expenses	202,049	334,073	(132,024)
Less			
NRC – IRAP funding	(14,642)	-	14,642
Research and development expense (net)	187,407	334,073	(146,666)

Overall, R&D costs have decreased during the three month period in 2015 compared to 2014 due to a decrease in sub-contract, consulting and clinical trial costs and an decrease in legal patent prosecution costs. Sub-contract, consulting and clinical trial costs decreased due to a decrease in activity for the Company's clinical trial programs. Legal (patent prosecution costs) decreased due to a decrease in patent activity related to the Company's technologies.

Summary of Quarterly Results

The following table presents unaudited selected financial information for each of the last eight quarters ended April 30, 2015.

	Q1, fiscal 2016	Q4, fiscal 2015	Q3, fiscal 2015	Q2, fiscal 2015	Q1, fiscal 2015	Q4, fiscal 2014	Q3, fiscal 2014	Q2, fiscal 2014
	$	$	$	$	$	$	$	$
Revenue	99,000	478,525	160,825	160,825	160,825	1,929,000	-	-
Net income (loss) for the period	(250,488)	(857,079)	(267,158)	(313,093)	(383,354)	1,268,413	(525,227)	(640,126)
Basic and diluted income (loss) per share (1)	(0.002)	(0.007)	(0.003)	(0.003)	(0.004)	0.015	(0.006)	(0.008)

(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 three months ended April 30, 2015, the Company granted a total of 50,000 (2014 – nil) share options, as per the Company's Share Option Plan. These share options were granted to a non-employee, at an exercise price of $0.10 and vesting immediately. The fair value of these options, totaling $2,500, was recognized as an expense and credited to contributed surplus for the 3 month period ended April 30, 2015

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 each quarter 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 three month period ended April 30, 2015, no provision for impairment in value has been recorded.

Capital Expenditures
Expenditures on capital assets were $nil for the three months ended April 30, 2015 (2014 – $nil).

Outstanding Share Data
The Company has the following securities outstanding as at June 22, 2015:

Common shares issued and outstanding at April 30, 2015	108,755,913
Share options outstanding as at April 30, 2015	11,840,000
Warrants outstanding as at April 30, 2015	13,429,167
Share options granted since April 30, 2015	-
Share options expired since April 30, 2015	250,000

Fully diluted common shares are 133,775,080, 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 accounts receivable. To minimize its exposure to credit risk for cash, 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 April 30, 2015, 69% of accounts receivable were 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 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 April 30, 2015 cash balances were $37,402 as compared to $100,042 at January 31, 2015. At June 22, 2015, the Company had cash balances of approximately $25,000.

Cash used in operating activities was $354,768 for the three months ended April 30, 2015 compared to $689,799 for the three months ended April 30, 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 April 30, 2015, the Company had secured demand loan financing of $140,000 from an officer of the Company. This demand loan financings bears interest at 8% per annum, interest payable monthly and are unsecured with principal repayment to be made 30 days after demand.

During fiscal 2015 and 2016, the Company received a net total amount of $1,140,171 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.

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 the remaining non-core assets, further equity financings, licensing arrangements involving its core technologies and strategic partnerships.

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. As at April 30, 2015, the Company owed $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. The loan is 8% annual interest bearing, unsecured with principal payable 30 days after demand and interest payable monthly.

As at April 30, 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 fiscal 2015 and 2016, the Company received a net total amount of $1,140,171 of demand loan financings from nonrelated third parties, $295,000 of which was received during the three month period ended April 30, 2015. 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 $160,000 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.