

Management Discussion and Analysis of Financial Condition and Results of Operations (As of September 20, 2006)

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 six months ended July 31, 2006 and the audited consolidated financial statements for the years ended January 31, 2006 and January 31, 2005. This discussion and analysis provides an update to the discussion and analysis prepared for the year ended January 31, 2006. The unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP) 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.

Overview

Quest is committed to the development and commercialization of new pharmaceutical products. It is developing a series of products for the treatment of cancer and other proliferative diseases based on its Sonolight and CDK platforms.

During the six month period ended July 31, 2006 (**and subsequent thereto**), the Company experienced numerous significant developments. Highlights are:

the resignation, effective March 24, 2006, of Dr. David J. Cox as the Company's President and CEO. Dr. Cox continues to hold a position as Director on the Company's Board.

the extension of the maturity of the Company's \$1,000,000 convertible debenture, which is now due September 22, 2007. The interest rate has also changed from 8% to 9% per annum and the conversion price has changed from \$0.45 to \$0.25 per common share.

the receipt of bridge financing of \$230,000 during the period from March to July, 2006 at 6% from companies controlled by two of the Company's directors.

the sale of one of the Company's non-core assets, Accu-MAb, to a third party for proceeds of \$200,000.

the receipt of Phase 1 clinical trial results in connection with the Company's lead product candidate, SL017 Topical Gel.

the sale of one of the Company's non-core assets, SHGP, to a third party for proceeds of 1,250,000 RMB.

the disposal of one of the Company's non-core assets, Anticort, to a third party for proceeds of \$50,000 U.S.

the approval for federal government assistance in the form of an IRAP grant of approximately \$25,000 to cover salaries and contractor fees related to the development of the Company's SL017 technology for acne applications.

the expiry of the consulting arrangement with Biostrat Inc. to provide management services to Quest and the appointment of Dr. R. Madiyalakan to the position of CEO of the Company, effective August 1, 2006. As part of his remuneration, Dr. Madiyalakan will receive 400,000 stock options exercisable at \$0.25 per common share.

the signing of a memorandum of understanding with KMH Co., Ltd. of Korea, to receive \$1,500,000 as an equity investment in exchange for the Asian marketing rights to SL017 for cosmetic hair removal. \$200,000 of this investment will be by way of a treasury issue of 1,000,000 common shares at \$0.20 per share upon signing a final licensing agreement by October 15, 2006. The remainder of the investment will be made in two installments upon reaching specific milestones related to SL017 development in the next nine months and at a share price to be determined later.

The Company continues its focus on the sale of its remaining non-core assets to help cover drug and product development costs. Due to the sale or held for sale nature of the Company's non-core assets and technologies, this management discussion and analysis has been separated between continuing and discontinued operations. A summary of the Company's projects follows (in approximate order of resource allocation).

HYPOCRELLIN-BASED TECHNOLOGIES

This technology platform is based on a unique, non-toxic family of photosensitizing and sonosensitizing compounds. The active ingredient is a derivative of Hypocrellin B ("HB"), a small molecular compound isolated from parasitic fungi on bamboo. Quest has formulated HB derivatives into a topical gel (SL017), and an injectable solution (SL052).

HB Topical - SL017

This gel penetrates skin and can potentially be used to treat various skin conditions such as acne, actinic keratosis, psoriasis, etc. HB gels target a large patient population and will face comparatively less stringent regulatory requirements than injectible HB compounds. The Company is currently in a phase I clinical trial for actinic keratoses, with eight out of 12 patients enrolled. The Company has recently received results in connection with its phase I clinical trial for acne and hair removal, and the Company intends to initiate a 40 patient clinical trial, as soon as possible, to determine the appropriate light dose to be used with SL017 for cosmetic hair removal applications.

HB Injectable – SL052

Quest has developed SL052, which may have utility in the photodynamic therapy treatment of prostate cancer. During 2004, the Company entered into an agreement with Dr. Ronald B. Moore, the Alberta Cancer Board and the Cross Cancer Institute to complete preclinical studies on SL052 prior to entering phase I clinical trials. Over the next year, the Company will continue to focus on the development of HB Injectable for prostate cancer and will incur additional costs associated with accumulating preclinical data to advance this technology into clinical trials.

Quest is also developing SL052 (SDT) for peritoneal carcinomatosis to demonstrate the proof-of-principle for a Sonodynamic Therapy approach for the treatment of cancer. The Company has identified peritoneal carcinomatosis as a suitable indication for such applications. The Company is trying to identify a partner to undertake development of an ultrasound transducer suitable for abdominal and thoracic activation of the sonosensitizer, SL052, previously administered to the ascites fluid or pleural effusion of patients with advanced carcinomatosis.

OTHER DRUG DEVELOPMENT PROGRAMS

2127 (formerly CDK Immunomodulator)

2127 is a novel immunomodulator with anti-cancer properties targeted to inhibit cyclin-dependant kinases (“CDKs”) functionality and prevent the growth of cancer cells. CDKs are the proteins that control the growth cycle of cancer cells. By using small molecule CDK inhibitors to disrupt the cycle of a cancer cell, the growth and spread of cancer can be stopped. During the prior year, the Company completed initial studies on 2127. Based upon results compared with other CDK inhibitors in its class, the Company is proceeding with patent applications to increase the value of this technology. Further development of 2127 is on hold pending receipt of additional Company funding.

Results of Operations

It is important to note that Quest’s net consolidated loss includes significant non-cash items. These non-cash items from continuing operations include amortization and options issued as consideration for services and options issued to employees. For the three and six months ended July 31, 2006, amortization from continuing operations was \$12,671 and \$36,996 respectively, options issued for services was \$nil and \$4,500, respectively and options issued to employees was \$nil and \$nil, respectively. Net consolidated loss for the three and six months ended July 31, 2006 was \$148,889 or \$0.00 per share and \$621,752 or \$0.01 per share, respectively, on a fully diluted basis. For the three and six months ended July 31, 2005, net consolidated loss was

\$640,509 or \$0.02 per share and \$1,455,179 or \$0.04 per share, respectively, on a fully diluted basis. After adjusting for non-cash items, cash flows used to fund continuing operations for the three and six months ended July 31, 2006 were \$521,846 and \$743,328, respectively, as compared to \$587,070 and \$1,761,086, respectively, for the three and six months ended July 31, 2005.

Expenses

The following table identifies the changes in general and administrative expense for the three and six months ended July 31, 2006 compared to similar periods in the prior year.

General and administrative expenses	For the three months ended July 31			For the six months ended July 31		
	2006	2005	Increase (decrease)	2006	2005	Increase (decrease)
	\$	\$	\$	\$	\$	\$
Salaries, wages and benefits	37,563	67,174	(29,611)	89,639	260,342	(170,703)
Accounting/audit fees	1,136	5,083	(3,947)	1,136	5,083	(3,947)
Legal fees	4,590	20,129	(15,539)	7,469	40,945	(33,476)
Other support costs	1,240	55,970	(54,730)	8,980	85,303	(76,323)
Travel	9,609	7,929	1,680	14,955	23,002	(8,047)
Consulting	35,867	23,188	12,679	80,367	45,188	35,179
Rent	3,990	-	3,990	6,752	-	6,752
Insurance	7,640	7,106	534	22,387	17,985	4,402
Public company related costs	8,685	15,188	(6,503)	18,150	33,821	(15,671)
Total general and administrative expenses	110,320	201,767	(91,447)	249,835	511,669	(261,834)

Salaries, wages and benefits expense for the six months ended July 31, 2006 decreased compared to the same period in 2005 due to a reduction in the number of staff.

Consulting fees for the six month period ended July 31, 2006 have increased compared to the same period in 2005 due to an increase in the use by the Company of outside consultants.

Legal fees for the six months ended July 31, 2006 decreased compared to the same period in 2005 due to a decrease in legal activity.

General and Administrative expenses were generally lower in 2006 compared to 2005 which reflects a continued cost containment effort on the part of the Company.

The following table identifies the changes in research and development expense for the three and six months ended July 31, 2006 compared to similar periods in the prior year.

Research and development expenses	For the three months ended July 31			For the six months ended July 31		
	2006	2005	Increase (decrease)	2006	2005	Increase (decrease)
	\$	\$	\$	\$	\$	\$
Sub-contract and consulting	57,985	74,568	(16,583)	82,777	154,349	(71,572)
Salaries, wages and benefits	92,815	84,337	8,478	186,386	240,595	(54,209)
Legal (patent prosecution)	18,400	22,203	(3,803)	62,572	40,828	21,744
Rent	14,925	46,802	(31,877)	32,698	99,773	(67,075)
Other R&D costs	14,237	64,144	(49,907)	37,133	92,501	(55,368)
Supplies	14,131	27,413	(13,282)	39,545	67,164	(27,619)
Total research and development expenses	212,493	319,467	(106,974)	441,111	695,210	(254,099)

Salaries, wages and benefits and sub-contract and consulting decreased during the six month period ended July 31, 2006 compared to the same period in 2005 due to a reduction in staff levels and to a reduction in contract work performed.

Legal (patent prosecution) costs have increased during the six month period ended July 31, 2006 compared to the same period in 2005 due to an increase in patent prosecution activity.

Rent has decreased during the six month period ended July 31, 2006 compared to the same period in 2005 due to a reduction in lab space requirements for the Company's R&D activities.

Overall, R&D costs have decreased during the six month period ended July 31, 2006 compared to the same period in 2005 due to the Company's continued efforts to reduce costs where possible.

Discontinued Operations

On July 30, 2004 the Company sold its assets relating to the contract manufacturing operations in Edmonton, Alberta, to a third party. The Company received proceeds of \$460,000 and realized a gain on sale of \$360,207.

On August 18, 2005, the Company received China government approval to wind-up and dissolve SACP and repatriate its remaining assets to Canada. This repatriation process was completed in September, 2005.

On September 2, 2005, the Company completed the dissolution of its inactive, wholly-owned subsidiary, Altachem Pharma (Barbados) Inc.

On October 28, 2005, the Company completed the wind-up and dissolution of 790563 Alberta Ltd. into its parent, Steroidogenesis Inhibitors Canada Inc.

On January 30, 2006, the Company sold its interest in the ACP-HIP related technologies to the original inventor for gross proceeds of \$60,000 plus future consideration.

On June 9, 2006, the Company sold its interest in Accu-MAb to a third party for gross proceeds of \$200,000.

At the end of July, 2006, the Company sold its interest in SHGP to the Gaojing Government for gross proceeds of 1,250,000 RMB.

In August, 2006, the Company disposed of its interest in Anticort to Samaritan Pharmaceuticals, Inc. (“Samaritan”) for gross proceeds of \$50,000 U.S. and 50,000 common shares of Samaritan.

The following table identifies the activity in connection with the Company’s discontinued operations for the three and six month periods ended July 31, 2006 compared to the three and six month periods ended July 31, 2005.

Discontinued operations	For the three months ended July 31			For the six months ended July 31		
	2006	2005	Increase (decrease)	2006	2005	Increase (decrease)
	\$	\$	\$	\$	\$	\$
Revenue	1,987	41,820	(39,833)	27,019	108,323	(81,304)
Direct Costs	1,553	11,564	(10,011)	10,907	40,534	(29,627)
Gross Margin	434	30,256	(29,822)	16,122	67,789	(51,677)
General and administrative expenses	33,093	31,300	1,793	64,322	113,793	(49,471)
Amortization expense	13,939	45,599	(31,660)	46,205	107,546	(61,341)
Interest expense	159	14,297	(14,138)	13,083	29,067	(15,984)
Interest income	105	430	(325)	122	788	(666)
Gain on disposal of assets	256,403	-	256,403	256,403	-	256,403
Income / (loss) from discontinued operations	209,751	(60,510)	270,261	149,027	(181,829)	330,856

Manufacturing Operations:

The previous strategy of Quest’s manufacturing operations was to provide positive cash flow to support drug and product development. However, net cash flowing from most of these activities has not met expectations so the Company has decided to divest all of these operations.

Therefore, on July 30, 2004, Quest sold the assets associated with its contract manufacturing operations in Edmonton, Alberta for the sum of \$460,000. Quest’s Edmonton, Alberta manufacturing facility was primarily used to manufacture breath test kits under an agreement that was to expire in November 2007.

Edmonton, Alberta Manufacturing Facility

Up until June 9, 2006, Quest maintained a manufacturing facility located in Edmonton, Alberta to manufacture Accu-MAb™, a whooping cough test kit sold by Quest. This manufacturing facility is approximately 800 square feet, and is equipped with clean room facilities and is certified compliant with internationally recognized quality systems standards, ISO 9001:2000 and ISO 13488 and CMDCAS (Health Canada’s requirement for medical devices). Effective June 9, 2006, the Company sold its interest in the Accu-MAb technology to a third party. As a result of the sale, the Company no longer maintains this manufacturing facility.

Shanghai, China Manufacturing Facility

At the end of July, 2006, the Company sold its interest in Shanghai Hua Gao Pharmaceutical Pellet Core Company Ltd. (“SHGP”) to the Gaojing Government for gross proceeds of 1,250,000 RMB. As part of the sale, the lease obligations related to the SHGP manufacturing facility have been waived by the Gaojing Government. As a result of the sale, the Company no longer maintains this manufacturing facility.

The financial aspects of Quest’s Chinese operations must be converted into Canadian dollars to prepare annual and quarterly financial statements. At the end of July, 2006, the Company sold its interest in SHGP. Up to July 31, 2006, SHGP was treated as an integrated operation and as a result, any foreign exchange gain or loss is included in income. Prior to the Company’s dissolution of SACP, this company was also treated as an integrated operation. For the three and six month periods ended July 31, 2006, foreign exchange gains of \$499 and \$12,310, respectively, compared to foreign exchange gains of \$546 and \$42,327, respectively for the three and six month periods ended July 31, 2005 have been recorded on the statement of operations. The foreign exchange gains relate to fluctuations in the value of the U.S. dollar and Chinese yuan relative to the Canadian dollar and also to a change in the Company’s net investment in China.

Revenues:

Prior to July 30, 2004, Quest generated revenue from three sources: contract manufacturing of diagnostic test kits, sales of Accu-MAbTM, a whooping cough diagnostic test kit and sales of pharmaceutical pellet core. On July 30, 2004 the Company sold its assets relating to the contract manufacturing operations in Edmonton, Alberta. On June 9, 2006, the Company sold its interest in the Accu-MAb technology. At the end of July, 2006, the Company sold its interest in the pharmaceutical pellet core manufacturing facility.

The following table identifies the changes in revenue for the three and six months ended July 31, 2006 compared to the three and six months ended July 31, 2005.

Revenue	For the three months ended July 31			For the six months ended July 31		
	2006	2005	Increase (decrease)	2006	2005	Increase (decrease)
	\$	\$	\$	\$	\$	\$
Accu-MAb TM	1,562	32,450	(30,888)	24,582	80,671	(56,089)
Pharmaceutical pellet core	425	9,370	(8,945)	2,437	27,652	(25,215)
Total revenue from discontinued operations	1,987	41,820	(39,833)	27,019	108,323	(81,304)

Sales of Accu-MAbTM decreased during the three month period ended July 31, 2006 due to a decrease in sale orders over the period. The decrease in revenue in connection with the Company’s pharmaceutical pellet core operation is due to a scaling down of this operation in anticipation of the sale of the SHGP facility.

Stock-Based Compensation Expense

During the three and six month periods ended July 31, 2006, the Company granted a total of nil and 150,000 stock options, respectively. All of these options were granted to a Director in Q1 with an exercise price of \$0.25. For the three and six month periods ended July 31, 2005, the Company granted a total of 410,000 and 1,210,000 stock options, respectively. The 410,000 options in Q2 were granted to directors, an employee and Company consultants with an exercise price of \$0.25. The 800,000 options in Q1 were granted to a director/employee with an exercise price of \$0.31. For the three and six month periods ended July 31, 2006, the fair value of the vested options, \$nil and \$4,500, respectively, were recognized as an expense and credited to contributed surplus (for the three and six month periods ended July 31, 2005 – \$48,885 and \$94,218, respectively).

Liquidity and Capital Resources

As noted in the Overview section above, 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.

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

At July 31, 2006, cash and cash equivalents was \$1,050 as compared to \$115,505 at January 31, 2006.

During the year ended January 31, 2006, the Company was awarded a grant from Alberta Ingenuity Fund to cover salary expenditures related to the development of the Company's photodynamic therapy for prostate cancer. The \$110,000 grant is being received over a 24 month period commencing in May, 2005. \$31,000 of funding was recognized during the six month period ended July 31, 2006.

During the year ended January 31, 2005, the Company obtained federal government assistance in the form of a National Research Council Industrial Research Assistance Program ("IRAP") grant to cover salaries and contractor fees related to the development of the Company's photodynamic therapy for prostate cancer, based on the Company's lead proprietary hypocrellin derivative. During the six month period ended July 31, 2006, the Company recognized \$17,600 of funding as a reduction of research and development expenses. This funding was part of a \$295,000 grant the Company was eligible to receive for the period from December, 2004 to March 31, 2006.

From March to July, 2006, the Company obtained bridge financing of \$180,000 from a company controlled by Dr. Madiyalakan, the Company's Executive Chairman. This bridge financing is unsecured, has no fixed terms of repayment and carries an interest rate of 6% per annum, with interest payable monthly.

On March 21, 2006, the Company signed an amendment to the \$1,000,000 convertible debenture agreement to extend the maturity date of the convertible debenture from March 22, 2006 to September 22, 2006.

During May, 2006, the Company obtained bridge financing of \$50,000 from a company controlled by Dr. Donald Rix, a director of the Company. This bridge financing is unsecured, has no fixed terms of repayment and carries an interest rate of 6% per annum, with interest payable monthly.

Effective June 9, 2006, the Company sold its interest in the Accu-MAb technology to a third party for proceeds of \$200,000, comprised of \$100,000 in cash and two \$50,000 promissory notes, due August 1, 2006 and November 1, 2006, respectively.

At the end of July, 2006, the Company sold its interest in SHGP to the Gaojing Government for proceeds of 1,250,000 RMB.

In August, 2006, the Company divested itself of its interest in Anticort for proceeds of \$50,000 U.S. and 50,000 shares of Samaritan.

In August, 2006, the Company obtained approval for federal government assistance in the form of an IRAP grant of approximately \$25,000 to cover salaries and contractor fees related to the development of the Company's SL017 technology for acne applications.

In September, 2006, the Company renegotiated an extension of the maturity of the Company's \$1,000,000 convertible debenture, which is now due September 22, 2007. The debenture interest rate has also changed from 8% to 9% per annum and the debenture conversion price has changed from \$0.45 to \$0.25 per common share.

In September, 2006, the Company signed a memorandum of understanding with KMH Co., Ltd. of Korea, to receive \$1,500,000 as an equity investment in exchange for the Asian marketing rights to SL017 for cosmetic hair removal. \$200,000 of this investment will be by way of a treasury issue of 1,000,000 common shares at \$0.20 per share upon signing a final licensing agreement by October 15, 2006. The remainder of the investment will be made in two installments upon reaching specific milestones related to SL017 development in the next nine months and at a share price to be determined later.

Quest's funding needs will vary as its drug development products move into and through clinical trials. The Company will seek additional capital through the sale of non-core assets, further equity financings, licensing arrangements and strategic partnerships.

Based on current operating budgets and assuming the ongoing divestiture of non-core assets including the repatriation and liquidation of assets from Quest's Chinese subsidiary, management believes that the capital resources of the Company should be sufficient to fund operations into the fourth quarter of fiscal 2007.

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

Related Party Transactions

On August 8, 2005, the Company entered into an agreement with a company controlled by Dr. Madiyalakan to provide consulting services. The consulting agreement requires the Company to make monthly payments of \$7,500 and is for a term of 12 months.

From March to July, 2006, the Company obtained bridge financing of \$180,000 from a company controlled by Dr. Madiyalakan. This bridge financing is unsecured, has no fixed terms of repayment and carries an interest rate of 6% per annum, with interest payable monthly.

In May, 2006, the Company obtained bridge financing of \$50,000 from a company controlled by Dr. Donald Rix, a director of the Company. This bridge financing is unsecured, has no fixed terms of repayment and carries an interest rate of 6% per annum, with interest payable monthly.

Subsequent Events

In August, 2006, the Company reached an agreement with Samaritan Pharmaceuticals, Inc. ("Samaritan") in connection with the Statement of Claim that was filed by Quest against Samaritan in March, 2006. The settlement agreement provides for a cash payment to Quest of \$50,000 U.S. and 50,000 common shares of Samaritan.

In August, 2006, the Company obtained approval for federal government assistance in the form of an IRAP grant of approximately \$25,000 to cover salaries and contractor fees related to the development of the Company's SL017 technology for acne applications.

In September, 2006, the Company renegotiated an extension of the maturity of the Company's \$1,000,000 convertible debenture, which is now due September 22, 2007. The debenture interest rate has also changed from 8% to 9% per annum and the debenture conversion price has changed from \$0.45 to \$0.25 per common share.

Since the expiry of the consulting arrangement with Biostrat Inc. to provide management services to Quest, the Company has appointed Dr. R. Madiyalakan to the position of CEO of the Company, effective August 1, 2006. As part of his remuneration, Dr. Madiyalakan will receive 400,000 stock options exercisable at \$0.25 per common share.

In September, 2006, the Company signed a memorandum of understanding with KMH Co., Ltd. of Korea, to receive \$1,500,000 as an equity investment in exchange for the Asian marketing rights to SL017 for cosmetic hair removal. \$200,000 of this investment will be by way of a treasury issue of 1,000,000 common shares at \$0.20 per share upon signing a final licensing agreement by October 15, 2006. The remainder of the investment will be made in two

installments upon reaching specific milestones related to SL017 development in the next nine months and at a share price to be determined later.

In September, 2006, the Company granted, in addition to the grant of stock options to Dr. Madiyalakan noted above, a total of 550,000 stock options to 3 Officers, 5 employees and 4 outside consultants. The exercise price of the options is \$0.25. All allocations will be subject to approval by the TSX Venture Exchange.

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 and it is expected to continue to experience negative cash flows from operations in the coming fiscal year. The Company had a working capital deficiency of \$1,408,642 and a shareholders' deficiency of \$1,258,351 as at July 31, 2006.

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.

Given their short-term maturity, the fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and convertible debenture approximate the carrying value.

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 dependant 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 through the exercise of stock options and warrants, 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.