

Management Discussion and Analysis of Financial Condition and Results of Operations (As of May 29, 2017)

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, 2017 and 2016. 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.

Fiscal 2017 Development Highlights:

In July, 2016, the Company entered into a \$250,000 loan agreement with a third party to establish a Swiss based company for sales and marketing for Bellus Skin and related products in Europe, Russia and the GCC countries.

In October 2016, the Company announced positive results from its pre-clinical pharmacology studies using its Anti-MUC1 antibody, MAb AR20.5, against pancreatic cancer in a human MUC1 expressing transgenic mouse model. The results were presented at the AACR Special Conference on Tumor Immunology and Immunotherapy in Boston.

In October 2016, the Company announced the resignation of its auditors, Ernst & Young LLP, at their own initiative. In November, the Company appointed Kingston Ross Pasnak LLP as Quest’s successor auditors.

In November, 2016, Madenco Biosciences initiated a market launch in Canada of Bellus Skin Rejuvenation Serum.

In November 2016, OncoVent announced that it has launched its clinical development program for Anti-MUC1 MAb AR20.5 for the treatment of pancreatic cancer. It has contracted Cell Culture Company (C3), located in Minneapolis US, to manufacture clinical grade MAb AR20.5 to support a planned clinical trial in US and China.

In November 2016, OncoQuest announced positive interim results from the Phase 2b clinical study of its lead product, oregovomab, in patients with advanced epithelial ovarian, adnexal or peritoneal carcinoma (QPT-ORE-002).

In December 2016, OncoQuest announced that it has initiated its Commercial Scale Oregovomab Manufacturing Program with Cytovance to establish a reliable and stable supply of its oregovomab antibody drug product to support the anticipated registration clinical studies and future commercial needs.

In May 2017, the Company announced a \$500,000 investment to acquire a 32% ownership interest in Natural Rf Life Sciences Inc., a private company founded and managed by Dr. Jacqueline Shan that is developing and marketing science based, clinically tested, natural health products.

In May 2017, OncoQuest announced enrollment of the first patient in a Phase 1/2 clinical study to evaluate the use of oregovomab in combination with Nivolumab, an anti-PD1 human monoclonal antibody which works as a checkpoint inhibitor in ovarian cancer patients in the recurrent setting. This clinical trial is being conducted at the National Cancer Centre in Singapore.

In May 2017, OncoQuest announced the presentation of initial safety and efficacy data from the company's multicenter, randomized Phase 2 study in patients with newly diagnosed advanced ovarian cancer at the upcoming 2017 ASCO (American Society of Clinical Oncology) Meeting in Chicago, Illinois, USA.

Technologies Under Development

Combinatory Antibody Immunotherapy of Cancer

Quest is developing its antibody based immunology technologies through OncoQuest Inc. and OncoVent Inc. OncoQuest is a clinical stage company, focused on combinatorial immunotherapeutic approaches to cancer by using either immunoglobulin G or E (IgG or IgE) and chemotherapy or immune-adjuvant or photodynamic therapy to enhance tumor specific immunity and clinical outcomes. OncoVent is focused on development of immunotherapy products for treatment of cancer in the greater China market.

Oregovomab

Quest, through its subsidiary, OncoQuest, 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), OncoQuest is conducting two and is planning to conduct other proof-of-concept clinical trials to establish these principles to ultimately lead to the design of a definitive combinatorial product registration.

A 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). In November 2016, OncoQuest announced positive interim clinical results from this 97 patient clinical trial.

A Phase II U.S. physician sponsored clinical trial is also currently ongoing evaluating Neoadjuvant Chemotherapy with the use of gemcitabine, another cytotoxic agent, and immunotherapy to CA125 (Oregovomab) followed by radiotherapy in a cohort of patients with CA125 associated partially resectable pancreatic cancer.

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

Another Phase I/II clinical trial to evaluate the safety and bioactivity of oregovomab and Nivolumab, checkpoint inhibitor, as a combinatorial immunotherapy strategy in patients with recurrent ovarian cancer. This trial is being conducted at the National Cancer Centre in Singapore.

OncoQuest will explore the use of selected biomarkers to monitor the induction of CA125 specific T cells in the clinical trials. OncoQuest is hoping to use the selected biomarkers as a surrogate marker to get expedited product approval.

Immunoglobulin G Product Pipeline

OncoQuest'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. OncoQuest 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

OncoQuest'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 (F ϵ) 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, F ϵ 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. OncoQuest 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, F ϵ R1, 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.

OncoQuest 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 OncoQuest monoclonal IgE's in the pipeline.

OncoQuest 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 and Oncology Applications:

SonoLight Technology is based upon proprietary derivatives of hypocrellins, a major, natural product of a phytopathogen of bamboo (*Hypocrella bambusae*). In general, hypocrellins are small, non-toxic molecules which can be activated by visible light, ultrasound and oxidizing agents such as H₂O₂, to produce reactive oxygen and nitrogen species with high quantum yield. Hypocrellin derivatives can be formulated for topical and systemic delivery and their treatment selectivity effectively limits side-effects or toxicity to the remainder of the patient. Photodynamic therapy has applications in the management and cure of hyperproliferative diseases including cancer, psoriasis, macular degeneration; and cosmetic applications such as hair removal.

In fiscal 2015, the Company out-licensed its SonoLight Technology for Dermatology and Oncology applications to Bioceltran Co., Ltd. (“Bioceltran”) in return for future royalty income. Bioceltran is a Korean based company focused on SP Technology for transdermal delivery of drugs for cosmetics and pharmaceuticals. Bioceltran is working with Quest to develop the SonoLight Technology for various applications. In addition, SP Technology when used in combination with Quest’s SonoLight Technology has some unique advantages both for dermatology and oncology applications.

Protein Transduction Domain (PTD) Drug Delivery Technology

Quest and Bioceltran are developing skin penetrating active molecules for cosmetic and pharmaceutical use. Quest has worldwide (excluding South Korea) rights to Bioceltran PTD Technology and Products for certain indications.

Macromolecules such as Protein, DNA and Peptide are very difficult to transfer through the skin barrier. However, PTD technology enables effective transfer of these macromolecules and is superior to current use of liposomal delivery systems. The technology can be applied to a variety of growth factors, hormones or other bioactive protein molecules. Quest will be developing products utilizing PTD technology for sexual health/dysfunction, and for wound healing/diabetic ulcers.

Targeted Cancer Therapy Technology

Quest is also developing a novel approach for cancer therapy using a combinatorial approach for optimal efficacy. Lead product (MAb AR9.6) under development is for a novel target (truncated O-glycans on MUC16) for cancer therapy discovered at University of Nebraska Medical Center. MAb AR 9.6 binds to MUC16 and blocks the activation of growth factor receptors and thereby

inhibit phosphorylation of Akt, which leads to reduced cell proliferation, in vivo tumor growth and metastasis.

The Akt pathway can also be regulated by Cyclin Dependent Kinases and/or mTOR Inhibitors. Quest has developed ACP 2127, which is a novel immunomodulator with anti-cancer properties targeted to inhibit CDK functionality and prevent the growth of cancer cells. ACP 2127 is a multi-functional potential irreversible inhibitor combining the effect of CDK inhibitor p21 and also through additionally inhibiting mTOR in the PI3K-AKT Pathway. The dual target activity enhance efficacy and the technology is protected by our US patent #7659244 titled “Rapamycin peptides conjugates: synthesis and uses thereof”.

The inhibition of two novel targets with these agents can potentially be complimentary and can enhance the efficacy compared to each individual agent. The potential cancer targets include pancreatic, colon, leukemia, ovarian and breast cancer.

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 Bioceltran, also has applications for other cosmetic and pharmaceutical products under development.

Bellus Skin™ sales have commenced in Canada and Quest is in the final stages of implementing a European marketing strategy for Bellus Skin™.

The Company recently entered into an arrangement to establish a Swiss based company for sales and marketing for Bellus Skin and related products in Europe, Russia and the GCC countries. Bellus Skin is currently registered for sale in Europe. In addition to royalties from the sale of Bellus Skin in those territories, the Company will also be entitled to receive an equity interest in the Swiss based company and a one-time payment of \$250,000.

Quest has also 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.

The Company anticipates a near term revenue stream from a number of product pipelines based on this product.

Financial Results

Net consolidated loss for the year was \$4,419,756 or \$0.027 per share as compared to a consolidated loss of \$4,740,096 or \$0.038 per share for the year ended January 31, 2016. Net research and development expenditures for fiscal 2017 totaled \$2,101,879 while general and administrative expenses were \$2,216,362 for the same period. As of January 31, 2017, the Company had consolidated cash of \$1,221,938 and consolidated short term investments of \$8,274,693 (May 29, 2017 – consolidated cash of approximately \$425,000 and consolidated short term investments of approximately \$7,943,000).

Selected Annual Financial Information

0	January 31, 2017	January 31, 2016	January 31, 2015
Revenue from continuing operations	2,569	230,612	961,000
Net loss for the year	(4,419,756)	(4,740,096)	(1,820,684)
Basic and diluted loss / share	(0.027)	(0.038)	(0.017)
Total assets	11,365,741	10,872,574	331,989
Demand loans	-	-	1,768,042

Results of Operations

Quest's net consolidated loss includes some significant non-cash items. These non-cash items include a \$475,771 allocation of loss from OncoVent Co., Ltd., and options/shares issued as consideration for services and options issued to employees. For the years ended January 31, 2017 and January 31, 2016, share based payment transaction expense related to shares/options issued for services was \$35,000 and \$24,500 respectively and for employees was \$281,819 and \$nil, respectively. Net consolidated loss for the year ended January 31, 2017 was \$4,419,756 or \$0.027 per share on a fully diluted basis as compared to a consolidated loss of \$4,740,096 or \$0.038 per share for the year ended January 31, 2016. After adjusting for non-cash items, cash flows used in operating activities for the year ended January 31, 2017 were \$4,608,784 as compared to \$2,556,771 for the year ended January 31, 2016.

Revenues:

The following table identifies the changes in revenue for the year ended January 31, 2017 compared to the year ended January 31, 2016.

Revenue			
	2017	2016	Increase (decrease)
	\$	\$	\$
Bellus Skin Sales	2,569	-	2,569
Bellus Skin COGS	(1,187)	-	1,187
Investment Financing Revenue	-	230,612	(230,612)
Total revenue	1,382	230,612	(229,230)

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.

Expenses

The following table identifies the changes in general and administrative expense for the year ended January 31, 2017 compared to the year ended January 31, 2016.

General and administrative expenses			
	2017	2016	Increase (decrease)
	\$	\$	\$
Salaries, wages and benefits	764,519	364,017	400,502
Audit fees	439,945	68,220	371,725
Legal fees	163,764	90,555	73,209
Other support costs	322,673	89,836	232,837
Travel	64,878	81,793	(16,915)
Consulting/business development costs	273,033	182,641	90,392
Rent	18,917	18,477	440
Insurance	37,755	26,297	11,458
Public company related costs	128,151	41,736	86,415
Depreciation	2,727	1,913	814
Total general and administrative expenses	2,216,362	965,485	1,250,877

General and administrative costs have increased in 2017 compared to 2016, primarily due to an increase in salaries, wages and benefits, audit and legal fees, other support costs, consulting/business development costs and public company costs. Salaries, wages and benefits increased due to an increase in staffing and staff salary levels in fiscal 2017. Audit and legal fees increased due to an increase in corporate finance activity. Other support costs increased due to an increase in share based compensation in fiscal 2017 compared to fiscal 2016. Consulting/business development costs increased due to increased business development and cosmetics related activities. Public company costs include increased costs for investor relations activities.

Cosmetics - Included in general and administrative costs, primarily in consulting and contract labour, the Company has incurred expenses related to the Company's cosmetics project for Bellus Skin™. During the year ended January 31, 2017, the Company incurred cosmetics related costs of \$178,839.

The following table identifies the changes in research and development (R&D) expense for the year ended January 31, 2017 compared to the year ended January 31, 2016.

Research and development expenses	2017	2016	Increase (decrease)
	\$	\$	\$
Sub-contract, consulting and clinical trials	1,450,862	554,531	896,331
Salaries, wages and benefits	186,113	144,706	41,407
Legal (patent prosecution)	173,123	153,452	19,671
Rent	44,140	43,112	1,028
Other R&D costs	241,850	374,616	(132,766)
Supplies	9,326	3,525	5,801
Depreciation	12,189	29,908	(17,719)
Gross research and development expenses	2,117,603	1,303,850	813,753
Less			
NRC – IRAP Grants	(15,724)	(60,300)	(44,576)
Research and development expense (net)	2,101,879	1,243,550	858,329

Overall, R&D costs have increased in 2017 compared to 2016 due to increases in sub-contract, consulting and clinical trial costs and salaries, wages and benefits, offset by decreases in 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 increase in salaries, wages and benefits relates to increased staffing and staff salary levels. Other R&D costs decreased due to a decrease in license fees in 2017 compared to 2016.

Fourth Quarter Results of Operations

For the three months ended January 31, 2017 (“Q4 2017”), the Company had a net loss of \$1,652,944 or \$0.009 per share compared to a net loss of \$3,765,529 or \$0.029 per share for the three months ended January 31, 2016 (“Q4 2016”). The decrease in net loss for Q4 2017 compared to Q4 2016 relates primarily to the \$2,599,964 fair value adjustment on contract termination for 615,000 OncoQuest shares that were transferred by the Company to third parties in Q4, 2016. Research and development costs of \$280,278 were incurred during Q4 2017 compared to \$711,871 during Q4 2016. Most of the R&D cost decrease is the result of upfront contract manufacturing costs of \$622,000 that were deferred for accounting purposes during Q4, 2017, and by a decrease of \$255,895 in other R&D costs related to a decrease in license fees during Q4 2017 compared to Q4 2016. General and administrative costs of \$915,218 were incurred for Q4 2017 compared to \$368,159 for Q4 2016. The Q4, 2017 increase relates to increased staffing and staff salary levels, as well as an increase in audit and legal fees, public company costs and consulting/business development costs during Q4, 2017 compared to Q4, 2016. Included in general and administrative costs, the Company incurred \$48,825 of cosmetics related expenditures during Q4, 2017.

Summary of Quarterly Results

The following table presents unaudited selected financial information for each of the last eight quarters ended January 31, 2017.

	Year ended January 31, 2017				Year ended January 31, 2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	2,569	99,000	99,000	32,612	-
Net income (loss) for the period	(258,201)	(1,114,857)	(1,393,754)	(1,652,944)	(250,488)	(500,013)	(224,066)	(3,765,529)
Basic and diluted income (loss) per share (1)	(0.002)	(0.007)	(0.009)	(0.009)	(0.002)	(0.005)	(0.002)	(0.029)

(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, 2017, the Company granted a total of 1,260,000 (2016 – 1,800,000) share options, as per the Company’s Share Option Plan. In 2017, 1,250,000 options were granted to non-employees, and 10,000 to an employee, at exercise prices ranging from \$0.15 - \$0.25 with vesting provisions up to 6 months. In 2016, 1,800,000 options were granted to non-employees, and nil to employees, all at an exercise price of \$0.10 per share and all vesting immediately. The fair value of these options, totaling \$35,000, was recognized as an expense and credited to contributed surplus for the year ended January 31, 2017 (2016 - \$24,500).

During the year ended January 31, 2017, The Company’s subsidiary, OncoQuest, granted a total of 610,000 share options, as per OncoQuest’s Share Option Plan. All of these options were granted to employees, at an exercise price of \$2.90 with vesting provisions over 4 years. The fair value of these options, totaling \$281,819, was recognized as an expense and credited to contributed surplus for the year ended January 31, 2017.

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, 2017, no provision for impairment in value has been recorded.

Capital Expenditures

Expenditures on capital assets were \$8,944 for the year ended January 31, 2017 (2016 - \$1,129).

Outstanding Share Data

The Company has the following securities outstanding as at May 29, 2017:

Common shares issued and outstanding at January 31, 2017	150,422,580
Share options outstanding as at January 31, 2017	14,600,000
Warrants outstanding as at January 31, 2017	20,095,834
Share options granted since January 31, 2017	200,000
Share options expired since January 31, 2017	-

Fully diluted common shares are 185,318,414 assuming the exercise of all share options and warrants.

Financial Instruments

Fair Value - Given their short-term maturity, the fair value of cash, restricted cash and short term investments, accounts receivable, and accounts payable approximate the carrying value. The fair values of these financial instruments are measured using a Level 1 classification (quoted prices in active markets). The fair value of the Company's preferred shares is measured using a Level 2 classification of the fair value hierarchy (directly or indirectly observable inputs).

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, restricted cash and short term investments and accounts receivable. To minimize its exposure to credit risk for cash and short term investments, 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, 2017, 75% of accounts receivable was due from one organization under a federal 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, restricted cash and restricted short term investments are comprised of highly liquid deposits that earn interest at market rates. 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, 2017, consolidated cash was \$1,221,938 and consolidated short term investments were \$8,274,693, as compared to consolidated cash of \$788,627, consolidated non-current restricted cash of \$1,566,000 and consolidated non-current restricted short term investments of \$8,290,000 at January 31, 2016. On July 11, 2016, the Board of the Company's subsidiary, OncoQuest, unanimously approved the removal of the cash restrictions on \$US6,000,000 of preferred share private placement proceeds. At May 29, 2017, the Company had consolidated cash of approximately \$425,000, consolidated short term investments of approximately \$7,943,000.

Cash used in operating activities was \$4,608,784 for the year ended January 31, 2017 compared to \$2,556,771 for the year ended January 31, 2016.

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. As at January 31, 2015, the Company had drawn \$680,000 on this financing. During the year ended January 31, 2016, this demand loan financing was repaid in full.

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. During the year ended January 31, 2016, this demand loan financing was repaid in full.

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 2016, this demand loan financing was repaid in full.

During fiscal 2015 and 2016, the Company secured \$1,303,042 of demand loan financings from unrelated third parties to the Company. 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 2016, these demand loan financings were repaid in full.

During fiscal 2016, the Company closed a \$1,000,000 unit offering private placement. The units were issued at \$0.06 per unit. Each unit was comprised of one common share and one share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.10. The warrants carry a two-year expiry.

During fiscal 2016, the Company closed a \$2,000,000 common share private placement. The shares were issued at \$0.08 per common share.

In November, the Company's subsidiary, OncoQuest, secured a U.S. \$13,000,000 preferred share private placement with Hepalink. The preferred shares were issued at U.S. \$3.74 per preferred share. The preferred shares have a 5% annual dividend rate and are exchangeable on a one-for-one basis into common shares of OncoQuest.

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 2019. 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	315,472	63,916	125,778	125,778	-
Research & development and other contracts	8,455,941	4,551,091	3,242,900	661,950	-
Total contractual obligations	8,771,413	4,615,007	3,368,678	787,728	-

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 January 31, 2015, the Company had drawn \$680,000 on this financing. During the year ended January 31, 2016, this demand loan financing was repaid in full.

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. During the year ended January 31, 2016, this demand loan financing was repaid in full.

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 fiscal 2016, this demand loan financing was repaid in full.

During fiscal 2015 and 2016, the Company secured \$1,303,042 of demand loan financings from unrelated third parties to the Company. 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 2016, these demand loan financings were repaid in full.

During the year ended January 31, 2016, the Company incurred \$130,014 in interest under the demand loan financings, of which \$57,955 was incurred in connection with related parties.

Two of the Company's officers, Dr. Madiyalakan, CEO and Mr. Pierre Vermette, CFO, participated in the Company's August, 2015 unit offering private placement, acquiring a total of \$69,000 worth of units under the offering.

Cost Sharing Agreement - The Company and OncoQuest operate in the same lease space. In December, 2015, the Company entered into a cost sharing agreement with OncoQuest whereby certain of the common costs (leasing costs, utilities, etc.) are shared on an equal 50/50 basis between the companies. These costs were approximately \$7,500 gross per month, and fluctuated on a month to month basis. The amount paid for lease and other office related costs to Quest increased on February 1, 2017 to a monthly rate of \$10,000 per month due to increase in scope of operations at OncoQuest.

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, 2018, 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 2 – Share – Based Payments

In June, 2016, the IASB issued amendments to IFRS 2 Share Based Payments to clarify the classification and measurement of share-based payment transactions. IFRS 2 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

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.

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 recognized 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 recognizing 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 16 Leases

This new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019.

IAS 7 Statement of Cash Flows

The amendments to this standard are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted.

IAS 12 Income Taxes

The amendments to this standard relate to the recognition of deferred tax assets and liabilities, with the latter also being subject to a 'probable profits' test. The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted.

IAS 28 Investments in Associates and Joint Ventures

The amendments to this standard relate to the clarification of certain fair value measurements. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted.

IAS 40 Investment Property

The amendments to this standard clarify transfers of property to, or from, investment property. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted.

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.