Consolidated Financial Statements

Quest PharmaTech Inc.

January 31, 2018 and 2017

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May 30, 2018
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Quest PharmaTech Inc.

We have audited the accompanying consolidated financial statements of Quest PharmaTech Inc., which comprise the statements of financial position as at January 31, 2018 and January 31, 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years ended January 31, 2018 and January 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quest PharmaTech Inc. as at January 31, 2018 and January 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Quest PharmaTech Inc.'s ability to continue as a going concern.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(see note 1 – going concern uncertainty)

As at January 31

	2018 $	2017 $ (Note 24)
ASSETS		
Current		
Cash *[note 5]*	**416,436**	1,221,938
Short term investments *[note 5]*	**10,877,096**	8,274,693
Accounts receivable	**23,041**	18,518
Prepaid expenses	**575,535**	576,463
Investment in Natural Rf *[note 20]*	**500,000**	—
Inventory	**364**	90,142
	12,392,472	10,181,754
Non-current		
Restricted short term investments *[notes 5]*	—	39,090
Property and equipment *[note 7]*	**25,539**	26,777
Intangibles *[note 6]*	—	1,998
Non-current prepaid expenses	**10,420**	178,502
Loan receivable *[note 22]*	—	250,000
Investment in OncoVent Co., Ltd. *[note 23]*	**356,178**	687,620
	12,784,609	11,365,741
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**930,170**	733,493
Common share instrument *[note 10]*	**9,020,208**	—
	9,950,378	733,493
Commitments and contingencies *[note 9]*		
SHAREHOLDERS' EQUITY		
Common shares *[note 10]*	**30,501,716**	28,810,839
Preferred shares *[note 10]*	—	17,166,365
Warrants *[note 10]*	**34,292**	367,626
Non-controlling interest *[note 10]*	**10,215,647**	(2,066,604)
Contributed surplus	**7,135,062**	6,147,319
Accumulated other comprehensive income	**1,460,761**	—
Deficit	**(46,513,247)**	(39,793,297)
	2,834,231	10,632,248
	12,784,609	11,365,741

See accompanying notes

On behalf of the Board:

(signed)
W. John Meekison
Director

(signed)
Madi R. Madiyalakan
Director

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Years ended January 31

	2018 $	2017 $
		(Note 24)
REVENUE		
Bellus Skin sales	**38,871**	2,569
Cost of goods sold	**(17,728)**	(1,187)
Gross margin	**21,143**	1,382
EXPENSES		
General and administrative, including amortization	**2,308,525**	2,216,362
Research and development, net *[note 16]*	**5,506,493**	2,101,879
	7,815,018	4,318,241
Loss before the undernoted	**(7,793,875)**	(4,316,859)
Other income (expenses)		
Gain on sale of shares *[note 19]*	—	320,023
Financial income	**120,793**	44,504
Foreign exchange (loss) gain	**(793,254)**	17,042
Financial expenses	**(4,773)**	(8,695)
Writedown of inventory	**(59,900)**	—
Write off of loan receivable *[note 22]*	**(250,000)**	—
Equity loss *[note 23]*	**(331,442)**	(475,771)
	(1,318,576)	(102,897)
Net loss for the year	**(9,112,451)**	(4,419,756)
Other comprehensive income	**1,460,761**	—
Comprehensive loss	**(7,651,690)**	(4,419,756)
Net loss attributable to:		
Equity holders of the parent	**(5,086,202)**	(2,460,220)
Non-controlling interest *[note 10]*	**(4,026,249)**	(1,959,536)
Total	**(9,112,451)**	(4,419,756)
Basic and diluted loss per share *[note 18]*	**($0.032)**	($0.016)

See accompanying notes

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital – common shares $	Share capital – preferred shares $	Warrants $	Non-controlling interest $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Total shareholders' equity $
Balance, January 31, 2016	28,810,839	—	401,917	(107,068)	5,796,209	—	(37,333,077)	(2,431,108)
Shares issued *[note 10]*	—	17,166,365	—	—	—	—	—	17,166,365
Share based payments *[note 12]*	—	—	—	—	316,819	—	—	316,819
Warrants issued *[note 10]*	—	—	34,292	—	(34,292)	—	—	—
Warrants expired *[note 10]*	—	—	(68,583)	—	68,583	—	—	—
Fiscal 2017 non-controlling interest *[note 10]*	—	—	—	(1,959,536)	—	—	—	(1,959,536)
Net loss for the year	—	—	—	—	—	—	(2,460,220)	(2,460,220)
Balance, January 31, 2017	28,810,839	17,166,365	367,626	(2,066,604)	6,147,319	—	(39,793,297)	10,632,248
Common shares issued Quest *[note 10]*	1,666,667	—	—	—	—	—	—	1,666,667
Common shares issued Madenco	24,210	—	—	—	—	—	—	24,210
Preferred shares converted to common *[note 10]*	—	(17,166,365)	—	16,308,500	—	857,865	—	—
Other comprehensive income	—	—	—	—	—	602,896	—	602,896
Share based payments *[note 12]*	—	—	—	—	654,409	—	—	654,409
Warrants exercised *[note 10]*	—	—	(333,334)	—	333,334	—	—	—
Dividend in kind *[note 10]*	—	—	—	—	—	—	(1,633,748)	(1,633,748)
Fiscal 2018 non-controlling interest *[note 10]*	—	—	—	(4,026,249)	—	—	—	(4,026,249)
Net loss for the year	—	—	—	—	—	—	(5,086,202)	(5,086,202)
Balance, January 31, 2018	**30,501,716**	—	**34,292**	**10,215,647**	**7,135,062**	**1,460,761**	**(46,513,246)**	**2,834,231**

See accompanying notes

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended January 31

	2018 $	2017 $
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Net loss for the year	**(9,112,451)**	(4,419,756)
Items that do not involve cash		
Amortization	**11,958**	14,916
Share-based compensation *[note 12]*	**654,409**	316,819
Allocation of loss from Oncovent Co., Ltd. *[note 23]*	**331,442**	475,771
Transfer of OncoVent shares to third party *[note 23]*	—	174,509
Madenco shares issued for services	**24,210**	—
Inventory write down	**59,900**	—
Loan receivable write off *[note 22]*	**250,000**	—
Other comprehensive income	**1,460,761**	—
Foreign exchange translation of subsidiary equity	**(1,288,118)**	(695,700)
Net change in non-cash working capital *[note 15]*	**282,860**	(475,343)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(7,325,029)**	(4,608,784)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Private placement proceeds – common shares and warrants *[note 10]*	**7,629,458**	—
Private placement proceeds – warrant exercise *[note 10]*	**1,666,667**	—
Private placement proceeds – preferred shares *[note 10]*	—	5,205,900
Share issuance costs	—	(500)
Non-current prepaid expenses	**168,082**	(93,337)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**9,464,207**	5,112,063
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	**(8,722)**	(8,944)
Increase in loan receivable *[note 22]*	—	(250,000)
Redemption of short term investments, net	**(2,602,403)**	1,581,307
Redemption (purchase) of restricted short term investments	**39,090**	(39,090)
Investment in Natural Rf *[note 20]*	**(500,000)**	—
Investment in Oncovent Co., Ltd. *[note 23]*	—	(1,337,900)
Foreign exchange loss / (gain) on short term investments	**94,489**	26,628
Foreign exchange loss / (gain) on non-current monetary assets	—	3,150
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(2,977,546)**	(24,849)
Effect of foreign currency translation in foreign currency denominated cash	**32,866**	(45,109)
Net increase (decrease) in cash	**(805,502)**	433,311
Cash, beginning of year	**1,221,938**	788,627
Cash, end of year	**416,436**	1,221,938

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2018

1. CORPORATE INFORMATION AND GOING CONCERN UNCERTAINTY

Corporate information

Quest PharmaTech Inc. (the "Company") is a publicly traded, Canadian based pharmaceutical company developing products to improve the quality of life. The Company through its subsidiary, OncoQuest Inc. ("OncoQuest") is developing immunotherapies for cancer treatment. OncoQuest's technology platform includes a panel of tumor antigen specific monoclonal antibodies of the immunoglobulin G ("IgG") and E ("IgE") class targeting CA125, MUC1, PSA, Her2/neu, CA 19.9 and TAG72; and the application of combinatorial immunotherapy to enhance tumor specific immunity and clinical outcome. OncoQuest's lead product, oregovomab, an IgG monoclonal antibody, is being studied in a Phase 2 clinical trial for the treatment of women with advanced (stage III and IV) ovarian cancer. This Phase 2 randomized controlled clinical trial enrolled 97 patients and was conducted in 13 centers in the United States and Italy. The trial was designed to determine whether the combination of oregovomab and the standard of care chemotherapeutic regimen of carboplatin/paclitaxel used in the frontline setting would generate an incremental benefit in immune response and clinical outcome over the chemotherapeutic regimen alone. This trial, which was completed in December 2017, was conducted to confirm results of a previous Phase 2 clinical trial that demonstrated that oregovomab, a murine anti-CA-125 antibody was able to activate an immune response to CA-125, an tumor associated antigen that has been identified in ovarian and pancreatic cancer cells. It is believed that the chemotherapy when administered concomitantly with oregovomab can enhance an effective immunological anti-tumor response leading to clinical benefit. We announced positive interim results from this trial in November 2016 and presented those findings at the Amercian Society of Clinical Oncology meeting in June 2017. In the recurrent ovarian cancer setting, we are currently enrolling patients in a Phase 1/2 clinical trial in two centers in the United States using oregovomab and Hiltonol®, a TLR3 agonist. In addition, we have also commenced enrollment in another Phase 1/2 clinical trial using oregovomab and a checkpoint inhibitor in the same setting. This study is sponsored by the National Cancer Centre Singapore. These studies will be assessing the safety and activity of oregovomab, with TLR3 stimulation, and separately with checkpoint inhibition in this setting. OncoQuest's next-generation products are based on immunoglobulin E licensed from the University of California at Los Angeles, Stanford University and Advanced Immune Therapeutics, Inc. These antigen-specific monoclonal IgE antibodies are currently in preclinical development.

In addition, the Company owns the photodynamic therapy technology for oncology and dermatology applications, licensed to Bioceltran Co., Ltd. (Bioceltran), a South Korea based company. The Company has an ownership interest in Bioceltran which is focused on transdermal delivery of drugs and photosensitizers for pharmaceutical and cosmetic purposes, called "SP Technology™". The Company also markets consumer health products worldwide, including Bellus Skin™ serum, a premium anti-wrinkle skin care product licensed from South Korea. The Company is also developing an antibody licensed from the University of Nebraska, Mab AR 9.6 against truncated O-glycan on MUC16, for targeted cancer therapy applications.

The Company's head office is located at 8123 Roper Road NW, Edmonton, Alberta, Canada T6E 6S4 and it is incorporated under the Business Corporations Act (Alberta). The Company's functional currency is the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2018

1. CORPORATE INFORMATION AND GOING CONCERN UNCERTAINTY [CONTINUED]

Canadian dollar.

The Company is publicly traded on the TSX Venture Exchange under the symbol “QPT”.

These consolidated financial statements have been authorized for issue by the Company’s Board of Directors on May 30, 2018.

Going concern uncertainty

The Company’s consolidated 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 has incurred a net loss exclusive of non-controlling interest of $5,086,202 for the year ended January 31, 2018 (2017 - $2,460,220) and as at January 31, 2018 had working capital of $1,866,559 (January 31, 2017 – working capital of $8,871,798) and a shareholders’ equity of $2,834,231 (January 31, 2017 – shareholders’ equity of $10,632,248). Although the Company’s subsidiary, OncoQuest Inc., has sufficient cash reserves, the Company has cash reserves of only $550,000 at January 31, 2018 (January 31, 2017 - $249,000), accordingly, there is a material uncertainty that may cast significant doubt regarding the Company’s ability to continue as a going concern.

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 approvals for its products. It is not possible at this time to predict the outcome of these matters. The Company’s consolidated financial statements do not reflect any adjustments to the classifications and carrying values of assets and liabilities that may be required should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business. The Company intends to address this uncertainty through new share or debt issuances, licensing arrangements and/or strategic partnerships.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 30, 2018, the date the Board of Directors approved the consolidated statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiaries incorporated in Canada as at January 31, 2018:

- OncoQuest Inc., incorporated March 25, 2015 (46.15%)
- Madenco BioSciences Inc., incorporated December 31, 2015 (82%)
- Sonolight Pharmaceuticals Corp. ("Sonolight") (100%)
- Steroidogenesis Inhibitors Canada Inc. (100%)

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date such control ceases. The financial statements of the subsidiaries are prepared using accounting policies consistently applied. All inter-company transactions and balances have been eliminated in full.

Non-controlling interest is accounted for as the percentage of income (loss) of a subsidiary attributable to the subsidiary's minority shareholders, based on the minority shareholders' ownership interest in the subsidiary, and is shown on the consolidated statements of loss of the Company as an adjustment to income and in the equity section of the consolidated statements of financial position.

Cash and restricted cash

Cash and restricted cash consists of liquid bank balances and includes investments with maturities less than three months, carried at fair value.

Short term investments and restricted short term investments

Short term investments and restricted short term investments include short term fixed rate debt securities with maturities of approximately 1 year or less. Other-than-temporary impairment charges are included in financial expenses, net, and unrealized gains (losses), if determined to be temporary, are included in accumulated other comprehensive income in shareholders' equity. These deposits are classified as held to maturity and recorded at fair value through profit or loss.

Cash and short term investments with restrictions preventing current use are presented as non-current assets.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Inventory

Inventory is recorded at the lower of cost and net realizable value and includes finished goods of Bellus Skin product, importation costs and brokerage fees.

Investments

Bioceltran Co. Ltd.

The Company has an investment comprised of shares of a private company that have been acquired from a third party (see note 21 – Investment in Bioceltran). The investment was initially recorded at fair value and is subsequently carried at cost. The shares have a cost to the Company of $107,900 equal to the amount of the up-front license fees paid to the private company. Taken together, these transactions represented non-monetary transactions and for accounting purposes were recognized at nil value because the fair value of the assets exchanged is not reliably measurable. Each reporting period, following acquisition, the Company evaluates whether control or significant influence is exerted by the Company over the affairs of the investee company. Based on the evaluation, the Company accounts for the investment using either the consolidation, equity accounting or cost method. As at January 31, 2018, the Company has determined that control or significant influence does not exist between the Company and the investee, and therefore, the Company has accounted for its investment using the cost method. The Company evaluates the investment each reporting period for evidence of impairment.

OncoVent Co., Ltd.

The Company has an investment in OncoVent Co., Ltd. (see note 23 – Investment in OncoVent). The Company owns 11% of the shares of OncoVent. The Company's subsidiary, OncoQuest, owns 29% of the shares of OncoVent. As a result of the direct and indirect ownership interest in OncoVent, the Company accounts for its investment in OncoVent using the equity method of accounting.

Intangible assets

Intangible assets include proprietary rights, intellectual property and patent rights that have been acquired from third parties. Intangible assets are recorded at historical cost less accumulated amortization. Following acquisition, the Company evaluates the prospective commercialization of the acquired intangible assets. Depending on the results of the evaluation, the Company generally commences amortization of the assets over a period of three to five years.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life of the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

in accounting estimates.

Property and equipment

Property and equipment are recorded at historical cost net of government assistance and accumulated amortization. Amortization of property and equipment is calculated over their estimated useful lives on a declining balance or straight-line basis at the following annual rates:

Computer equipment	Declining balance - 30%
Furniture and fixtures	Declining balance - 30%
Office equipment	Declining balance - 30%
Manufacturing and research and development equipment	Declining balance - 30%
Leasehold improvements	Straight-line - lease term

Leases

Leases that transfer substantially all of the risks and benefits of assets to the Company are accounted for as finance leases. Assets under finance leases are recorded at the inception of the lease together with the long-term obligation to reflect the purchase and financing thereof. As at January 31, 2018 and 2017, the Company had no finance leases. Rental payments under operating leases are expensed evenly over the lease term.

Revenue recognition

Under an investment financing arrangement, the Company receives clinical development funding in return for the Company's common shares and future revenue sharing. Revenues associated with investment financing arrangements that require the Company to perform future performance obligations are recognized over the period that the performance obligation is satisfied. The portion related to future periods is recorded as deferred revenue. Revenue related to sales of Bellus Skin is recorded when the product is shipped to the customer. Revenue associated with financial income is recorded when earned.

Research and development

Research and development expenses are expensed as incurred. Upfront and milestone payments made to third parties in connection with specified research and development projects are expensed as incurred.

Investment tax credits

Investment tax credits relating to qualifying scientific research and experimental development expenditures that are recoverable in the current year are accounted for as a reduction in research and development expenditures. Investment tax credits are recognized when the related expenditures are incurred and there is reasonable

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

assurance of their realization.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at year end. Revenue and expenses are translated at exchange rates in effect on the date of the transaction. Gains and losses arising from foreign currency transactions are included in income for the period.

Loan receivable

The Company had a loan receivable with a non-related third party under 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. Under a loan agreement, the Company was entitled to future payments totally $250,000 by April, 2018. Subsequent to year end, the loan was determined to be uncollectible and so the loan has been written off at January 31, 2018.

Government assistance

Non-refundable government assistance towards current expenses is included in the determination of income for the period as a reduction of the expenses to which it relates. Amounts received for future expenditures are recorded as a current liability.

Financial instruments

All financial instruments are classified as either fair value through profit and loss, available-for-sale financial assets, loans and receivables, investments held to maturity or other financial liabilities. Financial assets classified as fair value through profit and loss and available-for-sale are measured on the consolidated statements of financial position at fair value. Subsequent changes in the fair value of held-for-trading financial assets are recognized in net loss immediately. Changes in the fair value of financial assets available-for-sale are recorded in comprehensive income until the investment is derecognized or impaired, at which time amounts would be recorded in net loss. Other comprehensive income and its components, when presented, are included directly in equity as accumulated other comprehensive income. Loans and receivables, investments held to maturity and other financial liabilities are measured on the consolidated statements of financial position at amortized cost.

The Company has designated cash and preferred shares as fair value through profit and loss, its short term investments as held to maturity, its accounts receivable as loans and receivables and its accounts payable and accrued liabilities as other financial liabilities. The investment in Bioceltran is an available-for-sale financial asset. It was initially recorded at fair value and subsequently carried at cost because it is an equity instrument that does not have a quoted price in an active market and whose fair value cannot be reliably measured.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

For financial liabilities classified as other, transaction costs that are directly attributable to the issue of the financial liability are recorded as part of the fair value initially recognized for the financial instrument. These costs are expensed using the effective interest rate method and recorded in finance expense.

Impairment of long-lived assets

Assets that are subject to amortization are reviewed at the end of each reporting period for indications that the asset may be impaired. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Long-lived assets other than goodwill that have incurred an impairment loss are reviewed for possible reversal of impairment at each reporting date.

Share-based payments

The Company accounts for share-based payment transactions granted to employees and non-employees using the fair value method. Fair value is calculated using the Black-Scholes option pricing model with the assumptions described in note 12 and is recognized for employees over the vesting period of the options granted, and for non-employees as goods are received or services rendered. The amount of share-based compensation recognized in each period is also based on the number of share options ultimately expected to vest to each participant. As a result, the Company is required to estimate forfeiture rates, which are typically based on historical employee turnover data and trends. Changes in estimated forfeiture rates will impact the recognition of share-based compensation expense from period to period. Consideration paid on the exercise of share-based payments is credited to share capital and the amount in contributed surplus related to the share-based payments exercised is reclassified to share capital.

Under the fair value based method, share-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measured. The cost of share-based payments to non-employees is recognized over the vesting period. For fully vested share-based payments, the cost is measured and recognized at the grant date. Share-based payments are included in the general and administrative and research and development line items on the consolidated statements of loss.

Income taxes

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

differences can be utilized. Deferred income tax assets and liabilities are measured at the tax rates expected to apply in the period when the assets are realized or the liability is settled based on the tax rates that have been enacted or substantively enacted at the date of the consolidated statements of financial position. The carrying amount of the deferred tax asset is reviewed at each consolidated statement of financial position date and reduced to the extent that it is not probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Basic and diluted loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method. Under this method, options, warrants and convertible securities are assumed to be exercised at the beginning of the period [or at the time of issuance, if later]. Proceeds from the exercise are assumed to be used to purchase common shares at the average market price during the period. Incremental shares [the difference between the number of shares assumed issued and the number of shares assumed purchased] are included in the denominator of the diluted loss per share computation. Diluted net loss per share does not reflect the effect of preferred shares as their inclusion would also be anti-dilutive. The number of preferred shares issued as of January 31, 2018 and 2017 which are not included in the computation of net loss per share amounts, was nil and 3,475,936, respectively (See Loss Per Share – note 18).

Use of estimates and significant judgements

The measurement of certain assets and liabilities is dependent upon future events whose outcome will not be fully known until future periods. Therefore, the preparation of these consolidated financial statements requires the Company's management to make estimates and assumptions and apply significant judgements that affect the reported amounts of assets, liabilities and capital reserves. Actual results may vary from those estimated. The amount recorded for stock based compensation and whether the Company controls OncoQuest, are the more significant items which reflect estimates made and judgements applied in the consolidated statements of financial position. Such estimates and assumptions have been made using careful judgments which, in management's opinion, are within reasonable limits of materiality and conform to the significant accounting policies summarized in these consolidated financial statements.

Non-controlling interest

Non-controlling interest represents the portion of the Company's subsidiary, OncoQuest Inc., that is not owned by the Company, measured to be 53.85% at January 31, 2018 (49.86% at January 31, 2017) (See Share Capital - note 10 and Correction of an Error – note 24). Non-controlling interest is recorded in the consolidated statements of financial position to reflect the proportionate amount of OncoQuest's net assets belonging to the non-controlling shareholders. Non-controlling interest is also reported on the consolidated statements of loss as

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

a share of loss belonging to non-controlling shareholders.

Other comprehensive loss

Other comprehensive loss is comprised of gains/losses on conversion of a US dollar denominated subsidiary to the Company's functional currency.

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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.

4. PARENT CONTROL OF SUBSIDIARY

The Company's subsidiary, OncoQuest, has an ownership structure, as at January 31, 2018 as follows:

	Number of shares held	**Percentage ownership**
Quest PharmaTech Inc.	4,250,100	46.15
Hepalink USA Inc.	3,606,167	39.16
Others	1,233,000	13.39
Quest insider	120,000	1.30
Total	9,209,267	100.00

The Company's subsidiary, OncoQuest, has an ownership structure, as at January 31, 2017 as follows:

	Number of shares held	**Percentage ownership**
Quest PharmaTech Inc.	4,250,100	50.14
Hepalink USA Inc.	3,475,936	41.01
Others	615,000	7.26
Quest insider	135,000	1.59
Total	8,476,036	100.00

Ownership – Hepalink USA Inc. ("Hepalink") owns 3,606,167 voting common shares of OncoQuest, representing a 39.16% ownership interest. Hepalink also owns 25,000,000 common shares of the Company representing a 6.90% ownership interest in OncoQuest. Hepalink's combined direct and indirect ownership interest in OncoQuest is therefore 46.06%.

Board and Management - The Board of OncoQuest is composed of five Board members, three nominated by the Company and two nominated by Hepalink . Board decisions govern the activities of OncoQuest.

Based on the above two items, Ownership, Board and Management, management of the Company has determined that the Company has control over OncoQuest for purposes of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2018

5. CASH AND NON-CURRENT RESTRICTED CASH AND SHORT TERM INVESTMENTS

At January 31, 2018, consolidated cash and short term investments were held as follows:

Cash and short term investments:

January 31, 2018:

	Quest	OncoQuest	Madenco	Total
Cash	107,019	305,239	4,178	416,436
Short term investments	443,416	10,433,680	—	10,877,096

January 31, 2017:

	Quest	OncoQuest	Madenco	Total
Cash	249,114	922,317	50,507	1,221,938
Short term investments	—	8,274,693	—	8,274,693

Each company is responsible for its cash and short term investment balances.

Short term investments include short term fixed rate (1.45 – 1.80%) debt securities with maturities of approximately 1 year or less, held with a major Canadian chartered bank.

Non-current restricted short term investments:

January 31, 2017:

	Quest	OncoQuest	Madenco	Total
Cash	—	—	—	—
Short term investments	—	39,090	—	39,090

The Company classified $39,090 of its short term investments as non-current and restricted on the consolidated statement of financial position as at January 31, 2017, comprised of $US30,000 restricted as security for credit card purchases.

6. INTANGIBLE ASSETS

	IgE Technology	Immunotherapy Technology	Hypocrellin Based Technology and Licenses	CDK Technology	Totals 2018	Totals 2017
Cost, beginning of year	63,892	237,500	2,476,822	233,000	3,011,214	3,011,214
Additions	—	—	—	—	—	—
Deletions	—	—	—	—	—	—
Cost, end of year	63,892	237,500	2,476,822	233,000	3,011,214	3,011,214
Accumulated amortization, beginning of year	63,892	237,500	2,476,822	233,000	3,009,216	3,006,548
Amortization	—	—	—	—	1,998	2,668
Accumulated amortization, end of year	63,892	237,500	2,476,822	233,000	3,011,214	3,009,216
Net book value	**—**	**—**	**—**	**—**	**—**	**1,998**

TECHNOLOGIES

Allergo-Oncology technology and licenses ("IgE technology")
During September, 2012, the Company signed a technology purchase agreement with Advanced Immune Therapeutics, Inc. ("AIT") to acquire the proprietary rights and intellectual property related to an allergo-oncology technology based on tumor associated Immunoglobulin E (IgE) antibody for the treatment of cancer. Under the terms of the agreement, consideration for the purchase consisted of payment of $40,000 U.S. for past patent costs and the issuance of 500,000 common shares, valued for accounting purposes at $0.05 per common share, which reflected the closing price of the common shares on the date of issuance of $25,000. The agreement requires the Company to make milestone and royalty payments to AIT on future revenues. The Company amortized this asset on a straight-line basis over a three year period. This intangible asset is fully amortized.

Immunotherapy technology and licenses ("Immunotherapy technology")
During September, 2009, the Company signed a technology purchase agreement with Paladin Labs Inc. ("Paladin") to acquire the proprietary rights and intellectual property related to an antibody immunotherapy technology. Under this technology, the Company acquired product candidates consisting of five monoclonal antibodies targeting certain tumor antigens that are presented in a variety of cancers. Under the terms of the agreement, consideration for the purchase consisted of a cash payment of $37,500 and the issuance of 1,500,000

6. INTANGIBLE ASSETS [CONTINUED]

common shares upon the effective date of the purchase and an additional 1,500,000 common shares to be issued no later than December 31, 2010. The common shares issued on the effective date and those issued prior to December 31, 2010 were valued for accounting purposes at $0.04 per share which reflected the closing price of the common shares on the effective date of the purchase ($60,000 and $60,000 respectively). Under the terms of the agreement a further 2,000,000 common shares were contingently issuable upon successful future financing initiatives by the Company. On October 22, 2010, the Company decided to take control over the technology and issued the final 3,500,000 common shares under the agreement. The 2,000,000 common shares issued on October 22, 2010 reflecting the contingent consideration were valued for accounting purposes at $0.04 per share, which reflected the closing price of the common shares at that date of $80,000. The agreement also requires the Company to make milestone and royalty payments to Paladin on future revenues. This intangible asset is fully amortized.

In August, 2015, the Company transferred its interest in the Immunotherapy and IgE technologies to its subsidiary, OncoQuest, in return for the issuance of 5,000,000 common shares of OncoQuest. This is intended to be a tax deferred transaction. During November, 2015, the Company transferred certain Immuno-Photodynamic therapy patents to OncoQuest for U.S. $2 million. These intercompany transactions were eliminated upon consolidation.

Hypocrellin-based technology and licenses (proprietary rights)
The Company's subsidiary, Sonolight, holds the exclusive worldwide license to develop, commercialize and exploit several proprietary inventions involving a class of sonosensitizers and their use in cancer and non-cancer therapies. Sonolight signed a licensing agreement dated March 6, 2001 with the University of Alberta. The license agreement is for a term of 25 years. The agreement requires royalty payments upon successful sales and marketing of products developed using the technology. The Company has amortized this asset on a straight-line basis over a three-year period that commenced on August 1, 2001. This intangible asset is fully amortized.

Targeted Cancer Therapy Technologies

CDK technology (proprietary rights)
The Company owns the worldwide rights to develop, manufacture and sell the CDK technology, a novel immunomodulator with anti-cancer properties. As consideration for its acquisition of the technology, the Company must issue 400,000 common shares as certain milestones outlined in the technology purchase agreement are met. Prior to fiscal 2015, the Company issued 200,000 shares under the agreement. During fiscal 2015, the Company issued the remaining 200,000 common shares to consolidate the ownership of this technology. These shares have been recorded at a value that represents the closing price of the common shares on the date the shares were issued. The Company has amortized this asset on a straight-line basis over a three-year period that commenced on November 1, 2014. This intangible asset is fully amortized.

Mab AR9.6 technology
The Company has also licensed from the University of Nebraska an antibody, MAb AR9.6, that binds to a novel

6. INTANGIBLE ASSETS [CONTINUED]

cancer target (truncated O-glycans on MUC16) that has potential for oncology applications. Quest is developing this product in collaboration with the University of Nebraska Medical Center.

Protein Transduction Domain (PTD) Drug Delivery Technology
Madenco BioSciences Inc., a subsidiary of Quest, and Bioceltran are developing skin penetrating active molecules for cosmetic and pharmaceutical use based on Bioceltran's PTD technology. Madenco has the worldwide rights to certain products developed with Bioceltran's PTD technologies for certain indications.

Out License of Sonolight Technology
In fiscal 2015, the Company out-licensed its Sonolight Technology for Dermatology and Oncology applications to Bioceltran in return for future royalty income. Bioceltran is working with Quest to develop the Sonolight Technology for various applications.

Cosmetics
Madenco has an exclusive supply and distribution arrangement with Smart Cell Tec for marketing and distribution of Bellus Skin, an anti-wrinkle skin care product.

Quest PharmaTech Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2018

7. PROPERTY AND EQUIPMENT

For the year ended January 31, 2018:

	Computer Equipment	Furniture and Fixtures	Office Equipment	Manufacturing and Research and Development Equipment	Leasehold Improvements	Totals 2018	Totals 2017
Cost, beginning of year	97,526	12,114	31,494	457,983	10,220	609,337	600,393
Additions	—	—	—	—	8,722	8,722	8,944
Deletions	—	—	—	—	—	—	—
Cost, end of year	97,526	12,114	31,494	457,983	18,942	618,059	609,337
Accumulated amortization, beginning of year	85,271	12,033	31,365	444,127	9,764	582,560	570,312
Amortization	3,660	24	40	4,158	2,079	9,960	12,248
Accumulated amortization, end of year	88,931	12,057	31,405	448,285	11,843	592,520	582,560
Net book value	**8,595**	**57**	**89**	**9,698**	**7,099**	**25,539**	**26,777**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2018

7. PROPERTY AND EQUIPMENT [CONTINUED]

For the year ended January 31, 2017:

	Computer Equipment	Furniture and Fixtures	Office Equipment	Manufacturing and Research and Development Equipment	Leasehold Improvements	Totals 2017	Totals 2016
Cost, beginning of year	88,582	12,114	31,494	457,983	10,220	600,393	599,264
Additions	8,944	—	—	—	—	8,944	1,129
Deletions	—	—	—	—	—	—	—
Cost, end of year	97,526	12,114	31,494	457,983	10,220	609,337	600,393
Accumulated amortization, beginning of year	82,353	11,999	31,309	438,135	6,516	570,312	556,245
Amortization	2,918	34	56	5,992	3,248	12,248	14,067
Accumulated amortization, end of year	85,271	12,033	31,365	444,127	9,764	582,560	570,312
Net book value	**12,255**	**81**	**129**	**13,856**	**456**	**26,777**	**30,081**

8. INCOME TAXES

Details of the components of income taxes from operations are as follows:

	2018 $	2017 $
Loss from operations	**(9,112,451)**	(4,419,756)
Statutory tax rate	**27.00%**	27.00%
Income tax recovery at Canadian statutory tax rate	**(2,460,362)**	(1,193,334)
Adjustment in income taxes resulting from:		
Non-deductible expenses	**178,364**	86,435
Non-deductible fair value adjustment on contract termination	—	—
Expiry of loss carryforwards	—	—
Impact on deferred tax assets resulting from statutory rate increase	**130,998**	(32,410)
SR&ED adjustments and other	—	—
Tax impact of capital gain transactions	—	562,902
Potential deferred tax assets not recognized	**2,151,000**	576,407
Deferred tax recovery	—	—

Significant components of the Company's deferred tax balances are as follows:

	2018 $	2017 $
Deferred tax assets		
Non-capital loss carryforwards	**5,039,590**	2,920,675
Tax cost of property, plant and equipment in excess of book values	**750,368**	986,423
Tax cost of intangible assets in excess of book values	**(2,704)**	80,734
Share issuance costs	**4,712**	21,968
Unrealized foreign exchange	—	—
Scientific research and experimental development expenditure pool	**966,580**	966,580
Capital loss carryforwards	—	64,816
	6,758,546	5,071,196
Valuation allowance	**(6,758,546)**	(5,071,196)
	—	—

The Company and its subsidiaries have non-capital losses for income tax purposes of approximately $18,665,149 at January 31, 2018 (2017 – $10,817,313), and scientific research and experimental development expenses of approximately $3,579,927 at January 31, 2018 (2017 – $3,579,927) that can be applied against taxable income. The benefit of these deductible temporary differences has not been recognized. The Company also has investment tax credits ("ITCs") of $702,400 (2017 – $702,400) that can be applied against future taxable income

8. INCOME TAXES [CONTINUED]

for which no deferred tax asset has been recognized. The Company also has capital losses for income tax purposes of approximately $480,119 at January 31, 2018 (2017 - $480,119) which carryforward indefinitely and can be applied against future taxable capital gains for which no deferred tax asset has been recognized.

The non-capital losses and investment tax credits (“ITCs”) available for carry forward will expire as follows:

	Non-capital losses	ITC
	$	$
2026	2,440,282	—
2027	1,137,273	91,300
2028	614,800	98,900
2029	97	198,900
2030	122	48,700
2031	809,406	63,700
2032	524,854	41,500
2033	727,483	50,200
2034	98	75,400
2035	1,344,512	33,800
2036	695,722	—
2037	1,814,744	—
2038	8,555,756	—
Totals	**18,665,149**	**702,400**

9. COMMITMENTS AND CONTINGENCIES

a) Lease obligations

The Company is committed to future minimum lease payments, including estimated operating costs, for its business premises as follows:

	$
2019	62,038
2020	62,038
2021	62,038
2022	62,038
2023 and thereafter	19,262
	267,414

The Company recognized $49,163 of lease expense in the consolidated statements of loss in fiscal 2018 (2017 – $63,057).

9. COMMITMENTS AND CONTINGENCIES [CONTINUED]

b) Research and development and other activities

Subject to successful completion of contractual milestones, the Company has commitments to fund various research and development and other activities in the normal course of business as follows:

	$
2019	5,655,021
2020	1,852,160
2021	717,600
2022	380,144
2023 and thereafter	110,718
	8,715,643

In fiscal 2014 and 2018, the Company entered into a total of five licensing agreements with two Universities located in the United States. The licensing agreements require ongoing license maintenance fees which continue until the contract is terminated. As the duration and success of the contracts are unknown, the Company has included estimated licensing fees for five years in the schedule above and has not included any amounts after the five year period. The total amount included for these licensing agreements in the five year period is approximately $609,000 at varying amounts per year.

The Company subsidiary, OncoQuest, has an arrangement with Oncovir, Inc. ("Oncovir"), a drug development company, to evaluate the clinical utility of combining OncoQuest's antibody immunotherapy technology with Oncovir's immune activator "Hiltonol®". If the Subsidiary Company is satisfied with the results of the evaluation, the Subsidiary Company and Oncovir are obligated to enter into a worldwide non-exclusive license for the right to develop, use and sell Hiltonol® containing targeted vaccines and our other products that contain Hiltonol® for any and all uses. The license agreement will provide for the Subsidiary Company to make a US$300,000 binding purchase order of Hiltonol® upon commencement of clinical trials and a US$300,000 milestone payment upon receipt of US or EU marketing approval of a product candidate. In addition, the Subsidiary Company agreed that the license agreement will pay Oncovir royalty payments on net sales of combination products equal to: 2% on net sales up to US$250 million, 4% on net sales between US$250 million and US$500 million and 6% on net sales over US$500 million; provided the total royalty payment to Oncovir will be limited to US$50 million on the first product candidate to reach market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2018

10. SHARE CAPITAL

Authorized

Unlimited number of common shares without nominal or par value
Unlimited number of first preferred shares
Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

Issued

	Number of common shares	**Amount $**
Common shares		
At January 31, 2016	150,422,580	28,810,839
	—	—
At January 31, 2017	150,422,580	28,810,839
Shares issued pursuant to the exercise of warrants	16,666,667	1,666,667
At January 31, 2018	167,089,247	30,477,506

During the year ended January 31, 2018, 16,666,667 share purchase warrants were exercised into 16,666,667 common shares for proceeds of $1,666,667, including proceeds of $181,667 from an officer and a director of the Company.

10. SHARE CAPITAL [CONTINUED]

The Company's subsidiary, OncoQuest, issued the following common and preferred shares:

Common Shares

	Number of shares	Amount $
At January 31, 2016	100	—
Shares issued pursuant to a technology purchase	5,000,000	—
At January 31, 2017	5,000,100	—
Shares issued pursuant to private placements	603,000	7,629,458
Shares issued on conversion of preferred shares	3,475,936	16,308,500
Shares issued pursuant to a dividend in kind	130,231	—
At January 31, 2018	9,209,267	23,937,958

On July 31, 2017, the Company's subsidiary issued 320,000 common shares of stock to an Investment Consortium for cash proceeds of $3,995,200 (US$3.2 Million - $10.00 per share). This financing has a price protection feature that would entail the owner of these securities until the time of an IPO, to receive additional shares in the event of a future financing of common stock that is completed at a price per share below $10 per share. The number of shares received would be the difference between $10 per share and the price of the offering multiplied by the shares issued in this offering divided by the price per share of the new down-round offering.

On December 15, 2017, the Company's subsidiary issued 240,000 common shares of stock to an Investment Consortium for cash proceeds of $3,080,160 (US$2.4 Million - $10.00 per share). This financing has a price protection feature that would entail the owner of these securities until the time of an IPO, to receive additional shares in the event of a future financing of common stock that is completed at a price per share below $10 per share. The number of shares received would be the difference between $10 per share and the price of the offering multiplied by the shares issued in this offering divided by the price per share of the new down-round offering.

On December 19, 2017, the Company's subsidiary issued 43,000 common shares of stock to an individual investor for cash proceeds of $554,098 (US$0.43 Million - $10.00 per share). This financing has a price protection feature that would entail the owner of these securities until the time of an IPO, to receive additional shares in the event of a future financing of common stock that is completed at a price per share below $10 per share. The number of shares received would be the difference between $10 per share and the price of the offering multiplied by the shares issued in this offering divided by the price per share of the new down-round offering.

On December 31, 2017, the Company's subsidiary converted 3,475,936 preferred shares of stock into 3,475,936 common shares of stock pursuant to a conversion agreement.

10. SHARE CAPITAL [CONTINUED]

On December 31, 2017, the Company declared and issued a dividend in kind of $1,302,310 (130,231 common shares of stock at $10 per share) to Hepalink USA. This share issuance has a price protection feature that would entail the owner of these securities until the time of an IPO, to receive additional shares in the event of a future financing of common stock that is completed at a price per share below $10 per share. The number of shares received would be the difference between $10 per share and the price of the offering multiplied by the shares issued in this dividend payment divided by the price per share of the new down-round offering.

Common share instrument:

The common shares issued under the private placements and under the dividend in kind have a down round feature attached whereby if OncoQuest issues additional common shares to other investors below US$10 per share, the subsribers and Hepalink USA will be eligible to receive additional common shares to account for any dilution they would experience. Under IFRS, this down round feature represents a potential liablility to OncoQuest and as such, the entire equity portion of the common shares issued is treated as a liability in the Company's records and fair valued at January 31, 2018.

The fair value of the common share instrument at January 31, 2018 is as follows:

	Number of shares	US$ Amount	Fair Value in Cdn$ at January 31, 2018
Common shares issued pursuant to private placements	603,000	6,030,000	7,418,106
Common shares issued under dividend in kind	130,231	1,302,310	1,602,102
Totals	**733,231**	**7,332,310**	**9,020,208**

10. SHARE CAPITAL [CONTINUED]

Series A Preferred Shares

	Number of shares	Amount $
At January 31, 2016	**2,406,417**	**12,672,000**
Shares issued pursuant to a private placement	267,380	1,340,000
Foreign exchange adjustment at April 30, 2016		(1,463,000)
Shares issued pursuant to a private placement	802,139	3,865,200
Preferred share adjustment for equity classification		752,165
At January 31, 2017	**3,475,936**	**17,166,365**
Conversion of preferred shares to common shares	(3,475,936)	(17,166,365)
At January 31, 2018	—	—

On November 12, 2015, as part of a US$13,000,000 preferred share private placement with Hepalink USA Inc. (Hepalink), OncoQuest raised $11,976,300 (US$9,000,000) through the issuance of 2,406,417 Series A preferred shares at US$3.74 per Series A preferred share. The preferred shares were issuable in three tranches as OncoQuest met certain technology transfer milestones under the preferred share subscription agreement. This issuance was the first tranche of three tranches. The second tranche of 267,380 preferred shares for $1,340,000 (US$1,000,000) was issued on March 1, 2016. The third tranche of 802,139 preferred shares for $3,865,200 (US$3,000,000) was issued on May 4, 2016.

The funds received by OncoQuest were subject to certain restrictions on the availability and use of cash as follows:

US$4,000,000 for research and development, working capital and general corporate purposes
US$2,000,000 for payment to Quest for patent acquisitions
US$1,000,000 for payment to OncoVent (refer to note 23 – Investment in OncoVent)
US$6,000,000 to be retained by OncoQuest until approval of filed securities documents with securities regulatory authorities or until 80% of the OncoQuest Board approved otherwise.

On July 11, 2016, the Board of OncoQuest, unanimously approved the removal of the cash restrictions on $US6,000,000 of preferred share private placement proceeds.

The preferred shares have voting rights equivalent to OncoQuest common shares, carry a 5% cumulative annual dividend payable upon conversion and are convertible one-for-one into common shares of OncoQuest, subject to adjustments, upon a public offering of common shares. The preferred shares are also convertible at the option of the holder.

10. SHARE CAPITAL [CONTINUED]

The preferred shares are redeemable for US$3.74 cash per share in the event of a deemed liquidation of assets or merger of OncoQuest.

The preferred shares carry protective rights which are designed to protect the financial interests and investment of the preferred shareholders. These protective rights are designed to ensure that the assets of OncoQuest are used in a responsible manner. The protective rights do not significantly restrict or prevent OncoQuest from executing on its business strategies to develop the Immunotherapy Assets.

For the year ended January 31, 2016 and as at April 30, 2016, the preferred share instrument had been recorded as a liability on the consolidated statements of financial position due to (i) the possibility that the preferred shares may be converted into a variable number of OncoQuest common shares in the event that OncoQuest issues additional common shares prior to conversion for per share proceeds less than US$3.74 per common share and (ii) the preferred share dividends having a cumulative feature that results in an obligation.

During 2017 fiscal year, the Subsidiary Company amended the terms of the preferred shares such that (i) the preferred shares may only be converted into a fixed number of OncoQuest common shares and (ii) the preferred share dividends are payable as and when declared by the Board. As a result, the preferred shares are recorded as equity at January 31, 2017.

On December 31, 2017, all of the preferred shares were converted one for one into common shares. Also on December 31, 2017, OncoQuest's Board declared a final dividend of $1,302,310 on the preferred shares which was paid in kind through the issuance of 130,231 common shares of OncoQuest.

The following options to purchase common shares were outstanding as at January 31, 2018:

Exercise price $	Options outstanding #	Weighted average remaining life (years)	Options exercisable #
0.10	**11,390,000**	**2.94**	**11,390,000**
0.15	**4,700,000**	**1.84**	**4,700,000**
0.25	**1,760,000**	**0.08**	**1,760,000**
	17,850,000	**4.86**	**17,850,000**

10. SHARE CAPITAL [CONTINUED]

The following schedule details the warrants and share options granted and expired:

	Shares issuable on exercise of			
	Warrants		Share options	
	Number of warrants #	Weighted average exercise price $	Number of share options #	Weighted average exercise price $
Balance, January 31, 2016	20,095,834	0.10	13,340,000	0.12
Granted	3,429,167	0.16	1,260,000	0.15
Expired	(3,429,167)	0.10	—	—
Balance, January 31, 2017	**20,095,834**	**0.11**	**14,600,000**	**0.12**
Granted	—	—	3,250,000	0.15
Exercised	(16,666,667)	0.10	—	—
Balance, January 31, 2018	**3,429,167**	**0.16**	**17,850,000**	**0.13**

Warrants

	Number of warrants	Fair value ($)
Balance, January 31, 2016	**20,095,834**	**401,917**
Warrants issued	3,429,167	34,292
Warrants expired	(3,429,167)	(68,583)
Balance, January 31, 2017	**20,095,834**	**367,626**
Warrants exercised	(16,666,667)	(333,334)
Balance, January 31, 2018	**3,429,167**	**34,292**

In September 2014, the Company issued 3,429,167 share purchase warrants exercisable at $0.10 per common share pursuant to a private placement of units. The warrants were valued at $0.02 per warrant using the Black-Scholes option valuation model with the following assumptions (dividend rate – 0.00%, volatility – 121.8%, risk-free interest rate – 1.13%, expected life – 2 years). The warrants were to expire 24 months from the date of issue, on September 26, 2016. On September 16, 2016, the Company amended the terms of these warrants which are now set to expire on March 26, 2018. The warrants have also been repriced to $0.16. The amended warrants were valued at $0.01 per warrant using the Black-Scholes option valuation model with the following assumptions (dividend rate – 0.00%, volatility – 102.5%, risk-free interest rate – 1.00%, expected life – 1.5 years).

In August, 2015, the Company issued 16,666,667 share purchase warrants exercisable at $0.10 per common share pursuant to a private placement of units. The warrants were valued at $0.02 per warrant using the Black-Scholes option valuation model with the following assumptions (dividend rate – 0.00%, volatility – 121.4%,

10. SHARE CAPITAL [CONTINUED]

risk-free interest rate – 0.39%, expected life – 2 years). During the year ended January 31, 2018, all of the warrants were exercised into 16,666,667 common shares for proceeds to the Company of $1,666,667, including $181,667 from an officer and a director of the Company.

Company share options

For the year ended January 31, 2018, the Company granted 3,250,000 share options, as per the Company's Share Option Plan. These options vested immediately on date of grant. These share options, with an exercise price of $0.15 per share, were granted to employees (2,725,000) and to non-employees (525,000) (note 12).

For the year ended January 31, 2017, the Company granted 1,260,000 share options, as per the Company's Share Option Plan to an employee and to non-employees at exercise prices ranging from $0.15 - $0.25, with vesting provisions up to 6 months (note 12).

On November 27, 2015, the Company obtained shareholder approval to amend its Share Option Plan such that the aggregate number of common shares eligible for issuance under the Share Option Plan shall not exceed 25,000,000. As at January 31, 2018, 7,150,000 options are available for issue.

OncoQuest share options

OncoQuest's stock option plan permits the Board of Directors of OncoQuest to grant incentive stock options to directors, officers, managers, employees and consultants of OncoQuest. Pursuant to the plan, options may be granted to acquire a rolling number of common shares (currently up to 10% of the issued and outstanding shares of OncoQuest).

The options shall include vesting provisions as determined by the Board of Directors, are non-transferable and will expire no later than the tenth anniversary of the date the option was granted.

On August 8, 2016, OncoQuest granted a total of 570,000 stock options under OncoQuest's stock option plan. The options have a 10 year expiry, were exercisable at $5.00 ($US3.74) per share with vesting provisions over a four year period. The fair value of options vesting of $238,235 was recognized as a stock based payment expense and credited to additional paid-in capital. On December 29, 2016, OncoQuest's Board approved the repricing of the exercise price of these stock options to $2.90 ($US2.18) from $5.00 ($US3.74) per share. As a result of the re-pricing, OncoQuest recorded an additional amount of $25,084 that was recognized as stock based payment expense for these vested options.

On January 16, 2017, OncoQuest granted 40,000 stock options under OncoQuest's stock option plan. These options have a 10 year expiry, are exercisable at $2.90 ($US2.18) per share and vest over a four year period. The fair value of these options vesting in 2018 of $18,500, was recognized as a stock-based payment expense and credited to additional paid-in capital in OncoQuest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2018

10. SHARE CAPITAL [CONTINUED]

The following table summarizes the activity related to stock option grants for the year ended January 31, 2018:

	Option Shares	Weighted Average Exercise Price Per Common Share Outstanding
Balance, February 1, 2016	—	—
Granted during year	610,000	$2.90
Balance, January 31, 2017 and 2018	610,000	$2.90
Vested, January 31, 2017	152,500	$2.90
Vested, January 31, 2018	152,500	$2.90

The Black-Scholes option pricing model was used to estimate the fair value of these options. OncoQuest considers historical volatility of comparable companies common shares in estimating future share price volatility.

The following assumptions, were used:

	Year ended January 31, 2018	Year ended January 31, 2017
Dividend yield	0.00%	0.00%
Volatility	81.0%	81.0%
Risk-free interest rate	1.02%	1.02%
Expected life (years)	10.0	10.0
Fair value per option	CAN$1.85	CAN$1.85

At January 31, 2018, there are 610,000 OncoQuest shares options issued. Not included in this number is the 180,000 options set aside for a consultant on June 19, 2017 exercisable at US$2.18 to be granted at a future unknown date subject to attainment of a milestone. Approximately $783,731 of unrecognized compensation expense at January 31, 2018 will be recognized ratably through July 2020. The intrinsic value of stock options vested and unvested at January 31, 2018 is $5,868,300.

10. SHARE CAPITAL [CONTINUED]

Non-controlling interest

Non-controlling interest represents the proportionate share of the Company's subsidiary, OncoQuest Inc., that is owned by minority shareholders, measured to be 53.85 % at January 31, 2018:

OncoQuest Ownership:	Number of shares owned	Percentage ownership
Hepalink	3,606,167	39.16%
Others	1,233,000	13.39%
Quest	4,250,100	46.15%
Quest insider	120,000	1.30%
Total	9,209,267	100%

OncoQuest Financial information at:	January 31, 2018	January 31, 2017
OncoQuest fiscal year net loss, after elimination of intercompany transactions	($7,476,786)	($3,930,276)
Non-controlling interest percentage	53.85	49.86
Non-controlling interest portion	($4,026,249)	($1,959,536)
OncoQuest current assets		
- Cash	$305,239	$922,317
- Short term investments	$10,433,680	$8,274,693
- Other current assets	$503,481	$558,658
Total current assets	$11,242,400	$9,755,668
OncoQuest non-current assets	$266,015	$706,656
OncoQuest current liabilities	$844,357	$580,575

Non-controlling interest is recorded in the consolidated statements of financial position to reflect the claim on the Company's assets belonging to the non-controlling shareholders.

	$
Balance, January 31, 2016	107,068
Year ended January 31, 2017	1,959,536
Balance, January 31, 2017	2,066,604
Conversion of preferred shares to common shares	(16,308,500)
Year ended January 31, 2018	4,026,249
Balance, January 31, 2018	(10,215,647)

10. SHARE CAPITAL [CONTINUED]

Non-controlling interest is also reported on the consolidated statements of loss as a share of loss belonging to non-controlling shareholders.

	Year ended January 31, 2018	Year ended January 31, 2017
	$	**$**
Non-controlling interest	4,026,249	1,959,536

Non-controlling interest is recorded in the consolidated statements of financial position to reflect the claim on the Company's assets belonging to the non-controlling shareholders. Non-controlling interest is also reported on the consolidated statements of loss as a share of loss belonging to non-controlling shareholders. See note 24.

11. CAPITAL DISCLOSURES

The Company is a biotechnology company and consistent with other companies in the industry, the Company's objectives when managing capital are to safeguard its accumulated capital in order to maintain its ability to operate as a going concern so that it can continue with its drug development program and strive to maximize shareholder value. Capital is defined by the Company as shareholders' equity (primarily comprising of share capital, contributed surplus and deficit). The Company manages its capital structure, and makes adjustments to it based on the needs of the Company's operations and the requirement for funding to continue with the Company's drug development program. The Company does this through new share or debt issuances, selling assets or licensing its technologies to third parties to fund operations. Other than the restrictions imposed upon cash and short term investments, the Company is not subject to any externally imposed capital requirements.

12. SHARE-BASED PAYMENTS

For the year ended January 31, 2018, the Company granted a total of 3,250,000 (2017 – 1,260,000) share options under the Company's Share Option Plan. Options vested immediately. The fair value of options vesting in 2018 of $384,500 (2017 - $35,000) was recognized as a share-based payment expense and credited to contributed surplus for the years ended January 31, 2018 and 2017. There were no forfeitures of Company's share options during the years ended January 31, 2018 and 2017.

12. SHARE-BASED PAYMENTS [CONTINUED]

The Company used the Black-Scholes option pricing model to estimate the fair value of these options. The Company considers historical volatility of its common shares in estimating future share price volatility. The following assumptions, disclosed on a weighted average basis, were used:

	2018	2017
Dividend yield	0.00 %	0.00 %
Volatility	1,270 %	118.9 %
Risk-free interest rate	1.85 %	1.13 %
Expected life (years)	9.83	3.06
Fair value per option	$0.12	$0.03

For share options issued to non-employees, the Company has determined that the fair value of the share options issued ($384,500 in 2018, $35,000 in 2017) is a reliable measure of the fair value of the services provided to the Company by non-employees.

OncoQuest Stock Option Plan:

For the year ended January 31, 2018, OncoQuest granted a total of nil (2017 – 610,000) share options under its share option plan. The options have vesting provisions over a four year period. The fair value of options vesting in 2018 of $269,909 (2017 – $281,819) was recognized as a share based payment expense and credited to contributed surplus for the year ended January 31, 2018. There were no forfeitures of OncoQuest's share options during the years ended January 31, 2018 and 2017.

The Black-Scholes option pricing model was used to estimate the fair value of these options. OncoQuest considers historical volatility of comparable companies common shares in estimating future share price volatility.

The following assumptions, were used:

	Year ended January 31, 2018	Year ended January 31, 2017
Dividend yield	0.00 %	0.00 %
Volatility	81.00 %	81.00 %
Risk-free interest rate	1.02 %	1.02 %
Expected life (years)	10.00	10.00
Fair value per option	$1.85	$1.85

13. SEGMENT DISCLOSURES

During fiscal 2015, the Company made a decision to develop a marketing strategy to market and sell consumer products, including the cosmetic skin care product, Bellus Skin™. As a result, at January 31, 2018, the Company has two operating segments – biopharmaceutical/pharmaceutical products and consumer/cosmetic products. Management assesses performance and makes resource decisions based on the consolidated results of operations of these operating segments. Substantially all of the operations of the Company are directly engaged in or support these operating segments.

	Year ended Jan 31, 2018			Year ended Jan 31, 2017		
	Pharmaceuticals	Consumer/ Cosmetics	Total	Pharmaceuticals	Consumer/ Cosmetics	Total
Revenue						
Bellus Skin sales	—	**38,871**	**38,871**	—	2,569	2,569
Bellus Skin COGS	—	**(17,728)**	**(17,728)**	—	(1,187)	(1,187)
	—	**21,143**	**21,143**		1,382	1,382
Expenses						
G&A	**2,130,146**	**178,379**	**2,308,525**	2,038,660	177,702	2,216,362
R&D	**5,482,524**	**23,969**	**5,506,493**	2,101,879	—	2,101,879
Other	**1,257,604**	**60,972**	**1,318,576**	101,760	1,137	102,897
	8,870,274	**263,320**	**9,133,594**	4,242,299	178,839	4,421,138
Net loss	**(8,870,274)**	**(242,177)**	**(9,112,451)**	(4,242,299)	(177,457)	(4,419,756)

Investment financing revenue represents deferred investment financing revenue recognized into income during the period.

Revenues are attributed to countries based on location of customers or counterparties. Revenues by geographic area are:

Canada (2018 - $16,836: 2017 - $2,569)
USA (2018 - $1,495: 2017 - $nil)
Asia (2018 - $20,540: 2017 - $nil)

The Company has included revenue and expense information in its segmented disclosures. Information concerning the Company’s assets and liabilities has not been disclosed by segment as these items are managed on a group basis.

14. RELATED PARTY TRANSACTIONS

Under the Company's fiscal 2018 exercise of warrants, an officers and a director of the Company exercised warrants to purchase $181,667 worth of common shares.

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 are approximately $7,500 gross per month, and fluctuate on a month to month basis. The amount paid for lease ad other office related costs to the Company increased on February 1, 2017 to a monthly rate of $10,000 per month due to the increase in scope of operations at OncoQuest.

These transactions were recorded at the exchange amount which is the amount agreed to by the related parties.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital items related to operating activities

	2018 $	2017 $
Accounts receivable	**(4,523)**	12,373
Prepaid expenses	**928**	(499,313)
Inventory	**89,778**	(90,142)
Accounts payable and accrued liabilities	**196,677**	101,739
	282,860	(475,343)

During the year ended January 31, 2018, the Company paid $4,773 of interest (2017 - $8,695) and income taxes of nil (2017 - nil).

16. GOVERNMENT ASSISTANCE

During the year ended January 31, 2018, the Company recognized $nil (2017 - $15,724) from National Research Council's Industrial Research Assistance Program related to the Company's IgE antibody cancer immunotherapy development program for research and development expenditures incurred in fiscal 2018 and 2017. This funding was treated as a reduction of research and development expenses.

During the year ended January 31, 2018, the Company's subsidiary, OncoQuest, recognized $33,634 (2017 - $nil) from Alberta Finance related to scientific research and development claims made for research and development expenditures incurred in Fiscal 2017. This funding was treated as a reduction of research and development expenses.

	2018	**2017**
	$	$
Gross research and development expenditures	**5,540,127**	2,117,603
Less: government assistance	**(33,634)**	(15,724)
Research and development expenditures, net	**5,506,493**	2,101,879

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash, short term investments, restricted cash and short term investments, accounts receivable, accounts payable and accrued liabilities, loan receivable and preferred shares.

a) Carrying value and fair value

The carrying values of cash, short term investments, restricted cash and short term investments, accounts receivable, accounts payable and accrued liabilities, preferred share instruments and the demand loans approximate their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the Company's financial instruments of cash and short term investments are measured using the Level 1 classification of the fair value hierarchy. The fair value of the Company's financial instruments of preferred shares are measured using a Level 2 classification of the fair value hierarchy.

b) Risks

i) Foreign currency risk

The Company has certain assets and liabilities that are denominated in foreign currencies and are exposed to risks from changes in foreign exchange rates and the degree of volatility of these rates.

At January 31, 2018 the Company's exposure to foreign currency risk is US$8,673,157 in cash and short term investments, US$592,550 in accounts payable and 66,076 Euros in accrued liabilities. The year-end rate of conversion of U.S. to Canadian dollars is 1.2302 and Euros to Canadian dollars is 1.5277. Based on the foreign

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

currency exposures noted above, a 10 percent strengthening of the Canadian dollar would have increased the net loss by $983,982, assuming that all other variables remain unchanged. A 10 percent weakening of the Canadian dollar would have an equal but opposite effect, assuming that all other variables remain unchanged.

At January 31, 2017 the Company's exposure to foreign currency risk is US$6,180,898 in cash and short term investments, US$228,693 in accounts payable and 105,281 Euros in accrued liabilities. The year-end rate of conversion of U.S. to Canadian dollars was 1.303 and Euros to Canadian dollars was 1.4063. Based on the foreign currency exposures noted above, a 10 percent strengthening of the Canadian dollar would have increased the net loss by $754,438, assuming that all other variables remain unchanged. A 10 percent weakening of the Canadian dollar would have an equal but opposite effect, assuming that all other variables remain unchanged.

The Company currently does not use derivative instruments to reduce its exposure to foreign currency risk.

ii) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The 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 (see Capital Disclosures, note 11). During fiscal 2017, OncoQuest secured $1,340,000 (US$1,000,000) through the second tranche of a preferred share private placement and $3,865,200 (US$3,000,000) through the third tranche of a preferred share private placement. During fiscal 2018, The Company secured $1,666,667 through the exercise of warrants and OncoQuest secured $7,629,458 (US$6,030,000) through a common shares private placement. Although OncoQuest has sufficient funding in place, the Company only has cash and short term investment reserves of $550,435 at January 31, 2018 (January 31, 2017 - $249,114). As such, there is a liquidity risk for the Company at January 31, 2018.

iii) Credit risk
Financial instruments that subject the Company to credit risk consist primarily of 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 short-term deposits that are fully guaranteed by the Company's financial banker, a major Canadian chartered bank. As the Company is a research and development company, the Company's exposure to credit risk related to accounts receivable is not considered to be significant. At year end, 31% of accounts receivable was due from one federal government agency.

iv) Interest rate risk
Interest rate risk is the risk that the fair value or 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 and 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. The Company's policy

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

limits the investing of excess funds to liquid government guaranteed deposits or guaranteed investment certificates.

18. LOSS PER SHARE

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. In determining diluted net loss and net loss per common share, the weighted average number of common shares outstanding is adjusted for share options and warrants eligible for exercise where the average market price of common shares for the year ended January 31, 2018 exceeds the exercise price. Common shares that could potentially dilute basic net loss and net loss per common share in the future that could be issued from the exercise of share options and warrants were not included in the computation of the diluted loss per common share for the year ended January 31, 2018 because to do so would be anti-dilutive. Diluted net loss per share does not reflect the effect of preferred shares as their inclusion would also be anti-dilutive. The number of preferred shares issued as of January 31, 2018 which are not included in the computation of net loss per share amounts, was nil.

The numerator and denominator used in the calculation of historical basic and diluted net loss amounts per common share are as follows:

	2018 $	**2017** $
Net loss exclusive of non-controlling interest	**(5,086,202)**	(2,460,220)
Number of weighted average common shares outstanding	**159,343,402**	150,422,580
Net loss per share	**($0.032)**	($0.016)

The following number and type of securities could potentially dilute basic earnings per common share in the future. These securities are not included in the computation of diluted earnings per share, because to do so would have reduced the loss per common share (anti-dilutive) for the years presented:

	2018	**2017**
Share-based payment transactions	**17,850,000**	14,600,000
Warrants	**3,429,167**	20,095,834
Preferred shares	—	3,475,936
	21,279,167	38,171,770

19. COMPENSATION OF KEY MANAGEMENT

Key management includes directors and executives of the Company. The compensation paid or payable (including share-based payments) to key management for services is shown below:

	2018	2017
	$	$
Management compensation	892,315	1,108,636
Director compensation	253,688	34,688
Totals	1,146,003	1,143,324

During the year ended January 31, 2018, nil OncoQuest share options (2017 – 610,000) were granted to executives and to independent directors.

During the year ended January 31, 2018, an officer of the Company received 30,000 shares of Madenco Biosciences as part of his remuneration package. These shares had a fair market value of $4,035 at December 31, 2017.

During the year ended January 31, 2017, an officer of the Company received 135,000 shares of OncoQuest and 7,500 shares of Bioceltran as a part of his remuneration package. These shares had a combined fair market value of $320,023 at December 31, 2016.

20. INVESTMENT IN NATURAL Rf LIFE SCIENCES INC.

During the year ended January 31, 2018, for $500,000, the Company acquired a 32% ownership interest in Natural Rf Life Sciences Inc., a private Alberta-based company focused on sales of health care products. Subsequent to year-end, the Company made a strategic decision to exercise its option to devest itself of its investment in Natural Rf. Natural Rf has agreed to return the Company's $500,000 principal investment during calendar 2018.

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January 31, 2018

21. INVESTMENT IN BIOCELTRAN CO., LTD.

Pursuant to a Share Transfer Agreement dated August 26, 2014, the Company purchased 288,000 existing shares of Bioceltran Co., Ltd ("Bioceltran") equivalent to more than 20% of the outstanding shares of Bioceltran at January 31, 2016. Bioceltran is a private South Korea based company focused on transdermal delivery of drugs for cosmetics and pharmaceuticals. During fiscal 2016, the Company transferred 38,000 of its shares of Bioceltran to a Third party. During fiscal 2017, the Company transferred 7,500 of its shares of Bioceltran to an officer of the Company as part of his remuneration package. This transactions were recorded at $nil value because the value of the shares is not determinable The Company purchased the shares of Bioceltran for investment purposes and has determined that for fiscal 2016, it does not exercise control or significant influence over the affairs of Bioceltran based on management's reasoned judgements regarding the following factors: no board representation, no participation in policy making decisions or in decisions regarding dividends or other distributions and no interchange of managerial personnel. In addition, the shares of Bioceltran are not traded on a public exchange. Therefore, the Company's investment in shares of Bioceltran has been accounted for using the Cost method with the investment initially recorded at fair value and subsequently recorded at cost. There was no income or distribution of profits received from Bioceltran in fiscal 2017 or 2018. The shares of Bioceltran have a cost to the Company of $107,900 equal to the amount of the Bioceltran up-front license fees. Taken together, these transactions represented non-monetary transactions and for accounting purposes were recognized at nil value because the fair value of the assets exchanged is not reliably measurable. In the future, the fair value of the Company's investment in Bioceltran shares could be recognized if the value of the shares is reliably measurable.

22. LOAN RECEIVABLE

During the year ended January 31, 2017, the Company paid $250,000 to a non-related third party under 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 a 40% ownership interest in the Swiss based company and future payments totaling $250,000 by April, 2018. Subsequent to year end, the loan receivable was determined by the Company to be uncollectible and so was written off for the year ended January 31, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2018

23. INVESTMENT IN ONCOVENT CO., LTD.

As part of the preferred share agreement, on March 4, 2016, the Company's subsidiary, OncoQuest, signed a joint venture contract with Shenzhen Hepalink. The agreement results in the creation of a new company in China called OncoVent Co., Ltd. ("OncoVent"), to focus on the research and development of Cancer Immunotherapy Products for the Chinese market. Under the agreement, OncoQuest licensed the greater China rights to the Immunotherapy Technologies and provided US$1,000,000 for 46% of the shares of OncoVent. Shenzhen Hepalink contributed US$5,000,000 for 54% of the shares of OncoVent. As part of the agreement, OncoQuest transferred a portion of its shares in OncoVent to Quest and to another party such that Quest owns 11% and the other party owns 6%, respectively, of the shares of OncoVent. Management believes the creation of OncoVent will provide additional resources for product development that OncoQuest can access to accelerate its worldwide product registration strategy. OncoVent will focus on the development, manufacturing and commercialization of Cancer Immunotherapy Products within China with pancreatic cancer as its first target. On October 31, 2016, Shenzhen Hepalink contributed US$5,000,000 to OncoVent. On November 1, 2016, OncoQuest contributed $1,337,900 (US$1,000,000) to OncoVent.

For financial statement purposes, OncoQuest accounts for its investment in this affiliated entity under the equity method. Oncovent began operations in November, 2016.

	$
Balance, January 31, 2016	**-**
Investment in joint venture, November 1, 2016	1,337,900
Equity method share of loss for the year ended January 31, 2017	(475,771)
Transfer of 6% interest to third party	(174,509)
Balance, January 31, 2017	**687,620**
Equity method loss for the year ended January 31, 2018	(331,442)
Balance, January 31, 2018	**356,178**

24. CORRECTION OF AN ERROR

For the year ended January 31, 2018, the Company became aware that the calculation of non-controlling interest was incorrectly determined for the year ended January 31, 2017. Therefore, the Company has restated the amount for non-controlling interest to include the percentage ownership interests of Hepalink USA Inc. and a Company insider for the year ended January 31, 2017. As a result, non-controlling interest and loss per share have been restated for the year ended, and as at, January 31, 2017, as follows:

Non-controlling interest:

	For the year ended January 31, 2017		As at January 31, 2017
	%	$	$
Non-controlling interest as previously reported	7.26	285,338	392,406
Restated non-controlling interest	49.86	1,959,536	2,066,604

Loss and loss per share:

	For the year ended January 31, 2017	For the year ended January 31, 2017
	Loss exclusive of non-controlling interest	Loss per share
Loss and loss per share as previously reported	$4,134,418	$0.027 per share
Restated loss and loss per share	$2,460,220	$0.016 per share

25. SUBSEQUENT EVENTS

Subsequent to year end, the Company determined that the $250,000 loan receivable was uncollectible and so the full amount of the loan receivable has been written off for the year ended January 31, 2018. See note 22.

Subsequent to year end, the Company made a strategic decision to exercise its option to devest itself of its investment in Natural Rf. Natural Rf has agreed to return the Company’s $500,000 principal investment during calendar 2018. See note 20.