Consolidated Financial Statements

Quest PharmaTech Inc.

Nine months ended October 31, 2019
(Unaudited)

Quest PharmaTech Inc.

National Instrument 51 – 102
Continuous Disclosure Obligations

Notice

Pursuant to Part 4.3 (3) of National Instrument 51 – 102,
these unaudited interim consolidated financial statements of
Quest PharmaTech Inc. for the nine-month period ended
October 31, 2019 have not been reviewed by the Company's auditors.

Quest PharmaTech Inc.

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

As at

	October 31 2019 $	January 31 2019 $
ASSETS		
Current		
Cash *[note 3]*	**308,339**	**347,301**
Short term investments *[note 3]*	**513,364**	**3,113,349**
Accounts receivable	**38,282**	**14,300**
Prepaid expenses	**793,159**	**820,057**
	1,653,144	**4,295,007**
Non current		
Property and equipment *[note 5]*	**120,216**	**19,661**
Non-current prepaid expenses	**1,463,962**	**1,463,962**
Investment in OncoVent *[note 14]*	**—**	**31,301**
	1,584,178	**1,514,924**
	3,237,322	**5,809,931**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**2,541,830**	**506,693**
Common share instrument *[note 6]*	**12,281,320**	**9,637,588**
	14,823,150	**10,144,281**
Non current		
Lease obligation *[note5]*	**105,119**	**-**
Shareholders' deficiency		
Common shares *[note 6]*	**30,531,716**	**30,531,716**
Non-controlling interest *[note 6]*	**1,726,632**	**5,933,083**
Contributed surplus	**10,090,792**	**8,913,040**
Accumulated other comprehensive income	**1,193,717**	**1,193,717**
Deficit	**(55,233,804)**	**(50,905,906)**
	(11,690,947)	**(4,334,350)**
	3,237,322	**5,809,931**

See accompanying notes

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	For the three months ended October 31		For the nine months ended October 31	
	2019	2018	2019	2018
	$	$	$	$
EXPENSES				
General and administrative	**553,259**	**640,482**	**1,620,995**	**1,965,395**
Research and development	**2,825,754**	**1,352,668**	**7,038,858**	**4,870,736**
	3,379,013	**1,993,150**	**8,659,853**	**6,836,131**
Loss before the undernoted	**(3,379,013)**	**(1,993,150)**	**(8,659,853)**	**(6,836,131)**
Other income (expenses)				
Financial income, net	**6,704**	**33,702**	**42,736**	**119,230**
Lease obligation reduction	**9,028**	**—**	**23,781**	**—**
Equity loss *[note 14]*	**—**	**(40,233)**	**(31,301)**	**(143,885)**
Claim settlement	**—**	**275,000**	**—**	**275,000**
Foreign exchange gain / (loss)	**9,145**	**(27,871)**	**113,502**	**19,592**
	24,877	**240,598**	**148,718**	**269,937**
Loss from continuing operations	**(3,354,136)**	**(1,752,552)**	**(8,511,135)**	**(6,566,194)**
Income (loss) from discontinued operations *[note 9]*	**(27,671)**	**(7,277)**	**(23,214)**	**(39,370)**
Net and comprehensive loss for the period	**(3,381,807)**	**(1,759,829)**	**(8,534,349)**	**(6,605,564)**
Attributable to:				
Equity holders of the parent	**(1,603,118)**	**(894,321)**	**(4,327,898)**	**(3,345,665)**
Non-controlling interest *[note 6]*	**(1,778,689)**	**(865,508)**	**(4,206,451)**	**(3,259,899)**
Total	**(3,381,807)**	**(1,759,829)**	**(8,534,349)**	**(6,605,564)**
Basic and diluted loss per share	**$ (0.010)**	**$ (0.005)**	**$ (0.026)**	**$ (0.020)**

See accompanying notes

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital - common shares	Non-controlling interest	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' deficiency
	$		$	$	$	$
Balance, January 31, 2019	**30,531,716**	**5,933,083**	**8,913,040**	**1,193,717**	**(50,905,906)**	**(4,334,350)**
Share based payments *[note 8]*	—	—	**1,177,752**	—	—	**1,177,752**
Non-controlling interest *[note 6]*	—	**(4,206,451)**	—	—	—	**(4,206,451)**
Net loss for the period	—	—	—	—	**(4,327,898)**	**(4,327,898)**
Balance, October 31, 2019	**30,531,716**	**1,726,632**	**10,090,792**	**1,193,717**	**(55,233,804)**	**(11,690,947)**

See accompanying notes

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the 3 months ended Oct 31		For the 9 months ended Oct 31	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES				
Net income (loss) for the period	**(3,381,807)**	(1,759,829)	**(8,534,349)**	(6,605,564)
Items that do not involve cash				
Amortization	**7,555**	2,216	**28,345**	6,502
Share-based payments *[note 8]*	**380,767**	466,154	**1,177,752**	1,259,450
Allocation of loss from OncoVent *[note 14]*	**—**	40,233	**31,301**	143,885
Foreign exchange adjustment - common share instrument	**11,199**	80,655	**(78,349)**	607,115
Net change in working capital *[note 11]*	**1,334,455**	(3,850)	**2,038,053**	(34,091)
	(1,647,831)	(1,174,421)	**(5,337,247)**	(4,622,703)
CASH FLOWS FROM FINANCING ACTIVITIES				
Exercise of options into common shares *[note 6]*	**—**	30,000	**58,681**	30,000
Private placement proceeds - common shares *[note 6]*	—	—	**2,663,400**	—
NET CASH GENERATED FROM FINANCING ACTIVITES	**—**	30,000	**2,722,081**	30,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	**—**	—	**-**	(1,634)
Return of principal - Natural Rf Life Sciences	**—**	—	**-**	300,000
Redemption of short term investments, net	**1,797,078**	1,155,215	**2,599,985**	4,026,951
Non-cash addition to leasehold assets, net of lease obligations	**(9,028)**	—	**(23,781)**	—
NET CASH GENERATED FROM INVESTING ACTIVITES	**1,788,050**	1,155,215	**2,576,204**	4,325,317
Net increase (decrease) in cash and cash equivalents	**140,219**	10,794	**(38,962)**	(267,386)
Cash and cash equivalents, beginning of period	**168,120**	138,256	**347,301**	416,436
Cash and cash equivalents, end of period	**308,339**	149,050	**308,339**	149,050
	308,339	149,050	**308,339**	149,050

See accompanying notes

Quest PharmaTech Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2019

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, has been 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, a 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 American Society of Clinical Oncology meeting in June 2017. In the recurrent ovarian cancer setting, we have an active 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 latter 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 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

1. CORPORATE INFORMATION AND GOING CONCERN UNCERTAINTY [CONTINUED]

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 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 December 20, 2019.

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 $4,327,898 for the nine-month period ended October 31, 2019 (year ended January 31, 2019 - $4,392,659) and as at October 31, 2019 had a working capital deficiency of $13,963,165 (January 31, 2019 – working capital deficiency of $6,669,331) and a shareholders' deficiency of $11,690,947 (January 31, 2019 – shareholders' deficiency of $4,334,350). The Company has consolidated cash reserves of only $821,703 at October 31, 2019 (January 31, 2019 - $3,460,650), 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.

Quest PharmaTech Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2019

2. BASIS OF PREPARATION

The unaudited consolidated financial statements of the Company were prepared following the same accounting policies as disclosed in note 3 in the audited consolidated financial statements for the years ended January 31, 2019 and 2018. These unaudited consolidated financial statements for the nine months ended October 31, 2019 should be read in conjunction with the consolidated financial statements for the years ended January 31, 2019 and 2018 and the notes thereto. These unaudited consolidated financial statements for the nine months ended October 31, 2019 do not include all of the required disclosures for annual consolidated financial statements.

Statement of Compliance

These consolidated financial statements have been prepared by management in accordance with IAS 34 "Interim Financial Reporting" using accounting principles consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

3. CASH AND SHORT-TERM INVESTMENTS

At October 31, 2019, consolidated cash and short-term investments were held as follows:

	Quest	OncoQuest	Madenco	Total
Cash	74,601	195,148	38,590	308,339
Short-term investments	250,164	263,200	—	513,364

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

Short-term investments include short-term fixed rate debt securities with maturities of approximately 1 year or less, held with a major Canadian chartered bank.

Quest PharmaTech Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2019

4. INTANGIBLE ASSETS

All intangible assets have been fully amortized. The historical presentation of the technologies are noted below:

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 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.

4. INTANGIBLE ASSETS [CONTINUED]

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

The Company is also developing a novel approach for cancer therapy using a combinatorial approach for optimal efficacy. Lead product (MAb AR9.6) under development is for a novel target (truncated O-glycans on MUC16) for cancer therapy discovered at University of Nebraska Medical Center. MAb AR 9.6 binds to MUC16 and blocks the activation of growth factor receptors and thereby inhibit phosphorylation of Akt, which leads to reduced cell proliferation, in vivo tumor growth and metastasis.

The Akt pathway can also be regulated by Cyclin Dependent Kinases and/or mTOR Inhibitors. The Company has developed ACP 2127, which is a novel immunomodulator with anti-cancer properties targeted to inhibit CDK functionality and prevent the growth of cancer cells. ACP 2127 is a multi-functional potential irreversible inhibitor combining the effect of CDK inhibitor p21 and also through additionally inhibiting mTOR in the PI3K-AKT Pathway.

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

Both MAb AR9.6 and ACP2127 have recently been licensed to OncoCare Therapeutics Inc. for development and commercialization of these technologies in the U.S. Quest is entitled to receive 45% of the equity in OncoCare Therapeutics when US$1 million of funding has been raised per the licensing agreement.

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.

4. INTANGIBLE ASSETS [CONTINUED]

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.

5. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Fixtures	Office Equipment	Manufacturing and Research and Development Equipment	Leasehold Improvements	Leased Assets – 8123 Roper Road	Totals
Cost, February 1, 2019	97,526	12,114	31,494	457,983	20,576	—	619,693
Additions	—	—	—	—	—	128,900	128,900
Deletions	—	—	—	—	—	—	—
Cost, October 31, 2019	97,526	12,114	31,494	457,983	20,576	128,900	748,593
Accumulated amortization, February 1, 2019	91,578	12,074	31,432	451,195	13,753	—	600,032
Amortization	1,515	24	37	1,478	1,510	23,781	28,345
Accumulated amortization, October 31, 2019	93.093	12,098	31,469	452,673	15,263	23,781	628,377
Net book value	**4,433**	**16**	**25**	**5,310**	**5,313**	**105,119**	**120,216**

Right-of-Use Leased Assets
Effective February 1, 2019, the Company has recorded leased assets related to the Company's right-of-use for its lease space at 8123 Roper Road NW Edmonton. The lease is effective until May 31, 2022 with no renewal provisions in the lease agreement. The Company has a minimum annual lease payment obligation of $42,516. Based on an estimated incremental borrowing rate of 5.95%, the Company has recorded leased assets of $128,900. At October 31, 2019, the lease obligation is estimated to be $105,119.

Quest PharmaTech Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2019

6. 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, 2018	167,089,247	30,501,716
Shares issued pursuant to the exercise of options	300,000	30,000
At January 31 and October 31, 2019	167,389,247	30,531,716

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

Common Shares

	Number of shares	Amount $
At January 31, 2018	9,209,267	23,937,958
At January 31, 2019	9,209,267	23,937,958
Private placement	80,000	2,663,400
Stock option exercise	20,000	58,681
At October 31, 2019	**9,309,267**	**26,660,039**

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.

6. SHARE CAPITAL [CONTINUED]

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.

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.

On March 8, 2019, the Company's subsidiary issued 80,000 common shares of stock to an investment consortium for cash proceeds of $2,663,400 (US$2.0 Million - $25.00 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 $25 per share. The number of shares received would be the difference between $25 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 May 23, 2019, the Company's subsidiary issued 20,000 common shares of stock pursuant to the exercise of stock options at US$2.18 per common share.

6. SHARE CAPITAL [CONTINUED]

Common share instruments:

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-$25 per share, the subscribers 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 liability 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 October 31, 2019.

The fair value of the common share instrument at October 31, 2019 is as follows:

	Number of shares	US$ Amount	Fair Value in Cdn$ at October 31, 2019	Fair Value in Cdn$ at Jan 31, 2019
Common shares issued pursuant to private placements	683,000	8,030,000	10,567,480	7,925,832
Common shares issued under dividend in kind	130,231	1,302,310	1,713,840	1,711,756
Totals	**813,231**	**9,332,310**	**12,281,320**	**9,637,588**

The following options to purchase common shares were outstanding as at October 31, 2019:

Exercise price $	**Options outstanding** #	**Weighted average remaining life** (years)	**Options exercisable** #
0.10	**11,090,000**	**1.75**	**11,090,000**
0.15	**3,450,000**	**1.33**	**3,450,000**
0.18	**1,250,000**	**0.62**	**1,250,000**
0.25	**2,810,000**	**0.97**	**2,810,000**
	18,600,000	**1.48**	**18,600,000**

6. SHARE CAPITAL [CONTINUED]

The following schedule details the warrants and share-based payment transactions granted and expired:

	Shares issuable on exercise of			
	Warrants		Share options	
	Number of shares #	Weighted average exercise price $	Number of shares #	Weighted average exercise price $
Balance, January 31, 2018	3,429,167	0.16	17,850,000	0.13
Granted	—	—	3,850,000	0.25
Expired	(3,429,167)	0.16	(1,750,000)	0.25
Exercised	—	—	(300,000)	0.10
Balance, January 31, 2019	—	—	19,650,000	0.14
Granted	—	—	200,000	0.25
Expired	—	—	(1,250,000)	0.15
Exercised	—	—	—	—
Balance, October 31, 2019	—	—	**18,600,000**	**0.14**

Share options

For the nine months ended October 31, 2019, the Company granted 200,000 share options under the Company's Share Option Plan to a non-employee at an exercise price of $0.25, vesting immediately.

For the nine months ended October 31, 2018, the Company granted 2,600,000 share options under the Company's Share Option Plan to non-employees at an exercise price of $0.25, vesting immediately.

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 October 31, 2019, 6,400,000 options are available for issue.

OncoQuest share options

For the nine months ended October 31, 2019, 25,000 share options were granted under OncoQuest's share option plan at an exercise price of US$2.18 from the options set aside on June 19, 2017. At October 31, 2019, there are 940,000 OncoQuest share options issued with a further 326,930 options available for issue.

6. 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 54.35 % at October 31, 2019:

OncoQuest Ownership:	Number of shares owned	Percentage ownership
Quest	4,250,100	45.65%
Hepalink USA Inc.	3,606,167	38.74%
Others	1,333,000	14.32%
Quest insider	120,000	1.29%
Total	9,309,267	100.00%

OncoQuest financial information at October 31, 2019:	
OncoQuest Q1, Q2 and Q3 fiscal 2020 net loss, after elimination of intercompany transactions	($7,731,871)
Non-controlling interest portion (54.35%)	($4,202,273)
OncoQuest current assets	
Cash	$195,148
Short-term investments	$263,200
Other current assets	$760,168
Total current assets	$1,218,516
OncoQuest non-current assets	$1,460,834
OncoQuest current liabilities	$2,540,308

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, 2018	(10,215,647)
Year ended January 31, 2019	4,282,564
Balance, January 31, 2019	(5,933,083)
Nine months ended October 31, 2019	4,206,451
Balance, October 31, 2019	(1,726,632)

6. 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.

	Nine-month period ended October 31, 2019	Nine-month period ended October 31, 2018
	$	**$**
Non-controlling interest	4,206,451	3,259,899

Included in the above amount for the nine-month period ended October 31, 2019 is $(4,178) (2018 - $20,995) related to the non-controlling interest of Madenco Biosciences Inc.

Basic and diluted loss per share

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the period (2019 – 167,389,247; 2018 – 167,113,357). For the nine-month periods ended October 31, 2019, 3,168,571 shares (2018 – 3,696,667) were not included in the computation of diluted earnings per share, because to do so would have reduced the loss per common share (anti-dilutive). However, these shares could potentially dilute future earnings per common share.

7. 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' deficiency (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. The Company is not subject to any externally imposed capital requirements.

8. SHARE-BASED PAYMENTS

For the nine-month period ended October 31, 2019, the Company granted a total of 200,000 (2018 – 2,600,000) share options under the Company's Share Option Plan. The fair value of options vesting in 2019 of $32,000 (2018 - $413,000) was recognized as a share-based payment expense and credited to contributed surplus for the nine-month periods ended October 31, 2019 and 2018. There were no forfeitures of Company's share options during the nine-month periods ended October 31, 2019 and 2018.

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 were used:

	2019	2018
Dividend yield	0.00%	0.00%
Volatility	378%	203 - 431%
Risk-free interest rate	1.91%	1.93 – 2.49%
Expected life (years)	10.0	5 - 10
Fair value per option	$0.16	$0.13 – 0.19

OncoQuest Share Options

OncoQuest accrued $1,145,752 (2018 - $846,450) of share-based compensation expense for the nine-month periods ended October 31, 2019 and 2018 related to share options vesting during 2019 and 2018.

Quest PharmaTech Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2019

9. DISCONTINUED OPERATIONS

In July 2018, the Company made a strategic decision to no longer actively promote consumer health products in order to focus on pharmaceutical product development. As a result, the Company is treating all consumer health product activities including those related to Bellus Skin, as discontinued operations.

The following table identifies the activity in connection with the Company's discontinued operations for the three and nine-month periods ended October 31, 2019 and 2018:

Discontinued operations	For the three months ended October 31		For the nine months ended October 31	
	2019	2018	2019	2018
	$	$	$	$
Revenue	197	4,550	10,133	17,116
Direct Costs	39	3,953	4,292	9,617
Gross Margin	158	597	5,841	7,499
General and administrative expenses	27,829	7,874	29,055	46,869
Income / (loss) from discontinued operations	**(27,671)**	**(7,277)**	**(23,214)**	**(39,370)**

10. RELATED PARTY TRANSACTIONS

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

All of these transactions were recorded at the exchange amount which is the amount agreed to by the related parties.

11. SUPPLEMENTAL CASH FLOW INFORMATION

NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS RELATED TO OPERATING ACTIVITIES

	Three months ended October 31		Nine months ended October 31	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Accounts receivable	(23,084)	(57,593)	(23,982)	(58,024)
Prepaid expenses	19,736	45,509	26,898	516
Inventory	—	—	—	364
Accounts payable and accrued liabilities	1,337,803	8,234	2,035,137	23,053
	1,334,455	**(3,850)**	**2,038,053**	**(34,091)**

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash, short term investments, accounts receivable, accounts payable and accrued liabilities and the common share instrument.

The following chart outlines the classification changes in financial instruments as a result of adopting IFRS 9 standards as at February 1, 2018:

a) Carrying value and fair value

The carrying values of cash, short term investments, accounts receivable, accounts payable and accrued liabilities, and the common share instrument approximate their fair value due to the immediate or short-term maturity of these financial instruments.

Fair value

All financial instruments carried at fair value are categorized in one of three categories:

Level 1 – Quoted market price
Level 2 – Market observable valuation technique
Level 3 – Non-market observable valuation technique

During the nine-month period ended October 31, 2019, there were no transfers between levels of the fair value hierarchy.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

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 October 31, 2019 the Company's exposure to foreign currency risk is US$344,222 in cash and short-term investments, US$1,887,501 in accounts payable and 1,000 Euros in accrued liabilities. The period-end rate of conversion of U.S. to Canadian dollars is 1.3160 and Euros to Canadian dollars is 1.4671. Based on the foreign currency exposures noted above, a 10 percent strengthening of the Canadian dollar would have decreased the net loss by $202,925, 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, 2019 the Company's exposure to foreign currency risk is US$1,941,577 in cash and short-term investments, US$239,848 in accounts payable, 47,239 Euros and 9,300 GBP in accrued liabilities. The year-end rate of conversion of U.S. to Canadian dollars is 1.3144, Euros to Canadian dollars is 1.5096 and GBP to Canadian dollars is 1.7240. Based on the foreign currency exposures noted above, a 10 percent strengthening of the Canadian dollar would have increased the net loss by $214,941, 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 7). The Company only has cash and short-term investment reserves of $821,703 at October 31, 2019 (January 31, 2019 - $3,460,650). As such, there is a liquidity risk for the Company at October 31, 2019.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

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 period end, 18% 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 limits the investing of excess funds to liquid government guaranteed deposits or guaranteed investment certificates.

13. 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 during the three and nine months ended October 31, 2019 and 2018 is shown below:

	Three months ended October 31		**Nine -months ended October 31**	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Employee Compensation	**200,400**	196,400	**605,600**	570,000
Director Compensation	**87,900**	63,900	**164,300**	191,700
	288,300	260,300	**769,900**	761,700

14. 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% (recognized as a deemed dividend of US$246,102) and the other party owns 6% (recognized as a research and development expense of US$131,209), 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, Quest 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**
Equity method loss for the year ended January 31, 2019	(324,877)
Balance, January 31, 2019	**31,301**
Equity method loss for the nine-month period ended October 31, 2019	(31,301)
Balance, October 31, 2019	—