

Management Discussion and Analysis of Financial Condition and Results of Operations (As of June 22, 2021)

This MD&A contains projections and other forward-looking statements regarding future events. Such statements are predictions, which may involve known and unknown risks, uncertainties and other factors, which could cause the actual events or results and company plans and objectives to differ materially from those expressed. For information concerning factors affecting the Company's business, the reader is referred to the documents that the Company files from time to time with applicable Canadian securities and regulatory authorities.

This discussion and analysis of the results of operations of Quest PharmaTech Inc. (“Quest” or the “Company”) should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the three months ended April 30, 2021 and the audited consolidated financial statements for the years ended January 31, 2021 and 2020. This discussion and analysis provides an update to the discussion and analysis prepared for the year ended January 31, 2021. The unaudited consolidated financial statements have been prepared in accordance with international financial reporting standards (“IFRS”) and have not been reviewed by the Company’s auditors. This discussion and analysis provides information on the operations of Quest on a consolidated basis. All amounts are expressed in Canadian dollars unless otherwise noted and references to the term “year” refer to the fiscal year ended January 31st. Additional information related to the Company is on SEDAR at www.sedar.com.

Fiscal 2022 Development Highlights:

In June 2021, the Company announced two presentations made on behalf of OncoQuest Pharmaceuticals, Inc. (OQP Korea) at the 2021 Annual Meeting of the American Association of Clinical Oncologists.

The Company will be holding its Annual General and Special Meeting of shareholders July 5, 2021.

OQP Korea continues with site development and patient enrollment for its multi-national Phase 3 registration clinical trial for oregovomab in advanced ovarian cancer patients.

Technologies Under Development

MAb AR9.6 - Targeted Cancer Therapy Technology

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

The potential cancer targets include pancreatic, colon, leukemia, ovarian and breast cancer.

MAB AR9.6 has been licensed to OncoCare Therapeutics, Inc. for development and commercialization of this technology in the U.S. Quest has a 45 % ownership interest in OncoCare Therapeutics, Inc.

Mutant EGF - Wound Healing Technology

Quest is also developing products utilizing proprietary transdermal delivery technologies with a focus on dermatology and wound healing applications. This patented mutant EGF wound healing technology was invented by Dr. Jennifer Cochran, associate professor of bioengineering at Stanford University, and is jointly owned by Stanford University and Massachusetts Institute of Technology. This new class of engineered EGF molecules have about 30 times more receptor-binding affinity than natural EGF and are protected by two U.S. patents. The technology can also be combined with Quest's SP Technology to further enhance its effectiveness. Quest has an exclusive worldwide license from Stanford University to develop and commercialize this patented EGF wound healing technology.

Equity Investments

OncoQuest Inc.

OncoQuest is a private Canadian biotechnology company developing next generation of combinatorial immunotherapy products for the treatment of cancer. On April 22, 2020, OncoQuest announced a definitive agreement to sell its drug portfolio to OQP Korea in exchange for OQP Korea bonds and cash with a notional value of US\$308.4 million and a commitment to fund the Oregovamab Phase 3 Clinical Trial.

Quest has a 45% interest in OncoQuest.

OncoVent Co., Ltd.

OncoVent is a China-based global pharmaceutical company focusing on the development, manufacturing and commercialization of Cancer Immunotherapy Products within China with pancreatic cancer as its first target. Oncovent holds the license for OncoQuest's immunotherapy portfolio for the greater China market.

Quest has a 11% direct interest in OncoVent (24% indirect).

OncoCare Therapeutics, Inc.

OncoCare Therapeutics, Inc. is a private US biotechnology company that has the US rights to the MAB AR9.6 technology.

Quest has a 45 % interest in OncoCare.

Bioceltran Co., Ltd.

Bioceltran is a Korean company developing Skin penetrating Active Molecules for Cosmetic and Pharmaceutical Use. Quest, through its subsidiary, Madenco Biosciences, has worldwide (excluding South Korea) rights to Bioceltran PTD Technology and Products for certain indications and Bioceltran has an exclusive license to Quest's Photodynamic Therapy Technology.

Quest has a 20% interest in Bioceltran.

Financial Results

Net consolidated loss for the three months ended April 30, 2021 was \$585,928 or \$0.003 per share on a basic and fully diluted basis, as compared to consolidated net income of \$106,035,530 or \$0.632 per share basic and \$0.627 per share fully diluted for the three months ended April 30, 2020. Research and development expenditures totaled \$50,556 while general and administrative expenses were \$69,975 for the same period. As of April 30, 2021, the Company had consolidated cash of \$210,921 (June 22, 2021 – cash of approximately \$130,000).

Results of Operations

Quest's net consolidated income / loss includes some significant non-cash items, including the equity loss of \$524,346 related to OncoQuest activity during the period. Net consolidated loss for the three months ended April 30, 2021 was \$585,928 or \$0.003 per share on a basic and fully diluted basis as compared to consolidated net income of \$106,035,530 or \$0.632 per share basic and \$0.627 per share fully diluted for the three months ended April 30, 2020. After adjusting for non-cash items, cash flows from operating activities for the three months ended April 30, 2021 were \$21,676 as compared to cash flows used in operating activities of \$2,162,386 for the three months ended April 30, 2020.

Loss of Control and Deconsolidation of Subsidiary

During the three months ended April 30, 2020, the Company determined to no longer consolidate OncoQuest into the consolidated financial statements of the Company due to a loss of control, as the Company has no power to control OncoQuest or to govern the financial and operating policies of OncoQuest through share ownership, contractual rights, board nominees or otherwise. Effective February 1, 2020, OncoQuest is treated as an equity investment of the Company under the Equity Method of accounting and OncoQuest's assets, liabilities, non-controlling interest, components of equity, revenues and expenses are excluded from the Company's consolidated financial statements.

Expenses

The following table identifies the changes in general and administrative expense for the three months ended April 30, 2021 compared to the three months ended April 30, 2020.

General and administrative expenses			
	2021	2020	Increase (decrease)
	\$	\$	\$
Salaries, wages and benefits	37,161	29,829	7,332
Professional fees	1,584	4,814	(3,230)
Other support costs	5,504	1,270	4,234
Travel	130	1,571	(1,441)
Consulting/business development costs	-	9,000	(9,000)
Rent	1,855	780	1,075
Insurance	5,587	6,870	(1,283)
Public company related costs	8,766	2,954	5,812
Depreciation	9,388	9,453	(65)
Total general and administrative expenses	69,975	66,541	3,434

Overall, general and administrative costs have remained stable during the three months ended April 30, 2021, compared to the three months ended April 30, 2020. The Company continues to implement cost containment measures to preserve its operating capital.

The following table identifies the changes in research and development (R&D) expense for the three months ended April 30, 2021 compared to the three months ended April 30, 2020.

Research and development expenses			
	2021	2020	Increase (decrease)
	\$	\$	\$
Sub-contract, consulting and clinical trials	22,838	6,420	16,418
Salaries, wages and benefits	4,569	-	4,569
Legal (patent prosecution)	12,905	963	11,942
Rent	4,328	1,909	2,419
Other R&D costs	5,627	533	5,094
Depreciation	289	373	(84)
Total research and development expenses	50,556	10,198	40,358

R&D costs have increased during the three-month period ended April 30, 2021 compared to 2020 due primarily to an increase in subcontract and consulting costs and legal patent costs related to the Company's AR 9.6 targeted therapy technology and the mutant EGF wound healing technology.

Summary of Quarterly Results

The following table presents unaudited selected financial information for each of the last eight quarters ended April 30, 2021.

	Q1, fiscal 2022	Q4, fiscal 2021	Q3, fiscal 2021	Q2, fiscal 2021	Q1, fiscal 2021	Q4, fiscal 2020	Q3, fiscal 2020	Q2, fiscal 2020
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net income (loss) for the period	(585,928)	77,030,287	3,782,764	3,215,888	106,035,530	(1,855,641)	(1,603,118)	(1,054,587)
Basic income (loss) per share (1)	(0.003)	0.461	0.023	0.019	0.632	(0.011)	(0.010)	(0.006)
Diluted income (loss) per share (1)	(0.003)	0.449	0.022	0.019	0.627	(0.011)	(0.010)	(0.006)

(1) Quarterly losses per share are not additive and may not equal annual loss per share reported. This is due to the effect of shares issued during the year on the weighted average number of shares outstanding for the full year.

Share-Based Payment Transactions

During the three months ended April 30, 2021, the Company granted a total of nil (2020 – nil) share options, as per the Company's Share Option Plan.

Capital Expenditures

Expenditures on capital assets were \$nil for the three months ended April 30, 2021 (2020 – \$nil).

Outstanding Share Data

The Company has the following securities outstanding as at June 22, 2021:

Common shares issued and outstanding at April 30, 2021	168,239,247
Share options outstanding as at April 30, 2021	18,195,000
Warrants outstanding as at April 30, 2021	-
Share options granted since April 30, 2021	2,050,000
Share options expired since April 30, 2021	1,950,000

Fully diluted common shares are 186,534,247, assuming the exercise of all share options.

Financial Instruments

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

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 three-month period ended April 30, 2021, there were no transfers between levels 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 April 30, 2021 the Company's exposure to foreign currency risk is US\$23,795 in cash. The period-end rate of conversion of U.S. to Canadian dollars is 1.2285. Based on the foreign currency exposures noted above, a 10 percent strengthening of the Canadian dollar would have increased the net loss by \$2,923, 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. The Company only has cash reserves of \$210,921 at April 30, 2021 (January 31, 2021 - \$199,114). As such, there is a liquidity risk for the Company at April 30, 2021.

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, 100% of accounts receivable was due from a 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.

Liquidity and Capital Resources

At April 30, 2021, consolidated cash balances were \$210,921 as compared to cash of \$199,114 at January 31, 2021. At June 22, 2021, the Company had consolidated cash balances of approximately \$130,000.

Cash from operating activities was \$21,676 for the three months ended April 30, 2021 compared to cash used in operating activities of \$2,162,386 for the three months ended April 30, 2020.

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

Quest's funding needs will vary as its drug development products move into and through clinical trials. Based on current operating budgets, management believes that the capital resources of the Company should be sufficient to fund operations into the first quarter of fiscal 2023. The Company will seek additional capital through the sale of non-core assets, further equity financings, licensing arrangements involving its core technologies and strategic partnerships.

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 monthly basis. The amount paid for lease and office related costs to Quest increased on February 1, 2017 to \$10,000 per month due to increase in scope of operations at OncoQuest.

Cost Recovery - Executive Services Agreement - In fiscal 2021, the Company entered into an Executive Services Agreement with OncoQuest whereby the Company's officers render executive services to OncoQuest for a fee of \$10,000 per month.

During the year ended January 31, 2021, the Company received noninterest bearing debt funding of \$250,000 from OncoQuest. The funding is for drug development and operational purposes, is short term and repayable within 12 months.

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

Investment in OncoVent Co., Ltd.

In March 2016, 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, 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 three-month period ended April 30, 2019	(31,301)
Balance, April 30, 2019, April 30, 2020 and April 30, 2021	-

Investment in OncoQuest Inc.

During the year ended January 31, 2021, the Company determined that it had lost its control position of OncoQuest which triggered a change in the method of accounting for its investment in OncoQuest. Commencing on February 1, 2020, Quest deconsolidated OncoQuest as a result of a loss of control (refer to Note 3) and OncoQuest is being treated as an equity investment using the equity method of accounting.

Quest owns 4,250,100 common shares of OncoQuest. Under IFRS, Quest is required to fair value these common shares at the time of the loss of control of OncoQuest. Based on a private placement of 17,393 common shares of OncoQuest to third parties during the period at a price of USD 20 per common share, Quest determined that the fair value of its investment in OncoQuest was \$112,661,651 (USD85,002,000) at the time of the loss of control.

OncoQuest recorded net income for the year ended January 31, 2021 of \$364,821,822 (USD283,846,541). Quest, with approximately a 45% ownership interest in OncoQuest at January 31, 2021, recorded Equity Method income of \$164,169,820 for the year ended January 31, 2021.

Quest reduced the value of its investment in OncoQuest at January 31, 2021 by recording a fair value adjustment of \$101,564,533 so that Quest's investment in OncoQuest would not exceed \$175,266,938, Quest's percentage ownership interest in OncoQuest at year end of 45% multiplied by the after tax value of OncoQuest pursuant to the November 6, 2020 transfer of the OncoQuest immunotherapy assets to OQP for gross proceeds of USD\$308.4 million.

OncoQuest recorded a net loss for the three-month period ended April 30, 2021 of \$1,164,695 (USD925,096). Quest, with approximately a 45% ownership interest in OncoQuest at April 30, 2021, recorded an Equity Method loss of \$524,346 for the three month period ended April 30, 2021.

The Company's equity investment in OncoQuest is as follows for the year ended January 31, 2021 and for the three month period ended April 30, 2021:

	Year Ended
	January 31
	\$
Investment in OncoQuest at fair value, beginning of period	112,661,651
Equity Method income (loss) for the year ended January 31, 2021	164,169,820
Fair value adjustment at January 31 2021	(101,564,533)
Investment in OncoQuest at January 31, 2021	175,266,938
Equity Method income (loss) for the three-month period ended April 30, 2021	(524,346)
Investment in OncoQuest at April 30, 2021	174,742,592

Disclosure Controls and Procedures

The management of Quest is responsible for establishing and maintaining disclosure controls and procedures for the Company and is continuing with the implementation of disclosure controls and procedures, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to Quest management particularly during the period in which the annual filings are being prepared.

Internal Controls Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. Management has taken steps to improve the procedures and

provide maintenance related to an effective design for the Company's internal controls and procedures over financial reporting.

Management continues to note weaknesses in internal controls over financial reporting including those related to the limited number of accounting staff members resulting in a lack of segregation of duties.

Management will continue with the implementation of procedures aimed at minimizing the risk of material error in its financial reporting and will seek outside expertise when the need arises.

Risks and Uncertainties

Going concern uncertainty - The Company's financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has experienced significant operating losses and cash outflows from operations since its inception. The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to raise additional capital to successfully complete its research and development programs, commercialize its technologies and conduct clinical trials and receive regulatory approvals for its products, and upon the ability and timing for OncoQuest to monetize the consideration received in the transaction with OQP Korea and distribute any net proceeds to shareholders, including to Quest.

Quest's proprietary technologies are in various stages of development and some technologies have not received regulatory approval to begin clinical trials. It will be necessary for the Company to produce sufficient preclinical data in order to receive regulatory approval to begin clinical trials. There is no assurance that regulatory approval will be received to begin clinical trials. For the proprietary technologies that have received regulatory approval to begin clinical trials, future success will depend upon the ability of the Company to move the products through clinical trials, the effect and safety of these products, the timing and cost to receive regulatory and marketing approvals and the filing and maintenance of patent claims.

Quest's proprietary technologies have exposure to risks associated with commercialization. Even after product approval is obtained, there is no assurance that the Company will have a sufficient market for its products or the working capital required for commercialization.

The Company maintains clinical trial liability and product liability insurance; however, it is possible that this coverage may not provide full protection against all risks.

The Company may be exposed to risks associated with malfunctioning equipment, catastrophic events and other events within and outside of the Company's control. The Company maintains insurance believed to be adequate to cover any eventuality, but there is no guarantee that coverage will be sufficient for all purposes.

To a large degree, the Company's success is dependent upon attracting and retaining key management and scientific personnel to further the Company's drug development programs.

There is a risk that required personnel may not be available to the Company when needed and, as a result, this may have a negative impact on the Company.

Quest must continue to raise additional capital by issuing new share capital through equity financing, licensing arrangements and/or strategic partnerships. The Company's ability to raise additional capital will depend upon the progress of moving its drug development products into and through clinical trials and the strength of the equity markets, which are uncertain. There can be no assurance that additional capital will be available.

In March 2021, the trading in the shares of OQP Korea was suspended on the KOSDAQ Exchange due to a denial of an audit opinion related to OQP Korea's December 31, 2020 annual financial statements. Although OncoQuest management continue to work diligently with OQP Korea management to resolve these issues as quickly as possible, it remains uncertain at this time as to whether regulatory approval will ultimately be received or the timing of any such approval. OncoQuest's ability to monetize the consideration received in the transaction with OQP Korea will be dependent upon OQP Korea's ability to fund the repayment of any bonds that become due or that could be redeemed and a liquid trading market being available for any shares of OQP Korea that are received as consideration or issued upon conversion of the bonds held. Monetization of some of the consideration will be necessary for OncoQuest to fund Canadian income tax obligation resulting from the transaction.

The determination of fair value for Quest's investment in OncoQuest in future periods will depend on management estimates and reasoned judgements for such value looking at appropriate evidence that is available at the time. OncoQuest is a privately held company with no public trading history. Readers are cautioned that from one reporting period to the next, the change in value for the Company's investment in OncoQuest and any resultant fluctuation in earnings per share for Quest may be significant.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact operating activities and will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, the recovery times of the disrupted supply chains, the consequential staff shortages, and production delays, or the uncertainty with respect to the accessibility of additional liquidity or capital markets, all of which are highly uncertain and cannot be predicted. There was no perceived impact for the Company for the three-month period ended April 30, 2021. The potential future impact is unknown at this time.