

Consolidated Financial Statements

**Quest PharmaTech Inc.**

Nine months ended October 31, 2021  
(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 three and nine-months ended October 31, 2021 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	January 31
	2021	2021
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	30,661	199,114
Accounts receivable	2,839	32,730
Prepaid expenses	9,879	49,606
	<b>43,379</b>	<b>281,450</b>
<b>Non current</b>		
Property and equipment <i>[note 5]</i>	25,987	55,019
Non-current prepaid expenses	10,420	10,420
Investment in OncoQuest <i>[note 14]</i>	166,544,776	175,266,938
	<b>166,581,183</b>	<b>175,332,377</b>
	<b>166,624,562</b>	<b>175,613,827</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	24,827	85,074
Short term loan <i>[note 9]</i>	250,000	250,000
	<b>274,827</b>	<b>335,074</b>
<b>Non current</b>		
Lease obligation <i>[note 5]</i>	24,316	54,368
<b>SHAREHOLDERS' EQUITY</b>		
Common shares <i>[note 6]</i>	30,616,716	30,616,716
Contributed surplus	11,064,397	10,793,897
Retained earnings	124,644,306	133,813,772
	<b>166,325,419</b>	<b>175,224,385</b>
	<b>166,624,562</b>	<b>175,613,827</b>

See accompanying notes

# Quest PharmaTech Inc.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the 3 months ended October 31		For the 9 months ended October 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>EXPENSES</b>				
General and administrative	68,140	94,400	466,235	331,428
Research and development	33,537	93,953	155,067	126,735
	<b>101,677</b>	<b>188,353</b>	<b>621,302</b>	<b>458,163</b>
<b>Loss before the undernoted</b>	<b>(101,677)</b>	<b>(188,353)</b>	<b>(621,302)</b>	<b>(458,163)</b>
<b>Other income (expenses)</b>				
Financial income	—	62	—	1,582
Financial expenses	(2,254)	(3,106)	(10,093)	(6,250)
Equity income (loss) - OncoQuest [note 14]	(8,991,955)	3,840,383	(8,722,162)	(711,795)
Cost recoveries	60,000	130,000	181,255	130,000
Gain on deconsolidation of a subsidiary	—	—	—	1,233,858
FV adjustment - investment in OncoQuest [note 14]	—	—	—	112,840,155
Foreign exchange gain / (loss)	3,463	3,778	2,836	4,794
	<b>(8,930,746)</b>	<b>3,971,117</b>	<b>(8,548,164)</b>	<b>113,492,344</b>
<b>Net and comprehensive income (loss) for the period</b>	<b>(9,032,423)</b>	<b>3,782,764</b>	<b>(9,169,466)</b>	<b>113,034,181</b>
<b>Basic income (loss) per share</b>	<b>\$ (0.054)</b>	<b>\$ 0.023</b>	<b>\$ (0.055)</b>	<b>\$ 0.674</b>
<b>Fully diluted income (loss) per share</b>	<b>\$ (0.054)</b>	<b>\$ 0.022</b>	<b>\$ (0.055)</b>	<b>\$ 0.663</b>

*See accompanying notes*

# Quest PharmaTech Inc.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital - common shares	Contributed surplus	Retained earnings	Total shareholders' equity
	\$	\$	\$	\$
<b>Balance, January 31, 2021</b>	30,616,716	10,793,897	133,813,772	175,224,385
Share based payments <i>[note 8]</i>	—	270,500	—	270,500
Net loss for the period	—	—	(9,169,466)	(9,169,466)
<b>Balance, October 31, 2021</b>	<b>30,616,716</b>	<b>11,064,397</b>	<b>124,644,306</b>	<b>166,325,419</b>

*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	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>				
Net income (loss) for the period	(9,032,423)	3,782,764	(9,169,466)	113,034,181
Items that do not involve cash				
Amortization	9,679	9,827	29,032	34,360
Share-based payments <i>[note 8]</i>	—	—	270,500	51,000
Allocation of (income) loss from OncoQuest <i>[note 14]</i>	8,991,955	(3,840,383)	8,722,162	711,795
Fair value adjustment - investment in OncoQuest <i>[note 14]</i>	—	—	—	(112,840,155)
Net change in working capital <i>[note 10]</i>	(4,332)	(54,801)	9,371	(5,490,380)
	(35,121)	(102,593)	(138,401)	(4,499,199)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Short term working capital loan	—	250,000	—	250,000
Items related to deconsolidation of OncoQuest:				
Change in deficit	—	—	—	18,367,754
Change in common share instrument	—	—	—	(12,349,446)
Reduction in non-controlling interest	—	—	—	1,160,713
Reduction in other comprehensive income	—	—	—	(844,689)
Change in contributed surplus	—	—	—	(3,097,172)
Short term loan	—	—	—	(2,646,600)
Non-current prepaid expenses	—	—	—	1,453,542
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>—</b>	<b>250,000</b>	<b>—</b>	<b>2,294,102</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Redemption of short term investments, net	—	(125,000)	—	100,000
Lease obligation reduction	(10,166)	(9,580)	(30,052)	(28,319)
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>(10,166)</b>	<b>(134,580)</b>	<b>(30,052)</b>	<b>71,681</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(45,287)</b>	<b>12,827</b>	<b>(168,453)</b>	<b>(2,133,416)</b>
Cash and cash equivalents, beginning of period	75,948	6,941	199,114	2,153,184
<b>Cash and cash equivalents, end of period</b>	<b>30,661</b>	<b>19,768</b>	<b>30,661</b>	<b>19,768</b>

See accompanying notes

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 1. CORPORATE INFORMATION AND GOING CONCERN UNCERTAINTY

#### Corporate information

Quest PharmaTech Inc. (“Quest” or the “Company”) is a publicly traded, Canadian based pharmaceutical company developing products to improve the quality of life. The Company is developing targeted cancer therapy with its lead product (MAb AR9.6), under development for a novel target (truncated O-glycans on MUC16) discovered at University of Nebraska Medical Center. The Company is also developing products utilizing proprietary transdermal delivery technologies with a focus on dermatology and wound healing applications. Quest has an exclusive worldwide license from Stanford University to develop and commercialize patented EGF wound healing technology.

The Company also holds an equity interest in several companies, including, at October 31, 2021, a 45% equity interest in OncoQuest Inc. (“OncoQuest”), a private Canadian biotechnology company developing next generation of combinatorial immunotherapy products for the treatment of cancer. OncoQuest’s technology platform included 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. On April 22, 2020, OncoQuest announced a definitive agreement to sell its drug portfolio to Dual Industrial Co., Ltd. (renamed as OncoQuest Pharmaceuticals, Inc or “OQP Korea” in May, 2020) 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. A second closing of the asset transfer agreement (“ATA”) transaction occurred in February 2021 and as a result all legal title and registrations for OncoQuest’s immunotherapy assets were transferred to OQP Korea. In return, OncoQuest received US\$125 million of OQP Korea bonds convertible into OQP Korea shares, US\$8.4 million in cash, and an OQP Korea unsecured 1% interest bearing corporate bond for USD\$175 million, exchangeable into 65,229,709 shares of OQP Korea with an ascribed notional value of US\$175 million upon the receipt of regulatory approval. As the requisite approvals have not yet been received and the trading in the shares of OQP Korea was suspended on the KOSDAQ Exchange in March 2021, OncoQuest management have been working with OQP Korea management to resolve these issues as quickly as possible and monetize the consideration received in the transaction with OQP Korea. In May 2021, OQP Korea determined to reorganize its biotechnology business, comprised of the immunotherapy assets acquired from OncoQuest, by transferring these assets to a separate subsidiary company.

Other equity investments for Quest include an 11% interest in OncoVent Co., Ltd., 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; and Bioceltran Co., Ltd. (“Bioceltran”), a Korean company developing skin penetrating active molecules for cosmetic and pharmaceutical use. Quest has worldwide (excluding South Korea) rights to Bioceltran PTD Technology and products for certain indications and Bioceltran

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 1. CORPORATE INFORMATION AND GOING CONCERN UNCERTAINTY [CONTINUED]

has an exclusive license to Quest's Photodynamic Therapy Technology.

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 22, 2021.

#### 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 cash outflows from operations since its inception.

The Company has reported a net loss of \$9,169,466 for the nine months ended October 31, 2021 and a shareholders' equity of \$166,325,419. The Company has consolidated cash reserves of only \$30,661 at October 31, 2021 and as at October 31, 2021 had a working capital deficiency of \$241,327. In addition, in March 2021, trading in the shares of OQP Korea was suspended on the KOSDAQ exchange which impacts the ability of OncoQuest to monetize the OQP Korea share and bond consideration received by OncoQuest under the ATA, to pay for the costs of the ATA transaction including Canadian income tax and to distribute any ATA net proceeds to its shareholders, including Quest. 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, and upon the ability and timing for OncoQuest to monetize the consideration received in the transaction with OQP Korea. 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, or to the amounts reported as earnings per share, 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, 2021

### 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, 2021 and 2020. These unaudited consolidated financial statements for the nine months ended October 31, 2021 should be read in conjunction with the consolidated financial statements for the years ended January 31, 2021 and 2020 and the notes thereto. These unaudited consolidated financial statements for the nine months ended October 31, 2021 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. LOSS OF CONTROL AND DECONSOLIDATION OF SUBSIDIARY

Starting February 1, 2020, the Company deconsolidated its ownership of OncoQuest, as a result of 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. On February 1, 2020, the Company held a 45.65% ownership interest in OncoQuest; accordingly, the Company derecognized related assets, liabilities, non-controlling interest and other components of equity of OncoQuest.

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 4. INTANGIBLE ASSETS

All intangible assets have been fully amortized.

#### **Targeted Cancer Therapy Technologies**

The Company 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 inhibit phosphorylation of Akt, which leads to reduced cell proliferation, in vivo tumor growth and metastasis. MAb AR9.6 is licensed to OncoCare Therapeutics Inc. for development and commercialization of this technology in the U.S.

#### **Mutant EGF Wound Healing Technology**

The Company is also developing wound healing applications and has an exclusive worldwide license from Stanford University to develop and commercialize patented EGF wound healing technology.

#### **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.

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 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 October 31, 2021
Cost, February 1, 2021	96,397	12,114	31,494	457,983	10,224	183,484	791,696
Additions	—	—	—	—	—	—	—
Deletions	—	—	—	—	—	—	—
Cost, October 31, 2021	96,397	12,114	31,494	457,983	10,224	183,484	791,696
Accumulated amortization, February 1, 2021	93,667	12,097	31,473	454,662	10,224	134,554	769,383
Adjustments	—	—	—	—	—	—	—
Amortization	667	17	21	805	—	27,522	29,032
Accumulated amortization, October 31, 2021	94,334	12,114	31,494	455,467	10,224	162,076	765,709
<b>Net book value</b>	<b>2,063</b>	<b>—</b>	<b>—</b>	<b>2,516</b>	<b>—</b>	<b>21,408</b>	<b>25,987</b>

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 5. PROPERTY AND EQUIPMENT [CONTINUED]

	Computer Equipment	Furniture and Fixtures	Office Equipment		Leasehold Improvements	Leased Assets – 8123 Roper Road	Totals October 31, 2020
Cost, February 1, 2020	97,526	12,114	31,494	457,983	20,576	183,484	803,177
Additions	—	—	—	—	—	—	—
Deletions	(1,129)	—	—	—	(10,352)	—	(11,481)
Cost, October 31, 2020	96,397	12,114	31,494	457,983	10,224	183,484	791,696
Accumulated amortization, February 1, 2020	93,598	12,089	31,457	453,235	15,734	97,858	703,971
Adjustments	(1,091)	—	—	—	(5,510)	—	(6,601)
Amortization	870	6	12	1,070	—	27,522	29,480
Accumulated amortization, October 31, 2020	93,377	12,095	31,469	454,305	10,224	125,380	726,850
<b>Net book value</b>	<b>3,020</b>	<b>19</b>	<b>25</b>	<b>3,678</b>	<b>—</b>	<b>58,104</b>	<b>64,846</b>

#### 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 \$183,484. At October 31, 2021, the lease obligation is estimated to be \$24,316 (October 31, 2020 - \$64,092).

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 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

	<b>Number of common shares</b>	<b>Amount \$</b>
<b>Common shares</b>		
<b>At January 31, 2020</b>	167,749,247	30,567,716
Shares issued pursuant to the exercise of options	490,000	49,000
<b>At January 31 and October 31, 2021</b>	<b>168,239,247</b>	<b>30,616,716</b>

The following options to purchase common shares were outstanding as at October 31, 2021:

<b>Exercise price</b> \$	<b>Options outstanding</b> #	<b>Weighted average remaining life</b> (years)	<b>Options exercisable</b> #
<b>0.10</b>	<b>7,390,000</b>	<b>0.96</b>	<b>7,390,000</b>
<b>0.115</b>	<b>2,050,000</b>	<b>1.05</b>	<b>2,050,000</b>
<b>0.15</b>	<b>3,225,000</b>	<b>0.90</b>	<b>3,225,000</b>
<b>0.18</b>	<b>1,250,000</b>	<b>0.48</b>	<b>1,250,000</b>
<b>0.23</b>	<b>1,720,000</b>	<b>0.84</b>	<b>1,720,000</b>
<b>0.25</b>	<b>3,110,000</b>	<b>0.69</b>	<b>3,110,000</b>
<b>\$0.15</b>	<b>18,745,000</b>	<b>0.87</b>	<b>18,745,000</b>

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 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 \$
<b>Balance, January 31, 2020</b>	—	—	<b>17,775,000</b>	<b>0.14</b>
Granted	—	—	2,020,000	0.23
Expired	—	—	(1,010,000)	0.10
Exercised	—	—	(490,000)	0.10
<b>Balance, January 31, 2021</b>	—	—	<b>18,295,000</b>	<b>0.15</b>
Granted	—	—	2,500,000	0.112
Expired	—	—	(2,050,000)	0.10
Exercised	—	—	—	—
<b>Balance, October 31, 2021</b>	—	—	<b>18,745,000</b>	<b>0.15</b>

#### Share options

For the nine months ended October 31, 2021, the Company granted 2,500,000 share options under the Company's Share Option Plan to employees and non-employees at exercise prices ranging from \$0.10 to \$0.115 per share, vesting immediately.

For the nine months ended October 31, 2020, the Company granted 300,000 share options under the Company's Share Option Plan to a non-employee 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. At October 31, 2021, 6,255,000 options are available for issue.

#### Basic and diluted income / (loss) per share

Basic and diluted income / (loss) per share has been calculated using the weighted average number of common shares outstanding during the period (2021 – 168,239,247; 2020 – 167,749,247).

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 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' equity (primarily comprising of share capital, contributed surplus and retained earnings). 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, 2021, the Company granted a total of 2,500,000 (2020 – 300,000) share options under the Company's Share Option Plan. The fair value of options vesting in 2021 of \$270,500 (2020 - \$51,000) was recognized as a share-based payment expense and credited to contributed surplus for the nine-month periods ended October 31, 2021 and 2020. There were no forfeitures of Company's share options during the nine-month periods ended October 31, 2021 and 2020.

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:

	2021	2020
Dividend yield	0.00%	0.00%
Volatility	292%	114%
Risk-free interest rate	1.44%	0.32%
Expected life (years)	3.0	3.0
Fair value per option	\$0.112	\$0.17

The Company accrued \$270,500 (2020 - \$51,000) of share-based compensation expense for the nine-month periods ended October 31, 2021 and 2020.

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 9. RELATED PARTY TRANSACTIONS

Cost Sharing Agreement - The Company and its equity investee, 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.

Cost Recovery - Executive Services Agreement - In July 2020, 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 2% interest bearing debt funding of \$250,000 from OncoQuest Inc. 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.

### 10. SUPPLEMENTAL CASH FLOW INFORMATION

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

Three and nine months ended October 31

	Three Months	Three Months	Nine Months	Nine months
	2021	2020	2021	2020
	\$	\$	\$	\$
Accounts receivable	(1,178)	(1,175)	29,891	924
Prepays	(4,726)	(68,318)	39,727	352,471
AP and accrued liabilities	1,572	14,692	(60,247)	(5,843,775)
	(4,332)	(54,801)	9,371	(5,490,380)

### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash, accounts receivable, long-term investment in OncoQuest, accounts payable and accrued liabilities.

#### a) Carrying value and fair value

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, 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, 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 October 31, 2021 the Company's exposure to foreign currency risk is US\$23,631 in cash and US\$15,000 in accounts payable. The period-end rate of conversion of U.S. to Canadian dollars is 1.2384. Based on the foreign currency exposures noted above, a 10 percent strengthening of the Canadian dollar would have increased the net loss by \$1,069, 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, 2021 the Company's exposure to foreign currency risk was US\$18,168 in cash and US\$10,000 in accounts payable. The year-end rate of conversion of U.S. to Canadian dollars is 1.278. Based on the foreign currency exposures noted above, a 10 percent strengthening of the Canadian dollar would have increased the net income by \$2,817, 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

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

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 reserves of \$30,661 at October 31, 2021 (January 31, 2021 - \$199,114). As such, there is a liquidity risk for the Company at October 31, 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.

### 12. 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, 2021 and 2020 is shown below:

	Three months ended Oct 31		Nine months ended Oct 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Employee Compensation	27,500	27,500	220,000	82,500
Director Compensation	—	—	57,500	20,000
	27,500	27,500	277,500	102,500

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 13. INVESTMENT IN ONCOVENT CO., LTD.

On March 4, 2016, the Company's equity investee, OncoQuest, signed a joint venture contract with Shenzhen Hepalink. The agreement resulted 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 equity investee 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.

	\$
<b>Balance, January 31, 2016</b>	-
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)
<b>Balance, January 31, 2017</b>	<b>687,620</b>
Equity method loss for the year ended January 31, 2018	(331,442)
<b>Balance, January 31, 2018</b>	<b>356,178</b>
Equity method loss for the year ended January 31, 2019	(324,877)
<b>Balance, January 31, 2019</b>	<b>31,301</b>
Equity method loss for the year ended January 31, 2020	(31,301)
<b>Balance, January 31, 2021 and October 31, 2021</b>	—

### 14. 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

# Quest PharmaTech Inc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended October 31, 2021

### 14. INVESTMENT IN ONCOQUEST INC. [CONTINUED]

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 nine-month period ended October 31, 2021 of \$19,373,972 (USD15,379,538) related primarily to foreign exchange losses for OncoQuest's investments denominated in Korean Won. Quest, with approximately a 45% ownership interest in OncoQuest at October 31, 2021, recorded an Equity Method loss of \$8,722,162 for the nine month period ended October 31, 2021.

The Company's equity investment in OncoQuest is as follows for the year ended January 31, 2021 and for the nine month period ended October 31, 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)
<b>Investment in OncoQuest at January 31, 2021</b>	<b>175,266,938</b>
Equity Method income (loss) for the nine-month period ended October 31, 2021	(8,722,162)
<b>Investment in OncoQuest at October 31, 2021</b>	<b>166,544,776</b>

### 15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

# **Quest PharmaTech Inc.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the nine months ended October 31, 2021**

### **16. SUBSEQUENT EVENTS**

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 nine-month period ended October 31, 2021.