

Management Discussion and Analysis of Financial Condition and Results of Operations (As of May 26, 2022)

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

This discussion and analysis of the results of operations of Quest PharmaTech Inc. (“Quest” or the “Company”) should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended January 31, 2022 and 2021. The audited consolidated financial statements have been prepared in accordance with international financial reporting standards (“IFRS”) and have been audited by the Company’s auditors. This discussion and analysis provides information on the operations of Quest on a consolidated basis. All amounts are expressed in Canadian dollars unless otherwise noted and references to the term “year” refer to the fiscal year ended January 31st. Additional information related to the Company is on SEDAR at www.sedar.com.

Fourth Quarter, Fiscal 2022 Development Highlights:

Quest received an in-kind dividend of OQP Bio bonds in January 2022. The dividend received by Quest has a face value of KRW129.1 billion (Cdn\$135 million) and an estimated fair value on January 31, 2022, of Cdn\$80.2 million.

OQP Bio continues with site development and patient enrolment for its multi-national Phase 3 registration clinical trial for oregovomab (NCT04498117) in advanced ovarian cancer patients.

Products Under Development

MAb AR9.6

Quest has identified and validated the tumor-targeting ability of a novel monoclonal antibody, AR9.6, that 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.

AR9.6, as a promising theranostic agent, was established in animal models, leading to two manuscripts in peer reviewed journals and one patent application.

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

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 Bio in exchange for OQP Bio 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 42.5% 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 (23% indirect).

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 year was \$85,038,575 or \$0.505 per share on a basic and fully diluted basis as compared to consolidated income of \$190,064,469 or \$1.113 per share on a basic and \$1.112 per share on a fully diluted basis for the year ended January 31, 2021. Net research and development expenditures for fiscal 2022 totaled \$170,236 while general and administrative expenses were \$620,337 for the same period. As of January 31, 2022, the Company had consolidated cash of \$264,340 (May 26, 2022 – \$685,000).

Selected Annual Financial Information

| | January 31, 2022 | January 31, 2021 | January 31, 2020 |
|--------------------------------|-------------------------|-------------------------|-------------------------|
| Net income (loss) for the year | (85,038,575) | 190,064,469 | (6,183,540) |
| Basic income (loss) / share | (0.505) | 1.133 | (0.037) |
| Diluted income (loss) / share | (0.505) | 1.112 | (0.037) |
| Total assets | 91,028,572 | 175,613,827 | 4,451,798 |

Results of Operations

Quest's net consolidated income (loss) includes some significant non-cash items, including \$57,754,078 of an OncoQuest Equity Method loss for Quest's investment in OncoQuest and a \$26,748,980 fair value reduction adjustment for Quest's investment in OncoQuest. Other significant non-cash items include options issued as consideration for services and options issued to employees. For the years ended January 31, 2022 and January 31, 2021, share based payment transaction expense related to shares/options issued for services was \$98,000 and \$101,600 respectively and for employees was \$172,500 and \$345,000, respectively. Net consolidated loss for the year ended January 31, 2022 was \$85,038,575 or \$0.505 per share on a basic and fully diluted basis as compared to consolidated income of \$190,064,469 or \$1.113 per share on a basic and \$1.112 per share on a fully diluted basis for the year ended January 31, 2021. After adjusting for non-cash items, cash flows used in operating activities for the year ended January 31, 2022 were \$170,776 as compared to \$2,515,027 for the year ended January 31, 2021.

Loss of Control and Deconsolidation of Subsidiary – OncoQuest Inc.

In early fiscal 2021, 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 being 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.

The gain on deconsolidation of the subsidiary was \$128,321,402 determined as follows:

| | \$ |
|--|----------------------|
| Current assets | |
| Cash | 1,786,490 |
| Short term investments | 300,000 |
| Other | 403,852 |
| Non-current assets | |
| Other | 1,458,425 |
| Current liabilities | |
| Accounts payable and accrued liabilities | (8,419,785) |
| Common share instrument | (12,349,446) |
| Equity | |
| Non-controlling interest | 1,160,713 |
| Investment in OncoQuest | (112,661,651) |
| | |
| Gain on deconsolidation of a subsidiary | (128,321,402) |

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 Bio for gross proceeds of USD\$308.4 million.

OncoQuest recorded a net loss for the year ended January 31, 2022 of \$135,828,030 (USD108,421,728). This loss resulted from OncoQuest writing down the value of the OQP Bio bonds by \$133,277,067 (USD106,384,787) due to the lack of liquidity and marketability of the bonds. Quest, with approximately a 42.52% ownership interest in OncoQuest at January 31, 2022, recorded an Equity Method loss of \$57,754,078 for the year ended January 31, 2022. Quest also reduced the value of its investment in OncoQuest at January 31, 2022 by recording a fair value adjustment of \$26,748,980 for the dilution of its interest in OncoQuest during the year ended January 31, 2022 and \$50,335 in foreign exchange effects included in other comprehensive loss.

The January 2022 dividend received by Quest from OncoQuest reduced Quest's investment in OncoQuest by a further \$80,218,210.

The Company's equity investment in OncoQuest is as follows for the years ended January 31, 2022 and 2021:

| | Year Ended |
|---|--------------------|
| | January 31 |
| | \$ |
| Investment in OncoQuest at fair value, February 1, 2020 | 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 year ended January 31, 2022 | (57,754,078) |
| Fair value adjustment at January 31, 2022 | (26,748,980) |
| Foreign exchange effects included in other comprehensive income | (50,335) |
| January 2022 in-kind dividend from OncoQuest | (80,218,210) |
| Investment in OncoQuest at January 31, 2022 | 10,495,335 |

Expenses

The following table identifies the changes in general and administrative expense for the year ended January 31, 2022 compared to the year ended January 31, 2021.

| General and administrative expenses | | | |
|--|----------------|----------------|---------------------|
| | 2022 | 2021 | Increase (decrease) |
| | \$ | \$ | \$ |
| Salaries, wages and benefits | 193,023 | 160,686 | 32,337 |
| Audit fees | 70,000 | 73,500 | (3,500) |
| Legal fees | 6,039 | 58,875 | (52,836) |
| Other support costs | 243,818 | 420,030 | (176,212) |
| Travel | 490 | 1,846 | (1,356) |
| Consulting/business development costs | - | 36,000 | (36,000) |
| Rent | 7,935 | 6,769 | 1,166 |
| Insurance | 23,349 | 24,059 | (710) |
| Public company related costs | 38,187 | 38,264 | (77) |
| Depreciation | 37,496 | 37,812 | (316) |
| Total general and administrative expenses | 620,337 | 857,841 | (237,504) |

General and administrative costs have decreased in 2022 compared to 2021 due primarily to a decrease in corporate finance activity. In addition, other support costs include share-based compensation of \$232,000 in 2022 compared to \$412,600 in 2021.

The following table identifies the changes in research and development (R&D) expense for the year ended January 31, 2022 compared to the year ended January 31, 2021.

| Research and development expenses | | | |
|--|----------------|----------------|---------------------|
| | 2022 | 2021 | Increase (decrease) |
| | \$ | \$ | \$ |
| Sub-contract, consulting and clinical trials | 37,370 | 64,385 | (27,015) |
| Salaries, wages and benefits | 11,946 | 10,473 | 1,473 |
| Legal (patent prosecution) | 23,237 | 37,542 | (14,305) |
| Rent | 18,516 | 15,794 | 2,722 |
| Other R&D costs | 78,101 | 82,778 | (4,677) |
| Supplies | - | 38 | (38) |
| Depreciation | 1,066 | 1,495 | (429) |
| Research and development expenses | 170,236 | 212,505 | (42,269) |

Overall, R&D costs have decreased in 2022 compared to 2021 due primarily to a decrease in activity related to the Company's drug development program.

Fourth Quarter Results of Operations

For the three months ended January 31, 2022 ("Q4 2022"), the Company had a net loss of \$75,869,109 or \$0.451 basic and fully diluted loss per share, compared to net income of \$77,030,287 or \$0.461 basic income per share, \$0.449 income per share on a fully diluted basis for the three months ended January 31, 2021 ("Q4 2021"). The net loss for Q4 2022 compared to Q4 2021 relates primarily to the equity method losses and fair value adjustments for Quest's investment in OncoQuest in Q4 2022. Research and development costs of \$15,169 were incurred during Q4 2022 compared to \$85,770 during Q4 2021. Most of the R&D cost decrease

is the result of decreases in legal patent fees and subcontract fees. General and administrative costs of \$154,102 were incurred for Q4 2022 compared to \$526,413 for Q4 2021. The Q4 2022 decrease relates to reduced share-based compensation costs in Q4 2022 compared to Q4 2021.

Summary of Quarterly Results

The following table presents unaudited selected financial information for each of the last eight quarters ended January 31, 2022.

| | Year ended January 31, 2022 | | | |
|---|-----------------------------|---------|-------------|--------------|
| | Q1 | Q2 | Q3 | Q4 |
| | \$ | \$ | \$ | \$ |
| Revenue | - | - | - | - |
| Net income (loss) for the period | (585,928) | 448,885 | (9,032,423) | (75,869,109) |
| Basic income (loss) per share (1) | (0.003) | 0.003 | (0.054) | (0.451) |
| Fully diluted income (loss) per share (1) | (0.003) | 0.003 | (0.054) | (0.451) |

| | Year ended January 31, 2021 | | | |
|---|-----------------------------|-----------|-----------|------------|
| | Q1 | Q2 | Q3 | Q4 |
| | \$ | \$ | \$ | \$ |
| Revenue | - | - | - | - |
| Net income (loss) for the period | 106,035,530 | 3,215,888 | 3,782,764 | 77,030,287 |
| Basic income (loss) per share (1) | 0.630 | 0.019 | 0.023 | 0.461 |
| Fully diluted income (loss) per share (1) | 0.622 | 0.019 | 0.022 | 0.449 |

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

Share-Based Payment Transactions

During the year ended January 31, 2022, the Company granted a total of 2,500,000 (2021 – 2,020,000) share options, as per the Company’s Share Option Plan. In 2022, 900,000 options were granted to non-employees, and 1,600,000 to employees at exercise prices ranging from \$0.10 - \$0.115, all vesting immediately. In 2021, 520,000 options were granted to non-employees and 1,500,000 to employees at exercise prices ranging from \$0.23 - \$0.25, all vesting immediately. The fair value of these options, totaling \$270,500, was recognized as an expense and credited to contributed surplus for the year ended January 31, 2022 (2021 - \$446,600).

Capital Expenditures

Expenditures on capital assets were \$nil for the year ended January 31, 2022 (2021 - \$nil).

Outstanding Share Data

The Company has the following securities outstanding as at May 26, 2022:

| | |
|--|-------------|
| Common shares issued and outstanding at January 31, 2022 | 168,239,247 |
| Share options outstanding as at January 31, 2022 | 18,745,000 |
| Warrants outstanding as at January 31, 2022 | - |
| Share options granted since January 31, 2022 | 300,000 |
| Share options exercised since January 31, 2022 | 690,000 |
| Share options expired since January 31, 2022 | 250,000 |

Fully diluted common shares outstanding are 186,344,247 assuming the exercise of all share options.

Financial Instruments

Fair Value - Given their short-term maturity, the fair value of cash, accounts receivable, accounts payable and the short-term loan approximate the carrying value. The fair values of these financial instruments are measured using a Level 1 classification (quoted prices in active markets). The OQP Bio bonds are fair valued through profit or loss and measured using a Level 2 classification (market observable valuation technique).

Foreign Currency Risk - The Company has assets and liabilities that are denominated in foreign currencies and that are exposed to the financial risk of earnings fluctuation arising from changes in foreign exchange rates and the degree of volatility of those rates. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk.

Liquidity Risk - Company's exposure to liquidity risk is dependent on its ability to raise funds to meet its commitments and sustain its operations. The Company controls liquidity risk by managing its working capital and by securing additional funds through equity, debt or partnering transactions.

Credit Risk - Financial instruments that subject the Company to credit risk consist primarily of cash, restricted cash and short-term investments and accounts receivable. To minimize its exposure to credit risk for cash and short-term investments, the Company invests surplus cash in fully guaranteed short-term deposits with its financial banker, a major Canadian bank. As the Company is primarily involved in research and development, the Company's exposure to credit risk related to accounts receivable is not considered to be significant.

Interest Rate Risk - Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash, restricted cash and restricted short-term investments are comprised of highly liquid deposits that earn interest at market rates. Accounts receivable and accounts payable bear no interest. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

Liquidity and Capital Resources

The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to raise additional capital to successfully complete its research and development programs, commercialize its technologies, conduct clinical trials and receive regulatory approval for its products.

At January 31, 2022, consolidated cash was \$264,340, as compared to consolidated cash of \$199,114 at January 31, 2021. At May 26, 2022, the Company had consolidated cash of approximately \$685,000.

Cash used in operating activities was \$170,776 for the year ended January 31, 2022 compared to \$2,515,027 for the year ended January 31, 2021.

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 2024. The Company will seek additional capital through the sale of non-core assets, further equity financings, licensing arrangements involving its core technologies and strategic partnerships.

Contractual Obligations

In the normal course of operations, Quest has entered into several contracts providing for the following payments over the following fiscal years:

| | Payments due by year | | | | |
|--|----------------------|---------------|-------------|-------------|---------------|
| | Total | Within 1 year | 2 – 3 years | 4 – 5 years | After 5 years |
| | \$ | \$ | \$ | \$ | \$ |
| Operating leases | 19,805 | 19,805 | - | - | - |
| Research & development and other contracts | 260,740 | 44,517 | 101,753 | 114,470 | - |
| Total contractual obligations | 280,545 | 64,322 | 101,753 | 114,470 | - |

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.

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 years ended January 31, 2021 and 2022, the Company received 2% interest-bearing debt funding of \$500,000 from OncoQuest Inc. The funding is for drug development and operational purposes, is short term and repayable within 12 months. Subsequent to year end, the Company received additional 2% interest-bearing debt funding of \$500,000 from OncoQuest.

During the year ended January 31, 2021, an officer of the Company exercised 250,000 share options to acquire 250,000 common shares of the Company at an exercise price of \$0.10 per common share.

During the year ended January 31, 2021, the Company recorded a forgiveness of intercompany advances between the Company and Sonolight in the amount of \$277,617.

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

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 obligations resulting from the transaction.

The determination of fair value for Quest's investment in OncoQuest and in the OQP Bio bonds in future periods will depend on management estimates and reasoned judgements for such values looking at appropriate evidence that is available at the time. OncoQuest and OQP Bio are privately held companies with no public trading history. Readers are cautioned that from one reporting period to the next, the change in value for the Company's investments 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 year ended January 31, 2022. The potential future impact is unknown at this time.