



# **Quest PharmaTech Inc.**

**Condensed Interim Consolidated Financial Statements (Unaudited)**

**For the six months ended July 31, 2023 and 2022**

*(Expressed in Canadian Dollars, unless otherwise noted)*

# Quest PharmaTech Inc.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended July 31, 2023 and 2022

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## **MANAGEMENT’S RESPONSIBILITY STATEMENT**

The management of Quest PharmaTech Inc. (the “Company”) is responsible for preparing the unaudited condensed interim consolidated financial statements, the notes to the unaudited condensed interim consolidated financial statements and other financial information contained in these unaudited condensed interim consolidated financial statements (the “condensed interim consolidated financial statements”).

Management prepares the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). The condensed interim consolidated financial statements are considered by management to present fairly the Company's financial position and results of operations.

The management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the condensed interim consolidated financial statements.

Pierre Vermette  
Chief Financial Officer  
September 21, 2023

## **NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102 “Continuous Disclosure Obligations”, if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity’s auditor.

September 21, 2023

**Quest PharmaTech Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As of July 31, 2023 and 2022**  
Expressed in Canadian Dollars

		July 31	January 31
	Notes	2023	2023
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		101,459	374,658
Other receivable	5	219,380	221,311
Prepaid expenses		4,807	25,533
		<b>325,646</b>	<b>621,502</b>
<b>Non current</b>			
Property and equipment	6	—	2,972
Non-current prepaid expenses		16,275	10,420
Investment in OncoQuest	7	7,696,810	7,334,908
Investment in OQP Bio bonds	7	61,679,545	76,388,109
		<b>69,392,630</b>	<b>83,736,409</b>
		<b>69,718,276</b>	<b>84,357,911</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		34,463	106,406
Short term loan	10	1,000,000	1,000,000
		<b>1,034,463</b>	<b>1,106,406</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	8	30,741,316	30,741,316
Contributed surplus		11,553,047	11,133,047
Accumulated other comprehensive loss		(114,490)	(114,490)
Retained earnings		26,503,940	41,491,632
		<b>68,683,813</b>	<b>83,251,505</b>
		<b>69,718,276</b>	<b>84,357,911</b>

Going concern (Note 1)  
Commitments (Note 12)  
Subsequent events (Note 15)

Approved on behalf of the Board of Directors on September 21, 2023.

“J. Mark Lievonen” (signed)  
\_\_\_\_\_  
Director

“Madi R. Madiyalakan” (signed)  
\_\_\_\_\_  
Director

**Quest PharmaTech Inc.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**For the Three and Six Months Ended July 31, 2023 and 2022**  
Expressed in Canadian Dollars except number of shares

		<b>Three months</b>	<b>Three months</b>	<b>Six months</b>	<b>Six months</b>
	<b>Notes</b>	<b>July 31, 2023</b>	<b>July 31, 2022</b>	<b>July 31, 2023</b>	<b>July 31, 2022</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenses</b>					
General and administrative		258,990	277,261	382,845	388,772
Research and development		350,029	58,124	423,899	78,212
		609,019	335,385	806,744	466,984
<b>Operating loss</b>		<b>(609,019)</b>	<b>(335,385)</b>	<b>(806,744)</b>	<b>(466,984)</b>
<b>Other income (expenses)</b>					
Financial expenses		(5,291)	(5,624)	(9,647)	(9,942)
Equity income (loss) - OncoQuest	7	298,823	(302,823)	361,902	(1,274,506)
Fair value adjustment - Investment in OQP Bio bonds	7	(9,643,149)	—	(14,708,564)	—
Cost recoveries	10	140,000	30,000	160,000	90,000
Foreign exchange gain / (loss)		1,469	(202)	(356)	(806)
Other income		1,817	—	15,717	—
		<b>(9,206,331)</b>	<b>(278,649)</b>	<b>(14,180,948)</b>	<b>(1,195,254)</b>
<b>Net and comprehensive loss</b>		<b>(9,815,350)</b>	<b>(614,034)</b>	<b>(14,987,692)</b>	<b>(1,662,238)</b>
<b>Loss per share - basic and diluted</b>					
	14	<b>(0.06)</b>	<b>(0.00)</b>	<b>(0.09)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>					
	14	<b>169,129,247</b>	<b>168,929,247</b>	<b>169,129,247</b>	<b>168,662,396</b>

Quest PharmaTech Inc.  
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity  
For the Six Months Ended July 31, 2023 and 2022  
Expressed in Canadian Dollars

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	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
	\$	\$	\$	\$	\$
<b>Balance, January 31, 2022</b>	<b>30,616,716</b>	<b>11,064,397</b>	<b>48,775,197</b>	<b>(50,335)</b>	<b>90,405,975</b>
Share issuance	69,000	—	—	—	69,000
Share based payments	—	153,000	—	—	153,000
Net loss for the period	—	—	(1,662,238)	—	(1,662,238)
<b>Balance, July 31, 2022</b>	<b>30,685,716</b>	<b>11,217,397</b>	<b>47,112,959</b>	<b>(50,335)</b>	<b>88,965,737</b>
<b>Balance, January 31, 2023</b>	<b>30,741,316</b>	<b>11,133,047</b>	<b>41,491,632</b>	<b>(114,490)</b>	<b>83,251,505</b>
Share based payments	—	420,000	—	—	420,000
Net loss for the period	—	—	(14,987,692)	—	(14,987,692)
<b>Balance, July 31, 2023</b>	<b>30,741,316</b>	<b>11,553,047</b>	<b>26,503,940</b>	<b>(114,490)</b>	<b>68,683,813</b>

**Quest PharmaTech Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the Three and Six Months Ended July 31, 2023 and 2022**  
Expressed in Canadian Dollars

	<b>Three months</b>	<b>Three months</b>	<b>Six months</b>	<b>Six months</b>
	<b>July 31, 2023</b>	<b>July 31, 2022</b>	<b>July 31, 2023</b>	<b>July 31, 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>				
Net income (loss) for the period	(9,815,350)	(614,034)	(14,987,692)	(1,662,238)
Items that do not involve cash				
Amortization	2,543	3,371	2,972	12,863
Share-based payments	420,000	126,000	420,000	153,000
Allocation of (income) loss from OncoQuest	(298,823)	302,823	(361,902)	1,274,506
Fair value adjustment - Investment in OQP Bio bonds	9,643,149	—	14,708,564	—
Net change in working capital	(140,710)	(60,820)	(55,141)	(78,708)
	<b>(189,191)</b>	<b>(242,660)</b>	<b>(273,199)</b>	<b>(300,577)</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>				
Share issuance - exercise of stock options	—	—	—	69,000
Short term working capital loan repayment	—	—	(200,000)	—
Short term working capital loan	200,000	—	200,000	500,000
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>200,000</b>	<b>—</b>	<b>—</b>	<b>569,000</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Lease obligation reduction	—	(3,526)	—	(13,998)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>—</b>	<b>(3,526)</b>	<b>—</b>	<b>(13,998)</b>
<b>Net increase (decrease) in cash</b>	<b>10,809</b>	<b>(246,186)</b>	<b>(273,199)</b>	<b>254,425</b>
Cash, beginning of period	90,650	764,951	374,658	264,340
<b>Cash, end of period</b>	<b>101,459</b>	<b>518,765</b>	<b>101,459</b>	<b>518,765</b>



**NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN**

Quest TechPharma Inc. (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 also holds an equity interest in several companies, including a 42.52% 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 Oregovomab Phase 3 Clinical Trial. The asset transfer agreement (“ATA”) transaction completed its second closing 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 subject to regulatory approval. As the requisite approvals have not yet been received and the trading in the shares of OQP Korea has been suspended on the KOSDAQ Exchange in March 2021, OncoQuest management are 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 spin out the biotechnology business, comprised of the immunotherapy assets, into a separate company that will pursue a public listing on a different exchange. In August 2021, the reorganization was implemented, and OQP Korea’s biotechnology business assets were transferred to OQP Bio, Inc. (Korea), a private Korean company. In January 2022, OncoQuest issued an in-kind dividend of OQP Bio bonds to its shareholders, including to Quest. The dividend received by Quest has a face value of KRW129.1 billion and an estimated fair value on July 31, 2023, of \$61.7 million.

During the six months ended July 31, 2023 (during May 2023), the Company agreed in principle with OQP Bio Inc., to exchange the Company’s OQP Bio bonds for 77.5 billion KRW (\$79,979,000) in cash and 64.6 billion KRW (\$66,700,000) in bonds of Canaria Bio M (K-OTC – 118970) (“CABM”). The cash is receivable in 3 tranches (immediately – 21.6 billion KRW (\$22,291,000), end of December 2023 – 25.9 billion KRW (\$26,728,600) and end of June 2024 – 30.0 billion KRW (\$30,959,800)). The CABM bonds will carry a feature that permits the Company to convert its CABM bonds into 20.5 million CABM shares and following a business restructuring, the CABM shares will be converted into 2.51 million shares of Canaria Bio (“CAB”), a KOSDAQ traded company (KOSDAQ trading symbol – 016790). The first cash payment has not yet been received, but management anticipates it to be fully collectable. In September 2023, the Company announced a change of management of CABM with the parties continuing to negotiate in good faith to identify a buyer for the monetization of Quest’s OQP Bio bonds.

Another equity investment for Quest includes an 10.67% 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. In September 2022, the Company sold its ownership interest in Bioceltran Co. Ltd. for proceeds of \$300,000. \$90,000 was paid on execution of the sale agreement and the remaining \$210,000 (included in other receivable) is receivable within 12 months. As part of the transaction, the Company also terminated the exclusive license for the Photodynamic Therapy technology.

The Company’s head office was initially located at 8123 Roper Road NW, Edmonton, Alberta, Canada T6E 6S4 and it is incorporated under the Business Corporations Act (Alberta). As of June 1, 2023, the Company relocated its head office to 4342 - 97 street NW, Edmonton, Alberta, Canada, T6E 5R9. The Company’s functional and presentation currency is the Canadian dollar. The Company is publicly traded on the TSX Venture Exchange under the symbol “QPT.”

**NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN (continued)**

**Going Concern**

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 \$14,987,692 for the six months ended July 31, 2023 (2022 Net Loss - \$1,662,238) and a shareholders' equity of \$68,683,813 (January 31, 2023 – shareholders' equity of \$83,251,505), the Company has consolidated cash reserves of \$101,459 at July 31, 2023 (January 31, 2023 - \$374,658) and as at July 31, 2023 had a working capital deficiency of \$708,817 (January 31, 2023 – working capital deficiency \$484,904).

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. During May 2023, the Company agreed in principle with OQP Bio Inc., to exchange the Company's OQP Bio bonds for 77.5 billion KRW (\$79,979,000) in cash and 64.6 billion KRW (\$66,700,000) in bonds of CABM. Refer to above for additional details.

These condensed interim consolidated financial statements do not include any adjustments to the classification and amounts of assets and liabilities that may be required should the Company be unable to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Although the Company has been successful at raising funds in the past through the issuance of securities and obtaining loans, it is uncertain whether it will be successful in doing so in the future or at terms that are acceptable to the Company.

**NOTE 2 – BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The condensed interim consolidated financial statements do not include all the information required for full annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the years ended January 31, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on September 21, 2023.

b) Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these condensed interim consolidated financial statements. All balances presented are expressed in Canadian dollars.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

**NOTE 2 – BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)**

c) Basis of consolidation

The financial statements of the subsidiary are included in the condensed interim consolidated financial statements from the date that control commences until the date control ceases.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the condensed interim consolidated financial statements.

**NOTE 3 – USE OF JUDGEMENTS AND ESTIMATES**

In preparing these condensed interim consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the Annual Financial Statements.

Information about assumptions made in measuring fair values is included in Note 11.

**NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in the Company's financial statements as at and for the year ended January 31, 2023.

**Accounting pronouncements adopted**

The following new standards, amendments and interpretations have been issued are effective for the fiscal year ending January 31, 2024 and, accordingly, have been applied in preparing these condensed interim consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The adoption of these amendments did not have a material impact on the Company's condensed interim consolidated financial statements.

**NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

IAS 12: Amendment to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The adoption of these amendments did not have a material impact on the Company's condensed interim consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments help companies provide useful accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a material impact on the Company's condensed interim consolidated financial statements.

**Accounting pronouncements not yet effective**

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending January 31, 2024 and, accordingly, have not been applied in preparing these condensed interim consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

On January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments address inconsistencies with how entities classify current and non-current liabilities. The amendments serve to address whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current in the Balance Sheets. The amendments are effective on January 1, 2024. The Company intends to adopt the amendments in its condensed interim consolidated financial statements or the annual period beginning January 1, 2024. The Company is currently assessing the impact of the amendment.

Amendments to IAS 1: Non-current Liabilities with Covenants

In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments are effective for annual periods beginning on or after January 1, 2024. The Company intends to adopt these amendments in its Condensed interim consolidated financial statements for the annual period beginning January 1, 2024. The Company is currently assessing the impact of the amendment.

**NOTE 5 – SALE OF INVESTMENT IN BIOCELTRAN CO., LTD.**

In September, 2022, the Company sold its ownership interest in Bioceltran for proceeds of \$300,000. \$90,000 cash was paid on execution of the sale agreement and the remaining \$210,000 (include in other receivable) is receivable within 12 months. As part of the transaction, the Company also terminated the exclusive license for the Photodynamic Therapy technology.

**NOTE 6 – PROPERTY AND EQUIPMENT**

<b>Cost:</b>	<b>Computer</b>	<b>Manufacturing and research and development equipment</b>	<b>Total</b>
	\$	\$	\$
January 31, 2023	96,357	457,983	554,340
Additions	-	-	-
July 31, 2023	96,357	457,983	554,340

<b>Accumulated Depreciation:</b>	<b>Computer</b>	<b>Manufacturing and research and development equipment</b>	<b>Total</b>
	\$	\$	\$
January 31, 2023	95,013	456,355	551,368
Additions	1,344	1,628	2,972
July 31, 2023	96,357	457,983	554,340

<b>Net Book Value</b>	<b>Computer</b>	<b>Manufacturing and research and development equipment</b>	<b>Total</b>
	\$	\$	\$
January 31, 2023	1,344	1,628	2,972
July 31, 2023	-	-	-

**NOTE 7 – INVESTMENT IN ONCOQUEST INC. AND OQP BIO BONDS**

**Investment in OncoQuest**

The movement in the Company's equity investment in OncoQuest is as follows:

	<b>Amount</b>
	\$
<b>Balance – January 31, 2023</b>	<b>7,334,908</b>
Equity method income	<b>361,902</b>
<b>Balance – July 31, 2023</b>	<b>7,696,810</b>

As of July 31, 2023, the Company has a 42.52% ownership interest in OncoQuest.

**NOTE 7 – INVESTMENT IN ONCOQUEST INC. (continued)**

**Investment in OncoQuest (continued)**

*OncoQuest summarized financial information:*

	<b>July 31, 2023</b>	<b>January 31, 2023</b>
	USD	USD
<b>Current assets</b>	20,276,317	7,784,120
<b>Non-current assets</b>	-	17,816,682
<b>Current liabilities</b>	7,631,247	13,592,029
<b>Non-current liabilities</b>	-	-

	<b>July 31, 2023</b>	<b>July 31, 2022</b>
	USD	USD
<b>Revenue</b>	-	-
<b>Net income (loss)</b>	636,297	(2,357,501)
<b>Other comprehensive income / (loss)</b>	-	-

**Investment in OQP Bio Bonds**

*OQP Bio Bonds received as a dividend:*

	<b>Face value</b>	<b>Fair value</b>
	KRW	\$
<b>OQP Bio bonds</b>	129,090,021,194	61,679,545
<b>Balance – July 31, 2023</b>	129,090,021,194	61,679,545

During the six months ended July 31, 2023 (during May 2023), the Company agreed in principle with OQP Bio Inc., to exchange the Company's OQP Bio Bonds for 77.5 billion KRW (\$79,979,000) in cash and 64.6 billion KRW (\$66,700,000) in bonds of Canaria Bio M ("CABM"). The estimated fair value of the OQP Bio Bonds was determined to be \$61.7 million at July 31, 2023, with the Company recording a fair value loss of \$14,708,564 for the six months ended July 31, 2023. The full amount of the bonds, \$61.7 million, are classified as long term due to the timing of receipt of the bond consideration. Since the Company has not yet received this first of three cash payments, the fair value of the OQP Bio Bonds has been reduced to \$61.7 Million to reflect the uncertainty of the timing of receipt of the first cash payment.

**NOTE 8 – 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 Shares	Amount
	#	\$
<b>Balance – January 31, 2023 and July 31, 2023</b>	<b>169,129,247</b>	<b>30,741,316</b>

**NOTE 9 – STOCK OPTIONS**

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Number of Options	Weighted Average Exercise Price
	#	\$
<b>Balance – January 31, 2023</b>	18,530,000	0.15
Granted	5,250,000	0.09
Expired	(4,075,000)	0.16
Exercised	-	-
<b>Balance – July 31, 2023</b>	<b>19,705,000</b>	<b>0.14</b>

Stock options outstanding and exercisable as at July 31, 2023 are as follows:

Exercise Prices	Number of Options Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
\$	#	Years	\$	#	\$
0.08	1,550,000	0.78	0.08	1,550,000	0.08
0.09	1,400,000	0.64	0.09	1,400,000	0.09
0.10	7,150,000	1.39	0.10	7,150,000	0.10
0.12	2,050,000	0.81	0.12	2,050,000	0.12
0.15	3,025,000	0.58	0.15	3,025,000	0.15
0.18	1,250,000	0.35	0.18	1,250,000	0.18
0.23	1,720,000	0.65	0.23	1,720,000	0.23
0.25	1,560,000	0.42	0.25	1,560,000	0.25
	<b>19,705,000</b>	<b>0.90</b>	<b>0.14</b>	<b>19,705,000</b>	<b>0.14</b>

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**NOTE 9 – STOCK OPTIONS (continued)**

Stock options outstanding and exercisable as at January 31, 2023 are as follows:

Exercise Prices	Number of Options Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
\$	#	Years	\$	#	\$
0.09	1,400,000	0.72	0.09	1,400,000	0.09
0.10	5,775,000	0.65	0.10	5,775,000	0.10
0.12	2,050,000	0.92	0.12	2,050,000	0.12
0.15	3,225,000	0.70	0.15	3,225,000	0.15
0.18	1,250,000	0.40	0.18	1,250,000	0.18
0.23	1,720,000	0.74	0.23	1,720,000	0.23
0.25	3,110,000	0.51	0.25	3,110,000	0.25
	<b>18,530,000</b>	<b>0.66</b>	<b>0.15</b>	<b>18,530,000</b>	<b>0.15</b>

**NOTE 10 – RELATED PARTY TRANSACTIONS AND BALANCES**

**Key management personnel compensation**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company defines key management personnel as being the directors and key officers.

The compensation awarded to key management personnel is as follows:

	Three months ended	Three months ended	Six months ended	Six months ended
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
	\$	\$	\$	\$
Management fees	325,250	228,250	406,500	300,667
<b>Total compensation</b>	<b>325,250</b>	<b>228,250</b>	<b>406,500</b>	<b>300,667</b>

**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. In July 2023, the monthly fee increased to \$15,000 per month. The Company received \$160,000 under this arrangement during the six months ended July 31, 2023, including advance payments for the remainder of the year.



**NOTE 10 – RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**Short term loan**

Effective during the year ended January 31, 2021, the Company entered in a loan agreement with OncoQuest Inc where the Company will receive a short term, unsecured and 2% interest bearing debt and will be repayable within 12 months. The funding is for drug development and operational purposes. The Company recorded interest expense of \$8,667 for the six months ended July 31, 2023 (2022 - \$8,575). The accrued loan interest is included in accounts payable and accrued liabilities on the statement of financial position. The table below shows the movement of the principal and accrued interest balance:

	Principal balance	Accrued interest balance
	\$	\$
<b>Balance – January 31, 2023</b>	1,000,000	25,370
Principal balance repayment	(200,000)	-
Principal balance loan	200,000	-
Interest expense	-	8,667
<b>Balance – July 31, 2023</b>	<b>1,000,000</b>	<b>34,037</b>

**NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair values**

When measuring the fair value of a financial asset and a financial liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy:

As of July 31, 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investment in OQP Bio bonds	-	-	61,679,545	61,679,545
Investment in OncoQuest	-	-	7,696,810	7,696,810
	-	-	<b>69,376,355</b>	<b>69,376,355</b>

As of January 31, 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investment in OQP Bio bonds	-	-	76,388,109	76,388,109
Investment in OncoQuest	-	-	7,334,908	7,334,908
	-	-	<b>83,723,017</b>	<b>83,723,017</b>

**NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

Investment valuations are affected by various factors including financial position, results from operations and foreseeable future cash flows from operations of investees. Investees have limited history of operations and there is no certainty that their strategic objectives and goals will be achieved, and there is no guarantee that shareholders' value will increase or be sustained even if these strategic objectives and goals are achieved. Management recognizes and monitors the performance of investees and makes appropriate adjustments to the assumptions and valuation model, if necessary. Investment valuations are susceptible to high volatilities and actual fair values may significantly differ from management's estimates.

For the cash component of the bond exchange arrangement, management calculated the net present value of the 3 future expected cash flows using an 11% discount rate. For the bond component, management assumed the bonds would be converted into 2.51 million shares of Canaria Bio and applied a discount rate of 3.42%. The bonds were further reduced by a 25% discount rate. The cash and bond components were also discounted using a 30% entity level risk assessment rate. The Company used the closing price of Canaria Bio shares on July 31, 2023 – KRW 6,310 in its fair value calculations for the OQP Bio bonds. As a result, the estimated fair value of the OQP Bio bonds at July 31, 2023 was determined to be \$61.7 million, with all \$61.7 million of the bonds classified as long term due to the timing of receipt of the bond consideration.

**Investments and risk management**

The Company considers its investments to be at Level 3, as the fair value techniques used the lowest level of input which was unobservable. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Change in assumptions could significantly affect the estimates.

Investment valuations are affected by various factors including financial position, results from operations and foreseeable future cash flows from operations of investees. Investees have limited history of operations and there is no certainty that their strategic objectives and goals will be achieved, and there is no guarantee that shareholders' value will increase or be sustained even if these strategic objectives and goals are achieved. Management recognizes and monitors performance of investees and makes appropriate adjustments to the assumptions and valuation model, if necessary. The investments valuations are susceptible to high volatilities and actual fair values may significantly differ from management's estimates.

Refer to Note 3 of the financial statements for the year ended January 31, 2023, under financial instruments for the summary of the classification of the Company's financial instruments under IFRS 9.

**Capital and risk management**

The Company's objective and policies for managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes changes based on economic conditions, risks that impact the operations and future significant capital investment opportunities. In order to maintain or adjust its capital structure, the Company may issue new equity instruments or raise additional debt financing.

The Company is exposed to a variety of financial risks by virtue of its activities: market risk, interest rate risk, liquidity risk, and foreign currency risk. The Board of Directors has overall responsibility for the determination of the Company's capital and risk management objectives and policies while retaining ultimate responsibility for them. The Company's overall capital and risk management program has not changed throughout the period. It focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. The finance department identifies and evaluates financial risks in close cooperation with management.

**NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**Credit risk**

Financial instruments that subject the Company to credit risk consist primarily of cash, long-term investments, and accounts receivable. To minimize its exposure to credit risk, 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, including for accounts receivable amounts, is not considered to be significant.

**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. The Company is not exposed to market interest rate risk.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on external financing or key management to provide sufficient liquidity to meet budgeted operating requirements. The following tables set forth details of the payment profile of financial liabilities based on their undiscounted cash flows:

<b>July 31, 2023</b>	<b>Total carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	34,463	34,463	34,463	-	-
Short term loan	1,000,000	1,000,000	1,000,000	-	-
<b>Total</b>	<b>1,034,463</b>	<b>1,034,463</b>	<b>1,034,463</b>	<b>-</b>	<b>-</b>

<b>January 31, 2023</b>	<b>Total carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	106,406	106,406	106,406	-	-
Short term loan	1,000,000	1,000,000	1,000,000	-	-
<b>Total</b>	<b>1,106,406</b>	<b>1,106,406</b>	<b>1,106,406</b>	<b>-</b>	<b>-</b>

Taking into consideration the Company’s current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is actively seeking new financing opportunities in accordance with its capital risk management strategy.

**Foreign currency risk**

Foreign currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains financial instruments and enters transactions denominated in foreign currencies, which exposes the Company to fluctuating balances and cash flows due to various in foreign exchange rates.

**NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**Foreign currency risk (continued)**

The table below indicates the foreign currencies to which the Company has significant exposure in Canadian dollar terms:

	<b>July 31, 2023</b>	<b>January 31, 2023</b>
	\$	\$
Cash	501	2,787
Investment in OQP Bio bonds	61,679,545	76,388,109
<b>Net monetary assets</b>	<b>61,680,046</b>	<b>76,390,896</b>

Assuming all other variables remain constant, a fluctuation of +/- 5.0% in the exchange rate between CAD and USD would impact the net loss by approximately \$25 during the six months ended July 31, 2023 (July 31, 2022 - \$140).

Assuming all other variables remain constant, a fluctuation of +/- 5.0% in the exchange rate between CAD and KRW would impact the net loss by approximately \$6,700,045 during the six months ended July 31, 2023 (July 31, 2022 - \$6,338,320).

**NOTE 12 – COMMITMENTS**

The company entered a 5-year lease for its office building in May 2017. The lease was extended until May 2023 however, the extension of the lease was considered short term and was directly expensed into general and administrative and research and development expenses. The Company recognized \$29,058 of lease expense during the six months July 31, 2023 (July 31, 2022 – \$18,603).

**NOTE 13 – CAPITAL MANAGEMENT**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued common shares, contributed contribution, retaining earnings, and accumulated other comprehensive loss.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy for with respect to capital risk management has not changed during the six months ended July 31, 2023.

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**NOTE 14 – LOSS PER SHARE**

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of shares outstanding. Diluted loss per share is calculated in a similar manner, except that the weighted average number of shares outstanding is increased to include potentially issuable shares from the assumed exercise of share purchase options and warrants, if dilutive. The diluted loss per share calculation excludes any potential conversion of options, warrants, and convertible debt that would increase earnings per share or decrease loss per share.

	<b>Three months July 31, 2023</b>	<b>Three months July 31, 2022</b>	<b>Six months July 31, 2023</b>	<b>Six months July 31, 2022</b>
	#	#	#	#
Weighted average shares	169,129,247	168,929,247	169,129,247	168,662,396
	\$	\$	\$	\$
Net loss	(9,815,350)	(614,034)	(14,987,692)	(1,662,238)
<b>Basic and diluted loss per share</b>	<b>(0.06)</b>	<b>(0.00)</b>	<b>(0.09)</b>	<b>(0.01)</b>

**NOTE 15 – SUBSEQUENT EVENTS**

The Company's management has evaluated subsequent events up to September 21, 2023, the date the condensed interim consolidated financial statements were issued and determined the following events to report:

In September 2023, the Company announced a change of management of CABM with the parties continuing to negotiate in good faith to identify a buyer for the monetization of Quest's OQP Bio bonds.

In September 2023, Quest also announced that OncoQuest has commenced legal proceedings in Korea against OQP Bio / CABM seeking payment of approximately 18.8 billion KRW or USD\$14.5 million that remains unpaid in respect of the exercise of a put option by OncoQuest in connection with the sale of its immunotherapy technology assets to a predecessor to OQP Bio in April 2020.