



# **Quest PharmaTech Inc.**

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

**For the three months ended April 30, 2023 and 2022**

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

# Quest PharmaTech Inc.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2023 and 2022

<b>CONTENTS</b>	<b><u>Page</u></b>
<b>Management's Responsibility Statement</b>	1
<b>Notice of No Auditor's Review of Condensed Interim Consolidated Financial Statements</b>	2
<b>Financial Statements</b>	
Condensed Interim Consolidated Statements of Financial Position	3
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	4
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	5
Condensed Interim Consolidated Statements of Cash Flows	6
<b>Notes to the Condensed Interim Consolidated Financial Statements</b>	7 – 19

## **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.

Madi R. Madiyalakan  
Chief Executive Officer  
June 29, 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.

June 29, 2023

**Quest PharmaTech Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As of April 30, 2023 and 2022**  
Expressed in Canadian Dollars

	Notes	April 30, 2023	January 31, 2023
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		90,650	374,658
Other receivable	5	219,324	221,311
Prepaid expenses		25,568	25,533
<b>Total current assets</b>		<b>335,542</b>	<b>621,502</b>
<b>Non-current assets</b>			
Property and equipment	6	4,028	2,972
Prepaid expenses		16,275	10,420
Investment in OncoQuest	7	7,397,996	7,334,908
Investment in OQP Bio Bonds	7	71,322,694	76,388,109
<b>Total non-current assets</b>		<b>78,740,993</b>	<b>83,736,409</b>
<b>Total assets</b>		<b>79,076,535</b>	<b>84,357,911</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities		197,363	106,406
Short term loan	10	800,000	1,000,000
<b>Total liabilities</b>		<b>997,363</b>	<b>1,106,406</b>
<b>EQUITY</b>			
Common shares	8	30,741,316	30,741,316
Contributed surplus	9	11,133,047	11,133,047
Retained earnings		36,319,290	41,491,632
Accumulated other comprehensive loss		(114,481)	(114,490)
<b>Total equity</b>		<b>78,079,172</b>	<b>83,251,505</b>
<b>Total liabilities and shareholders' equity</b>		<b>79,076,535</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 June 29, 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 Months Ended April 30, 2023 and 2022**  
Expressed in Canadian Dollars except number of shares

	Notes	April 30, 2023	April 30, 2022
		\$	\$
<b>Expenses</b>			
General and administrative		123,855	111,511
Research and development		73,870	20,088
<b>Total expenses</b>		<b>197,725</b>	<b>131,599</b>
<b>Operating loss</b>		<b>(197,725)</b>	<b>(131,599)</b>
<b>Other income (expenses)</b>			
Fair value adjustment in investment in OQP Bio Bonds	7	(5,065,415)	—
Finance expenses		(4,356)	(4,318)
Equity income (loss) - OncoQuest	7	63,079	(971,683)
Cost recovery	10	20,000	60,000
Foreign exchange loss		(1,825)	(604)
Other income		13,900	—
<b>Total other expenses, net</b>		<b>(4,974,617)</b>	<b>(916,605)</b>
<b>Net loss</b>		<b>(5,172,342)</b>	<b>(1,048,204)</b>
<b>Other comprehensive income (expense)</b>		9	—
<b>Net and comprehensive loss</b>		<b>(5,172,333)</b>	<b>(1,048,204)</b>
<b>Loss per share – basic and diluted</b>	14	<b>(0.03)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	14	<b>169,129,247</b>	<b>168,381,747</b>

Quest PharmaTech Inc.  
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity  
For the Three Months Ended April 30, 2023 and 2022  
Expressed in Canadian Dollars

Notes	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 payment	–	27,000	–	–	27,000
Net loss for the period	–	–	(1,048,204)	–	(1,048,204)
<b>Balance – April 30, 2022</b>	<b>30,685,716</b>	<b>11,091,397</b>	<b>47,726,993</b>	<b>(50,335)</b>	<b>89,453,771</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>
Net loss for the period	–	–	(5,172,342)	–	(5,172,342)
Other comprehensive income	–	–	–	9	9
<b>Balance – April 30, 2023</b>	<b>30,741,316</b>	<b>11,133,047</b>	<b>36,319,290</b>	<b>(114,481)</b>	<b>78,079,172</b>

**Quest PharmaTech Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the Three Months Ended April 30, 2023 and 2022**  
Expressed in Canadian Dollars

	<b>April 30, 2023</b>	<b>April 30, 2022</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(5,172,342)	(1,048,204)
<i>Non-cash items:</i>		
FV adjustment - investment in OQP Bio bonds	5,065,415	—
Amortization	429	9,492
Share-based payments	—	27,000
Equity income (loss) - OncoQuest	(63,079)	971,683
<i>Changes in non-cash working capital items:</i>		
Other receivable	1,987	(3,625)
Prepaid expenses	(5,890)	9,628
Accounts payables and accrued liabilities	90,957	(23,891)
<b>Net cash used in operating activities</b>	<b>(82,523)</b>	<b>(57,917)</b>
<b>INVESTING ACTIVITIES</b>		
Lease payments	—	(10,472)
Purchase of property and equipment	(1,485)	—
<b>Net cash used in investing activities</b>	<b>(1,485)</b>	<b>(10,472)</b>
<b>FINANCING ACTIVITIES</b>		
(Repayment of) proceeds from short term loan	(200,000)	500,000
Proceeds from exercise of stock options	—	69,000
<b>Net cash (used in) provided by financing activities</b>	<b>(200,000)</b>	<b>569,000</b>
Change in cash	(284,008)	500,611
Cash, beginning of period	374,658	264,340
<b>Cash, end of period</b>	<b>90,650</b>	<b>764,951</b>
<b>Supplementary cash flow information</b>		
Cash paid for taxes	—	—
Cash paid for interest	—	—
Cash received for interest	—	—



**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 April 30, 2023, of \$71.3 million.

Subsequent to three months ended April 30, 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 (\$83,855,000) in cash and 64.6 billion KRW (\$69,897,200) in bonds of Canaria Bio M (K-OTC – 118970) (“CABM”). The cash is receivable in 3 tranches (end of May 2023 – 21.6 billion KRW (\$23,371,200), end of December 2023 – 25.9 billion KRW (\$28,023,800) and end of June 2024 – 30.0 billion KRW (\$32,460,000)). 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.

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.

While the Company has reported a net loss of \$5,172,342 for the three months ended April 30, 2023 (2022 Net Loss - \$1,048,204) and a shareholders' equity of \$78,079,172 (January 31, 2023 – shareholders' equity of \$83,251,505), the Company has consolidated cash reserves of \$90,650 at April 30, 2023 (January 31, 2023 - \$374,658) and as at April 30, 2023 had a working capital deficiency of \$661,821 (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 (\$83,855,000) in cash and 64.6 billion KRW (\$69,897,200) 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 June 29, 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 are new standards, amendments and interpretations have been issued which 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.

Quest TechPharma Inc.  
Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended April 30, 2023 and 2022  
Expressed in Canadian Dollars except otherwise noted

**NOTE 6 – PROPERTY AND EQUIPMENT**

Cost:	Computer	Manufacturing and research and development equipment	Total
	\$	\$	\$
<b>January 31, 2023</b>	<b>96,357</b>	<b>457,983</b>	<b>554,340</b>
Additions	1,485	—	1,485
<b>April 30, 2023</b>	<b>97,842</b>	<b>457,983</b>	<b>555,825</b>
Accumulated Depreciation:	Computer	Manufacturing and research and development equipment	Total
	\$	\$	\$
<b>January 31, 2023</b>	<b>95,013</b>	<b>456,355</b>	<b>551,368</b>
Additions	248	181	429
<b>April 30, 2023</b>	<b>95,261</b>	<b>456,536</b>	<b>551,797</b>
Net Book Value	Computer	Manufacturing and research and development equipment	Total
	\$	\$	\$
January 31, 2023	1,344	1,628	2,972
<b>April 30, 2023</b>	<b>2,581</b>	<b>1,447</b>	<b>4,028</b>

**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:

	Amount
	\$
<b>Balance – January 31, 2023</b>	<b>7,334,908</b>
Equity method income	63,079
Other comprehensive income – foreign exchange	9
<b>Balance – April 30, 2023</b>	<b>7,397,996</b>

As of April 30, 2023, the Company has a 42.52% ownership interest in OncoQuest.

**Quest TechPharma Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended April 30, 2023 and 2022**  
Expressed in Canadian Dollars except otherwise noted

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

**Investment in OncoQuest (continued)**

*OncoQuest summarized financial information:*

	April 30, 2023	January 31, 2023
	USD	USD
Current assets	11,469,051	7,784,120
Non-current assets	11,327,248	17,816,682
Current liabilities	11,103,717	13,592,029
Non-current liabilities	–	–

	April 30, 2023	April 30, 2022
	USD	USD
Revenue	–	–
Net income (loss)	109,513	(1,804,087)
Other comprehensive income / (loss)	–	–

**Investment in OQP Bio Bonds**

*OQP Bio Bonds received as a dividend:*

	Face value	Applied discount	Fair value	Fair value
	KRW	%	KRW	\$
OQP Bio Bond # 10	20,415,802,312	0.00%	20,415,802,312	19,131,803
OQP Bio Bond # 12/13	19,406,110,515	0.00%	19,406,110,515	18,185,613
OQP Bio Corporate Bond	89,268,108,367	59.35%	36,287,486,051	34,005,278
<b>Balance – April 30, 2023</b>	<b>129,090,021,194</b>		<b>76,109,398,878</b>	<b>71,322,694</b>

Quest, with advice from independent valuation advisors, used a discount rate of 59.35% to fair value the OQP Bio Corporate Bond, due to the uncertainty regarding the ability to redeem the OQP Bio Corporate Bond for cash or shares of OQP Bio. As well, Quest used an exchange rate of 948.767 KRW to 1 Canadian dollar, the exchange rate on January 14, 2022 when the dividend was issued, for all the OQP Bio Bonds, to arrive at an estimate of fair value in Canadian dollars. As the OQP Bio Bonds are denominated in KRW, the value of the bonds in Canadian dollars may be subject to exchange rate fluctuations.

Subsequent to period end three months ended April 30, 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 (\$83,855,000) in cash and 64.6 billion KRW (\$69,897,200) in bonds of Canaria Bio M ("CABM"). The estimated fair value of the OQP Bio Bonds was determined to be \$71.3 million at April 30, 2023, with the Company recording a fair value loss of \$5,065,415 for the three months ended April 30, 2023. The full amount of the bonds, \$71.3 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 \$71.3 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 April 30, 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 and April 30, 2023</b>	<b>18,530,000</b>	<b>0.15</b>

Stock options outstanding and exercisable as at April 30, 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	0.47	0.09	1,400,000	0.09
0.10	5,775,000	0.40	0.10	5,775,000	0.10
0.12	2,050,000	0.67	0.12	2,050,000	0.12
0.15	3,225,000	0.45	0.15	3,225,000	0.15
0.18	1,250,000	0.15	0.18	1,250,000	0.18
0.23	1,720,000	0.49	0.23	1,720,000	0.23
0.25	3,110,000	0.26	0.25	3,110,000	0.25
	<b>18,530,000</b>	<b>0.41</b>	<b>0.15</b>	<b>18,530,000</b>	<b>0.15</b>

Quest TechPharma Inc.  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended April 30, 2023 and 2022**  
Expressed in Canadian Dollars except otherwise noted

**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:

	April 30, 2023	April 30, 2022
	\$	\$
Management fees	89,470	72,417
<b>Total compensation</b>	<b>89,470</b>	<b>72,417</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. The Company received \$20,000 under this arrangement during the three months ended April 30, 2023. In addition, the Company received \$90,000 in advance payment for the rest of the year from OncoQuest. This advance is included in accounts payables and accrued liabilities.



**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, 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 \$3,858 for the three months ended April 30, 2023 (2022 - \$3,534). 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)	—
Interest expense	—	3,858
<b>Balance – April 30, 2023</b>	<b>800,000</b>	<b>29,228</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 April 30, 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments in OQP Bio bonds	—	—	71,322,694	71,322,694
Investment in OncoQuest	—	—	7,397,996	7,397,996
	—	—	<b>78,720,690</b>	<b>78,720,690</b>
As of January 31, 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments 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 3.34%. The cash and bond components were also discounted using a 45% entity level risk assessment rate. The Company used the closing price of Canaria Bio shares on April 30, 2023 – KRW 37,900 in its fair value calculations for the OQP Bio bonds. As a result, the estimated fair value of the OQP Bio bonds at April 30, 2023 was determined to be \$71.3 million, with \$58.4 million of the bonds classified as short term and \$12.9 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 it 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>April 30, 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	197,363	197,363	197,363	—	—
Short term loan	800,000	800,000	800,000	—	—
<b>Total</b>	<b>997,363</b>	<b>997,363</b>	<b>997,363</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>April 30, 2023</b>	<b>January 31, 2023</b>
	\$	\$
Cash	3,967	2,787
Investments in OQP Bio bonds	71,322,694	76,388,109
<b>Net monetary assets</b>	<b>71,326,661</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 \$198 during the three months ended April 30, 2023 (April 30, 2022 - \$321).

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 \$3,566,135 during the three months ended April 30, 2023 (April 30, 2022 - \$6,545,370).

**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 \$16,933 of lease expense during the three months April 30, 2023 (April 30, 2022 – \$4,889).

**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 three months ended April 30, 2023.

**Quest TechPharma Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three Months Ended April 30, 2023 and 2022**  
Expressed in Canadian Dollars except otherwise noted

---

**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>April 30, 2023</b>	<b>April 30, 2022</b>
	#	#
Weighted average share	169,129,247	168,381,747
	\$	\$
Net loss	(5,172,342)	(1,048,204)
Basic and diluted loss per share	(0.03)	(0.01)

**NOTE 15 – SUBSEQUENT EVENTS**

The Company's management has evaluated subsequent events up to June 29, 2023, the date the condensed interim consolidated financial statements were issued and determined the following events to report:

On June 9, 2023, the Company issued 3,700,000 stock options to multiple officers and consultants of the Company with an exercise price of \$0.10 and will expire on June 9, 2028.

As mentioned in Note 1, 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 (\$83,855,000) in cash and 64.6 billion KRW (\$69,897,200) in bonds of Canaria Bio M (K-OTC – 118970) ("CABM"). The cash is receivable in 3 tranches (end of May 2023 – 21.6 billion KRW (\$23,371,200), end of December 2023 – 25.9 billion KRW (\$28,023,800) and end of June 2024 – 30.0 billion KRW (\$32,460,000)). 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 and a revised payment schedule has not been provided but management anticipates it to be fully collectable.